

Book Review: How to Invest in Gold and Silver: A Complete Guide with a Focus on Mining Stocks

This is a to-the-point business book. It presents a strong case for investing in precious metals. In my mind the major questions are:

1. Which metal? Gold, Silver, or other more rare metals such as platinum, palladium or rhodium.
2. Should the investment be in the metal itself or in miners?
3. If investing purely in the metal, should it be in your possession, allocated physical metal stored in a warehouse, in an exchange traded fund, or merely a receipt – "paper gold."
4. If investing in miners, should it be via ETFs or individual stock? Major producers or smaller?
5. If investing in individual companies, how do you choose them?

This book does a good job of answering each of these questions. A related question, not addressed in the book, is

6. Metals or cryptocurrency?

Just as it makes sense to choose some combination of the first five investing options, so does including #6. Crypto has a different set of strengths and weaknesses, both in terms of protection and appreciation potential. My favorite among the great many evangelists telling you the what and why about Bitcoin is Doug Casey. Here are links to articles entitled [Five Common Bitcoin Misconceptions Debunked](#), which follows his recent [Top 10 Bitcoin Misconceptions Debunked](#).

Background information on gold itself is available from this outstanding series of videos.

[Ore Deposits 101 Part 1 - Introduction](#)

[Ore Deposits 101 Part 2 – Layered Complexes, Kimberlites](#)

[Ore Deposits 101 Part 3 – Porphyries, Skarns and IOCG](#)

[Ore Deposits 101 Part 4 – Mesothermal and Greenstone Lode Gold](#)

[Ore Deposits 101 Part 5 – Epithermal Deposits](#)

[Ore Deposits 101 Part 6 – Carlin Deposits](#)

[Ore Deposits 101 Part 7 – VMS and Sedex](#)

[Ore Deposits 101 Part 8 – Witwatersrand Gold](#)

[Ore Deposits 101 Part 9 - Uranium](#)

[Ore Deposits 101 Part 10 – Exploration Process](#)

[Ore Deposits 101 - 11 Mineral Reserves, Resources and Estimation](#)

I have organized this review following the table of contents, with chapter titles in bold.

Why Invest in Silver?

Silver is a sort-of bank metal. It was widely used in the past for coinage. It has unique electrical and medical qualities, making it, so Durrett claims, the second most versatile commodity in the world after petroleum.

It is scarce. Per Durrett's table, reproduced here, mine production has been stagnant and industrial demand has been growing. Investment demand, notably through ETFs, has gone up and down but is trending up. The above-ground supply silver, about 5 billion ounces, is worth about \$150 billion. Compare that with \$8 trillion for gold coins and bullion at May 2024 prices. Annual production and consumption are about 20% of the above-ground total, whereas the amount of gold grows only by a couple of percent per year.

A lot of silver is committed in the form of "paper silver", redeemable certificates not backed up by silver in storage; by options contracts and by other promises of one sort and another. If a crunch comes there will not be enough to satisfy all the demand, and prices are likely to move up quickly. A look back to the 60s shows two times when the nominal price of silver exceeds today's \$30. In the past the ratio of gold to silver has been around 20:1. Today it is 75:1. Durrett's bottom-line argument is that silver is underpriced relative to gold. Many factors could cause it to move quickly.

This reviewer adds, it is the only metal priced in the sweet spot for coinage. Copper, nickel and aluminum are too cheap. Gold is too expensive, and platinum is both too expensive and not abundant enough. If there is a return to the gold standard, it is likely that there will be a role for silver as well. Here is [this reviewer's concept](#) of the role silver might play in a world of central bank digital currencies.

Million ounces	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022F
SUPPLY											
Mine Production	795.7	845.3	882.1	896.9	900.0	863.7	850.2	835.9	781.1	822.6	843.2
Recycling	208.7	180.3	161.3	147.3	145.9	147.2	148.6	147.7	162.2	173.0	180.5
Net Hedging Supply		-	10.7	2.2			-	15.2	8.5	-	5.0
Net Official Sector Sales	3.6	1.7	1.2	1.1	1.1	1.0	1.2	1.0	1.2	1.5	1.5
Total Supply	1,008.0	1,027.3	1,055.3	1,047.4	1,046.9	1,011.9	1,000.0	999.8	953.0	997.2	1,030.3
DEMAND											
Total industrial	445.2	449.6	438.9	441.1	475.3	503.6	499.6	498.1	484.9	508.2	539.6
Electrical & Electronics	270.9	275.4	269.8	272.3	308.9	330.1	321.4	316.6	304.1	330.0	353.3
...of which photovoltaic	55.0	50.5	48.4	54.1	83.7	101.8	92.5	98.7	101.0	113.7	127.0
Brazing Alloys	51.1	52.4	51.0	48.8	46.9	48.7	49.8	50.3	44.9	47.7	49.2
Other Industrial	123.2	121.8	118.0	119.9	119.5	124.8	128.4	131.1	115.9	130.5	137.1
Photography	52.5	45.8	43.6	41.2	37.8	35.1	33.8	32.7	27.8	28.7	28.4
Jewellery	159.2	186.9	192.9	201.7	188.4	195.2	201.9	200.3	149.8	181.4	201.8
Silverware	40.7	46.5	53.6	57.9	53.9	59.6	67.6	62.1	32.4	42.7	52.7
Bar & Coin Demand	240.7	300.6	283.1	310.4	212.0	155.7	165.2	186.8	205.0	278.7	279.2
Net Hedging Demand	40.4	29.3		-	12.0	2.1	7.7		-	9.4	
Total Demand	978.8	1,058.7	1,012.0	1,052.3	979.4	951.3	975.7	980.0	880.0	1,049.0	1,101.8
Market Balance	29.2	-31.4	43.2	-5.0	67.5	60.6	24.3	19.8	73.0	-51.8	-71.5
Net Investment in ETPs	53.6	4.7	-0.3	-17.1	53.9	7.2	-21.4	83.3	331.1	64.9	25.0
Market Balance less ETPs	-24.4	-36.2	43.5	12.1	13.6	53.5	45.7	-63.4	-258.1	-116.7	-96.5
Silver Price (US\$/oz, London price)	31.15	23.79	19.08	15.68	17.14	17.05	15.71	16.21	20.55	25.14	23.90

Why Invest in Gold?

Gold is a simple call. Gold has always been the ultimate store of value. As the book says, an ounce of gold has bought a good suit of clothes throughout history. A person who owns 10,000 ounces has been rich at any time in history.

Gold in hand has no counterparty risk. Its value does not depend on government or anything else. There are always risks. Gold stored at home is vulnerable to theft. Gold stored in vaults, whether in your home country or another, has some counterparty risk. There is also the question of whether you can get it if the balloon goes up. Gold ETFs depend on the gold being there. There are audits, yes, but can you trust them? On the riskier end of things there is unbacked paper gold, options and such. These are the next three chapter titles:

- Physical Metal: Bullion and Coins
- ETF's (Exchange Traded Funds)
- Options

On the other hand, per Durrett, the upside potential of physical gold is limited. He wrote that he would start to sell at \$2500. It is almost there.

Mining Companies: Majors

Durrett's focus on mining companies is silver more than gold. Silver offers more upside potential. There are few pure silver plays among miners – for most, silver is a byproduct of base metal mining. While he provides tables of mining companies for the reader to investigate, in his opinion buying ETFs of the major miners is a very reasonable option. The people running the ETFs do a pretty good job of evaluating them. The ETF fees, usually a fraction of a percent, are worth paying, especially in a bull market.

The considerations are similar for smaller companies. He has chapters on smaller operations entitled:

- Mining Companies: Mid Tier Producers
- Mining Companies: Juniors

Since the smaller companies are the ones that will be less well researched and have the most volatility, they are the ones he has focused on in his own portfolio. As he stresses, it is a question of the balance among the amount of research a person is willing to do, the kinds of returns he is seeking and the risk he can bear. Durrett will do quite a bit of research and accept risk to shoot for five-fold returns. He tells you how. Here is a pyramid showing his assessment of relative risk.



The last chapters are recaps, systematically summarizing his observations into checklists for the diligent reader.

- How to Make Money
- How to Value Mining Stocks

The companies don't change much. Here is his Substack ranking of silver miners from 2024. All except the bolded names are included in a similar table from this 2022 book.

Name	Symbol	Ranking	(USD)	Category	Shares (FD)	MCap (FD)	(M)	Cash	Cost Per oz.	(Prod/Yr)
SilverCrest Metals Inc	TSE:SIL	1	\$9.32	Mid-tierProducer	151,685,388	\$1,413,099,905	\$0	\$79,347,568	\$18	10,000,000
Hcla Mining Company	NYSE:HL	2	\$6.10	Emerging Major	624,000,000	\$3,806,400,000	\$604	\$101,000,000	\$19	16,000,000
Pan American Silver Corp	NYSE:PAAS	3	\$21.74	Major	374,000,000	\$8,130,760,000	\$806	\$331,000,000	\$23	22,000,000
Coeur Mining Inc	NYSE:CDE	4	\$5.88	Mid-tier Producer	401,000,000	\$2,357,880,000	\$585	\$67,000,000	\$25	12,000,000
Endeavour Silver Corp	NYSE:EXX	5	\$3.87	Mid-tier Producer	252,000,000	\$975,240,000	\$134	\$41,000,000	\$26	5,500,000
MAG Silver Corp	TSE:MAG	6	\$14.06	Mid-tier Producer	105,132,109	\$1,477,611,334	\$0	\$59,000,000	\$15	8,000,000
Avino Silver & Gold Mines Ltd	TSE:ASM	7	\$1.01	Mid-tierProducer	142,585,205	\$143,517,513	\$0	\$1,800,000	\$25	2,500,000
Fresnillo Plc	LON:FRES	8	\$7.82	Major	736,893,589	\$5,764,883,371	\$861	\$534,000,000	\$23	60,000,000
First Majestic Silver Corp	NYSE:AG	9	\$7.94	Emerging Major	301,000,000	\$2,389,940,000	\$192	\$235,000,000	\$26	22,000,000
Adriatic Metals	ASX:ADT	10	\$3.07	Mid-tier Producer	307,000,000	\$943,552,220	\$114	\$50,219,935	\$12	15,000,000
Hochschild Mining Plc	LON:HOC	11	\$2.10	Mid-tierProducer	518,000,000	\$1,089,763,787	\$350	\$94,000,000	\$24	5,000,000
Aya Gold & Silver Inc	TSE:AYA	12	\$11.37	Junior: Emerging Mid-ti	137,000,000	\$1,558,121,752	\$101	\$112,409,055	\$19	3,000,000
Gogold Resources	TSE:GGD	13	\$1.21	Junior: Emerging Mid-ti	342,000,000	\$414,591,045	\$0	\$99,000,000	\$20	2,000,000
Silvercorp Metals Inc	TSE:SVM	14	\$3.94	Mid-tier Producer	180,000,000	\$708,838,278	\$0	\$203,000,000	\$17	7,000,000
Gatos Silver Inc	TSE:GATO	15	\$11.88	Mid-tier Producer	72,000,000	\$855,368,788	\$0	\$55,102,478	\$15	6,000,000
Guantanamo Silver	CVE:GSVR	16	\$0.17	Junior: Emerging Mid-ti	573,000,000	\$98,930,989	\$6	\$5,877,598	\$26	4,000,000
Silver X Mining	CVE:AGX	17	\$0.21	Junior: Emerging Mid-ti	234,000,000	\$48,137,525	\$1	\$1,469,399	\$25	1,400,000
Impact Silver Corp	CVE:IPT	18	\$0.23	Junior: Small Producer	288,000,000	\$65,593,990	\$0	\$8,816,396	\$25	1,000,000
Americas Gold & Silver Corp	TSE:USA	19	\$0.30	Mid-tier Producer	268,000,000	\$80,728,804	\$42	\$2,000,000	\$24	2,500,000
Santa Cruz Silver Mining Ltd	CVE:SCZ	20	\$0.29	Mid-tier Producer	475,000,000	\$137,848,033	\$177	\$7,000,000	\$26	8,000,000
Andean Precious Metals Corp	CVE:APM	21	\$0.66	Mid-tierProducer	154,000,000	\$101,829,379	\$51	\$71,265,672	\$25	5,000,000

All in all, a very useful guide to investment. For those who feel as Durrett does that the world financial system is teetering on the edge of collapse, that the stock markets are significantly overpriced, this is a good guide to contrarian investing.