Juniors to Giants:

The Complete Guide to Mining Stocks

TSI Network

FREE REPORT

Juniors to Giants: The Complete Guide to Mining Stocks (August 2025)

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What are mining stocks?

Mining stocks are investments in companies that produce or explore for minerals. Some of these minerals include uranium, coal, molybdenum (which is used in steelmaking), copper, silver and gold. They are affected by fluctuating commodity prices in addition to their own business and operating risks.

Mining stocks can be strong performers when commodity prices move up. Mining is also a big part of the global economy: mining companies provide the raw materials that are needed to manufacture countless products from cars to cell phones, and to build energy, communication and other infrastructure.

However, due to the volatility of these stocks, we recommend that they only form a modest part of a well-balanced portfolio. For most investors, we recommend that resource stocks, including oil and gas and mining, should make up 10% to 20% of your portfolio, or for very aggressive investors up to 30%.

Mining stocks include both producing companies and earlier-stage junior miners, which are either exploring for minerals, or trying to develop a mine on their own or with a partner. Junior mining stocks are smaller companies that typically take on riskier mining exploration. These are some of the riskiest stocks you can buy. These companies are trying to find mineral deposits that can be mined at a profit and such finds are exceedingly rare. Because of the risk, it's even more important to look for investment quality in penny mines. However, if a junior miner is successful at finding and mining a deposit, it can mean huge returns for investors.

How mining stocks are different

Compared to other sectors, resource stocks are particularly risky because their performance depends on the price of the commodity they produce. Unlike consumer stocks, mining companies can't boost demand through marketing. But that's not the only unique risk they face.

Every day a mine is in production, its assets are being depleted. That means the owner is always looking to replace those resources, either through exploration, or by buying other properties or companies. It's not uncommon for mining companies to overpay for assets, especially in times of high commodities prices, or if there are few high-quality assets to purchase.

In addition, with each new mine they open, companies often need to build expensive new infrastructure. That can include processing plants and other mine facilities, as well as roads and even power lines and power plants if the mine is remote. The need to raise money to build those new assets increases the risk of share dilution for existing investors. This is especially true for mining exploration and development-stage companies. However, it can also apply to producing companies, which may have cash flow from several existing mines, but usually raise funds for new projects through a combination of debt, issuing new shares, and cash flow.

Another common risk faced by mining companies that operate internationally is political risk. Mining companies that operate in politically unstable countries or regions that don't have an established mining industry face a greater risk of having their assets expropriated. Less dramatic, but potentially just as damaging, governments can change tax rules on companies once the mine has already been built—making it less profitable or even unprofitable.

The unique rewards of resource investing

Notably, resource stocks—both oil and gas and mining stocks—have a history of rising along with long-term inflationary trends. This gives them a rare ability: they play a crucial role in your portfolio as a hedge against inflation.

Back in the inflationary 1970s and 1980s, investors used to see this hedge-against-inflation ability as the main reason for buying resource stocks.

Our view is that governments around the world are moving to bring inflation down. But it’s also possible inflation could stay elevated for some time or perhaps move higher again. That’s why we think it would be a mistake to drop resource stocks from your portfolio altogether.

The development cycle of a mining project

Whether you are investing in established companies with multiple producing mines or juniors with early-stage assets, it's useful to know how a mining project advances from exploration to production. Each asset will go through the same steps, more or less, regardless of whether it is being advanced by a junior or a major company.

Exploration: When a mining company finds an anomaly in an area with the right geology, it will test the anomaly by drilling. Individual drill hole results mean little—they do not indicate an economic deposit, no matter how impressive the grade. But if the results are similar to those of producing mines with the same geology, they can indicate potential.

Defining a resource: With a lot more drilling, companies can move from exploration drilling to resource definition drilling. There are different levels of resource estimates: inferred resources are based on widely spaced drilling and there is a lower level of confidence about the tonnage and grade. Indicated resources are based on more tightly spaced drilling, while measured resources have the greatest level of confidence. The more holes a company drills and the more closely spaced together they are, the greater the confidence in the resource.

Economic studies: Even if there's a great deal of confidence in a resource, however, it doesn't mean that it can be mined at a profit. In order to show that a resource is economic, companies will conduct economic studies. The lowest-confidence study is a preliminary economic assessment, which can be based on inferred resources alone. There is more certainty with a prefeasibility or feasibility study, but they are also more expensive to undertake.

A feasibility study is usually required by financing institutions in order to loan a mining company money to build a mine. It involves conducting engineering studies, economic analyses based on realistic metals price projections, and processing tests to demonstrate that the resource can be recovered economically. When a feasibility study is produced, resources are upgraded to proven and probable reserves.

Feasibility studies are not always accurate projections. For example, most mining projects built over the past decade cost more than predicted in a feasibility study. Many mines also operate at higher costs than originally projected. However, the existence of a positive feasibility study does show that geology, technical considerations such as mineral recoveries, mining costs, capital costs, engineering considerations and potential environmental impacts have all been looked at carefully at a high level.

Such studies are expensive, but there is great risk in advancing a project without one. For example, junior miner Rubicon Minerals decided to build an underground gold mine in Ontario based on a preliminary economic assessment. It raised more than $700 million from investors to develop the project before announcing that the geology at its Phoenix project was more complex than it had realized. It then acknowledged that the deposit was uneconomic to mine. It also downgraded its resources, with both inferred and indicated gold ounces falling by more than 85%. Needless to say, Rubicon's shares lost most of their value.

Quality and diversification: The keys to lower-risk profits in mining stocks

We recommend that you manage your risk in the volatile resource sector by investing mainly in stocks of profitable, well-established mining companies with high-quality reserves. For that matter, resource stocks (and this includes oil and gas, of course) as we said earlier should make up only a limited portion of your portfolio—say less than 20% for a conservative investor or as much as 30% for an aggressive investor.

No matter what type of mining stocks, or other stocks you invest in, we recommend following our three-part Successful Investor strategy:

1. Invest mainly in well-established, mostly dividend-paying companies;

2. Spread your money out across most if not all of the five main economic sectors (Manufacturing & Industry; Resources & Commodities; Consumer; Finance; and Utilities); and

3. Downplay or avoid stocks in the broker/media limelight.

How to pick quality mining stocks

The resource sector is subject to wide and unpredictable swings in the prices it gets for its products. In the rising phase of the business cycle, when business is booming, resource demand expands faster than resource supply, so resource prices shoot up. This balloons profits at resource companies. When the economy slumps, resource prices fall, and this drags down resource profits and stock prices.

In many ways, quality mining stocks can be easier to spot during a downturn. Mining companies grow during booms by acquiring new projects – sometimes at any cost. As a result, they struggle when the boom ends with high debt levels and little cash. Many also have to write down the value of those projects.

In contrast, companies that have cash during low cycles also have the flexibility to buy producing or advanced projects at a bargain from distressed companies.

Mineral producers also adjust to declines in resource prices by lowering their costs in order to maintain cash flow. The share prices of companies that successfully cut their costs react very positively to upticks in commodity prices.

7 tips to spot mining stocks with strong potential

Here are 7 guidelines we use to pick mining stocks to recommend in our investment services and newsletters, including *Power Growth Investor*, our newsletter for aggressive investing, which covers a number of high-quality mining stocks. We're sure they can help you find the gems in this fast-changing industry:

1. To profit in mining stocks, you should look for well-financed companies with no immediate need to sell shares, since that would dilute existing investors' interests.

2. High-quality mining stocks should have strong balance sheets with low debt. Junior mining companies should have a major partner who can finance a mine to production.

3. Another key ingredient is an experienced management team with a proven ability to develop and finance a mine.

4. We think you should avoid penny mining stocks that trade "over the counter," where such things as regulatory reporting are lax and the market for buying and selling is usually thin. Legitimate companies worth your investment are seeking to leave the over-the-counter market as soon as possible.

5. We also recommend avoiding stocks that are trading at unsustainably high prices as a result of broker hype or investor mania.

6. Compare the market caps of the stocks with the estimated value of their assets or future earnings streams. Some need to quickly find a mineral deposit and begin production to justify the current share price and avoid collapse.

7. Above all, you should automatically rule out investing in companies that promote themselves too aggressively or do so misleadingly. Success is more likely if the managers focus on finding or developing a mine, rather than touting their stock.

Why gold is subject to big booms—and busts

Unlike stocks which represent a share in a profit-seeking enterprise, gold is a commodity, and a highly specialized one at that.

For one thing, gold is the only commodity that rarely if ever gets permanently lost or consumed. This means that virtually every ounce of the metal that has ever been produced may one day come back on the market. That's why it's a mistake to try to predict gold prices by comparing estimates of supply and demand for the coming year, as you do to analyze, for instance, wheat prices.

Gold mining production, however, is somewhat predictable, like the production of any commodity. It varies with costs and prices. But gold demand depends in large part on investor psychology. Investors may buy or sell gold, depending on how they feel about the outlook for inflation and the economy.

Practical matters can also influence gold buying and selling. When interest rates are at low levels, investors don't miss out on much interest income if they hold gold. But when interest rates move up, some investors may sell their gold and use the proceeds to buy interest-paying securities.

Because it depends so heavily on investor psychology, gold can go through huge speculative booms and busts. In times of political and economic uncertainty, the popularity of gold as an investment—or as a "safe harbour"—rises. That's certainly been the case in recent years: gold broke through the $1,000 U.S. barrier in 2009, hit $1,950 per ounce in 2011, and is now trading at all-time highs.

Gold feeds on economic uncertainty

Factors that are fueling gold's rise include investor concerns about high debt levels in the U.S. and Europe. Investors are also concerned about the pace of the global economic recovery and stock market volatility. As well, periodic bouts of political turmoil, like those we see in the Middle East and Ukraine, can push gold prices higher.

These fears prompt more investors to buy gold and gold investments, because they believe gold will provide them with additional security.

Aside from economic uncertainty, another factor that could push gold up in the coming years is its limited supply. **Barrick Mining**, the world's second-largest gold-mining company, has said that global gold production has been falling by roughly one million ounces a year since 2000. If that trend continues, and demand rises, it could put upward pressure on gold prices.

How to own gold: Six Strategies

There are a number of different ways to own gold: You can buy gold directly in the form of gold bullion and gold coins. Or, you can hold gold indirectly, through investment vehicles like stocks, derivatives, futures, structured products and certificates.

Strategy #1: Tap into gold profits through gold stocks — not bullion or coins

If you want to speculate on a rise in gold prices, you are better off to do so by buying some of the junior golds we recommend in *Power Growth Investor*. But do so only as part of a diversified portfolio that follows our three-part Successful Investor approach.

We recommend investing in gold through gold-mining stocks, rather than buying gold bullion, gold coins, or certificates representing an interest in bullion.

That's because these investments have hidden costs that dramatically cut their value over time. For instance, gold bullion and coins require insurance and storage, which will be a continual drain on your cash.

Gold-mining stocks, on the other hand, let you profit from increases in the price of gold without these onerous costs. And unlike bullion and coins, dividend-paying gold stocks have the potential to generate income.

We feel the best way to profit from investing in gold stocks is to look for companies with sound production, positive cash flow and strong prospects. Newmont Corp., a stock we recommend in our *Wall Street Stock Forecaster* and *Canadian Wealth Advisor* newsletters, provides an excellent example.

Strategy #2: Take a conservative approach to gold investing

Conservative investors should be very careful when choosing gold investments. That's because gold has a particularly strong grip on some investors' imaginations, so they tend to bid up gold-stock prices out of proportion to how much profit these companies can make from gold mining.

As mentioned, we feel that the best way to cut your risk in gold stocks is to stick with high-quality companies. Stocks like **Newmont Corp.** (symbol NEM on New York), our top choice in gold stocks.

Newmont is one of the world's largest gold-mining companies. Its mines should be productive for decades, and its costs are coming down. As well, most of its production is in politically stable areas, like North America and Australia.

Gold accounts for about 90% of Newmont's revenue. The remaining 10% comes from copper, silver, zinc and other metals.

Newmont has now completed its plan to sell several of its less important mines and smaller projects. That includes the 2024 sale of several properties in Australia, including the Telfer (100% owned) and Havieron (70% owned) gold-copper mines, for proceeds of $475 million. In March 2025, Newmont completed the sale of three more of non-core properties: the Musselwhite and Éléonore operations in Canada and the Cripple Creek & Victor operation in Colorado. The total proceeds for those mines were $1.7 billion.

And finally, in April 2025, Newmont completed the sale of its Akyem gold mine in Ghana and the Porcupine mine in Ontario for a total of $850 million. With the sales of those two developments, the company has now completed the divestiture program it announced in February 2024.

In all, Newmont received $4.3 billion (including contingent payments) from these asset sales. It will now focus on its 10 top-tier mines in North America, South America, Australia, Papua New Guinea and Ghana.

Newmont's shares have soared a whopping 128% for our subscribers since the start of 2025. Still, we think they can go higher. The stock trades at 19.5 times the $4.34 a share that the company is forecast to earn this year. The shares yield 1.2%.

Strategy #3: Use extra caution when picking "junior golds"

All gold investments, even high-quality gold-mining stocks like Newmont, are speculative in nature. That's why you should limit them to no more than a small part of your portfolio—this is especially true of more volatile junior gold-mining stocks.

Junior golds range from companies that are currently producing gold and have strong potential to expand their reserves all the way down to the earliest-stage exploration companies.

Gold-mining stocks (especially juniors) face many unique risks. The main risk is that these companies are trying to find gold deposits that can be extracted at a profit, and such finds are rare. That's why it's even more important to look for investment quality in gold stocks, especially if you are investing in junior gold-mining firms.

Strategy #4: Be wary of the difference between prospects and promotion in gold stocks

Share prices of junior gold stocks typically jump when gold prices do. What's most risky for investors is when buoyant gold prices have pushed up interest in even the most speculative juniors—and bring promoters out of the woodwork.

In fact, when the gold price is rising, some juniors change their focus to gold exploration to take advantage of investor interest in any stock with the word "gold" in its press releases.

When you think about investing in a junior gold with nothing but promise, it pays to remember that it's far easier to create an intriguing investment opportunity than a successful exploration program.

Mind you, both tasks take some ingenuity. Both call for an injection of capital and various professional services. However, all businesses start out as investments. But few investments, particularly junior miners, turn into profitable businesses.

Regardless of what happens in the gold market, speculative and promotional gold stocks will make significant gains from time to time on hopes of a gold discovery.

That's always true of any sort of speculative or promotional stocks, but most investors who dabble in them still wind-up losing money. (For more advice on investing in junior mining stocks, turn to Page 17.)

Strategy #5: Stay out of futures trading and structured investments

Gold futures

When gold prices are rising, trading gold futures can look more attractive. However, you can only profit in future-linked deals by out-guessing other futures traders by a wide enough margin to cover commissions and other trading costs. When you dabble in commodity futures, you are betting against professionals who make a full-time occupation of studying these markets, who have better access to information than you do, and pay much lower commissions.

Most futures traders start out with a planned limit on how much they are willing to lose before they quit. In six months or so, most lose that amount, and quit trading.

What's more, because futures traders tend to trade often, a surprisingly large number find that the total brokerage commissions they pay during their trading career is close to the total losses on their commodity investments.

Structured investments

There are various structured products sold by brokers that give you exposure to commodities like gold, while supposedly limiting risk. Most participants will ultimately lose money in these investments, as well. Or they will make a poor return in relation to their risk.

The difference between structured products and gold futures trades is that the losses won't happen so quickly. In addition, more of the money you lose will flow into brokers' fees and commissions, while you'll typically lose less on the commodity investments themselves.

Gold firms have far greater potential—and less risk—than futures and structured products.
We feel that investing on the basis of price changes for commodity investments instead of in commodity stocks is more of a gamble than an investment. These activities don't earn income, but instead consume funds for storage fees, insurance and so on.

As we've mentioned, a far better way to profit from rising gold is by investing in the stocks of gold-mining companies. That way, you benefit from increases in the price of gold, and you give yourself the potential for capital gains and income. You also save on the higher brokerage fees and commissions associated with other types of commodity investments.

Strategy #6: If you want to hold bullion…

Like futures and structured investments, investing in coins or bullion does not generate income. Instead, holding bullion comes with a continuing cash drain for management, insurance and so on.

However, if you want to hold bullion, **SPDR Gold Shares** (symbol GLD on New York) is a relatively low-cost and liquid way to do it. You can buy and sell SPDR Gold Shares through your broker.

SPDR Gold Shares aims to reflect the performance of the price of gold bullion, less expenses. Its sole assets are gold bullion, and, from time to time, cash. The fund's expenses are 0.40% of assets per year. SPDR Gold Shares are okay to hold for investors who want to hold gold bullion.

How to hold bullion in your RRSP

Since 2005, Canadians have been allowed to hold investment-grade gold and silver coins, as well as gold or silver bullion bars, in a registered retirement savings plan (RRSP).

Only legal-tender coins produced by the Royal Canadian Mint are RRSP-eligible, and bullion bars must be produced by a metal refinery that is accredited by the London Bullion Market Association. You can also buy bullion bars from the Bank of Nova Scotia.

However, to hold the coins or bullion bars in your RRSP you need to find a third-party custodian of your coins or bars who will verify that you indeed hold the amount of bullion claimed, and report that to the Canada Revenue Agency on your behalf.

Questrade, a Canadian online discount broker, introduced its "Gold RRSP" in January 2006. This investment meets all of the Canada Revenue Agency's specifications and makes it practical to hold coins or bullion bars in your RRSP.

Industrial uses set copper apart from precious metals

Traditionally, investors have bought copper as a way to profit from general economic growth. That's because, unlike gold and silver, which are thought of more as hedges against inflation, copper has a wide range of industrial uses.

Copper prices do tend to rise with inflation. But copper has the added advantage that its price also rises with industrial demand.

Moreover, stocks that produce oil and base metals, including copper, generally have higher dividend yields than gold stocks. As well, they're usually much cheaper than gold stocks in relation to their earnings and cash flow. That means they have less room to fall if investors sour on them. That's just another way of saying they are less risky than golds.

After dropping to as low as $2.17 U.S. per pound in mid-March 2020, copper rose steadily to a record price of $5.02 on March 6, 2022. Fears of supply chain disruptions and historically low stockpiles amid rising copper demand drove prices higher.

However, copper prices then dropped—before climbing to a record price of $5.96 a pound in July 2025. Prices then fell sharply to $4.49. That's due to concerns that high interest rates will continue to slow global economies. As well, investors worry about the pace of China's economic recovery.

Copper's long-term prospects are bright—but use caution

Over the long-term, copper should benefit from rising demand and tightening supply.

Ore grades are falling at many major mines around the world as producers use up the easy-to-mine ore zones in their copper deposits. Environmental issues are also making it harder for companies to acquire permits for new mines.

Higher prices will, of course, boost exploration efforts to discover new mines. They will also lead mining companies to re-evaluate copper deposits they had previously dismissed as too low-grade to mine when prices were lower. Within existing mines, parts of a deposit that formerly seemed like waste rock can become profitable at higher prices.

The combination of rising demand and uncertain supply will likely push copper prices higher over the long term. At the same time, as economies expand, it will push up demand—and that includes demand from segments such as electric vehicles (EVs) and green-energy related operations.

The best way to profit from that is to invest directly or indirectly in copper stocks.

As with gold stocks, we recommend that you stay out of promotional penny mines that are merely drilling for copper. Also stay out of investment vehicles (like options or futures) that will only make money for you if copper prices rise in the short term.

Uranium: Positive long-term outlook, but keep the risks in mind

Uranium stocks pose a unique challenge for investors who are looking to diversify their natural resource holdings. Apart from supply and demand issues that affect the price of uranium, the metal's use in nuclear power plants makes it a controversial energy source.

Anti-nuclear sentiment remains high following the March 2011 earthquake and tsunami that led to a release of radiation at the nuclear plant in Fukushima, Japan. This sentiment curtailed plans for some new nuclear plants. However, U.S. regulators are moving toward a less stringent limit on radiation risk, which could eventually revive nuclear plant construction and uranium demand.

Uranium prices declined in the wake of the Fukushima disaster. That's because investors feared that the spread of radiation from the Fukushima nuclear power plant would hurt the long-term prospects for nuclear power and uranium fuel.

The Fukushima disaster reduced uranium demand as Japan shut down all of its 54 nuclear reactors. However, the country has been slowly restarting its reactors.

Even with the drop in demand from Japan, long-term demand for nuclear power should continue to rise. That's because emerging countries, including India and China, continue to be the biggest source of new demand for nuclear power.

Notably, uranium prices hit a 16-year high in January 2024 of $106 U.S. a pound. They have retreated somewhat since then—but the long-term outlook remains strong.

In China, increased nuclear power has pushed up uranium imports to as much as three times 2009 levels. In addition, China has raised its nuclear-power targets for the next decade by 100%, to 10% of power generation in the country by the end of 2025. In fact, led by China and India, there are about 90 new reactors forecast to be built worldwide by 2040.

That's because nuclear power continues to have many advantages over generating power using fossil fuels like oil and coal. For example, many workers are killed in coal-mining accidents every year (particularly in China). What's more, unlike nuclear power, burning coal and oil to produce electricity results in the emission of harmful pollutants.

How to choose uranium stocks

While these factors look promising, investing in uranium stocks does entail some unique risks. Here are some of the factors you need to assess for any uranium stock you consider buying.

Cost of exploration and mining:

There is a long lead time from exploration and discovery to production. When we're researching a uranium mining stock, we look for ones that operate in an area with geology that is similar to that of nearby producing mines. This includes the Athabasca Basin in Saskatchewan where Cameco (symbol CCO on Toronto) has large, high-grade reserves, low-cost operations, significant market share and many mines. Cameco is the world's largest uranium producer.

Location of the mine:

The most politically stable countries for uranium production are Canada and the U.S.

Several other countries have significant uranium resources, like Niger, Namibia, Ukraine, Uzbekistan and Mongolia. However, we generally stay away from mining companies that operate in insecure and politically unstable regions like these. When looking at uranium stocks, we also avoid those in countries with little respect for property rights and the rule of law, such as Russia or Mongolia.

Mining is particularly vulnerable to political instability. You can't move the mine to another country, and local citizens may sometimes get the impression that a foreign mining company is robbing them of their birthright, even though the foreign company's capital and expertise would appear to be the best way to get any value out of the ground.

Environmental constraints of mining uranium:

Uranium by its very nature is radioactive. This increases the environmental constraints that will come into play when mining this metal.

Strong fundamentals:

We like to see strong fundamentals in the uranium mining stocks we recommend. We look for low debt, because debt can be a problem for any mining company. When we recommend uranium mining stocks, we want to see positive cash flow, preferably even when uranium prices are low.

Even better, we like to see mining companies that have cash flow from an existing mine that is sufficient for, or at least contributes to, the cost of developing a second mine. Lastly, we look for uranium stocks that have an experienced management team. We like to see teams that have a history of mine development and have financed similar projects in the past.

To lower your risk, we continue to recommend that uranium stocks make up only a limited portion of your portfolio's resource segment. The demand for uranium will increase but it takes a keen investment eye to find the most profitable uranium stocks to invest in.

Graphite: High-tech uses could propel select junior mining stocks

Graphite is one of two naturally occurring crystalline forms of carbon (the other is diamond). Graphite is a soft, greyish-black mineral with a metallic sheen. A graphite crystal is made up of loosely stacked one-atom-thick layers, much like a deck of cards. These layers can slide around, which makes graphite a good lubricant.

Graphite is also an excellent conductor of heat and electricity and is relatively inert, being unaffected by most chemicals. It maintains its properties even at temperatures in excess of 3,500°C.

Many investors are interested in graphite because it is used in the lithium-ion batteries that power electric cars. But it has a number of other profitable uses as well.

When added to steel, graphite increases the metal's carbon content and makes it stronger.
In the automobile industry, graphite is used in gaskets, brake linings and clutch materials. It also has a range of other industrial uses, including in components of electric motors, batteries, lubricants and pencils.

Graphite is increasingly used in flexible heat spreaders in electronic devices, such as smartphones, flat-panel displays, laptops and tablets. For example, Apple's iPhone contains a heat spreader made from an ultra-thin layer of graphite that distributes heat evenly throughout the device and keeps the touch screen cool. Traditionally, aluminum and copper were used for heat spreaders, but graphite is lighter, and it conducts heat better than either of these metals.

Another developing use for graphite is in graphene sheets. Two Manchester University scientists discovered graphene in 2004, and subsequently won the Nobel Prize for physics.

Graphene sheets are so thin that it takes three million of them to make a layer one millimetre thick. It's estimated that a sheet of graphene as thick as cling wrap could hold the weight of an elephant. Graphene also conducts electricity better than copper or aluminum, and can stretch by up to 20% without being damaged. Once it's fully developed, graphene could have many commercial, military and aerospace uses.

China now produces about 77% of the world's graphite. It keeps about 60% of its production for its own use. But junior mining companies are trying to break into the graphite market, by advancing high-grade deposits with the high purity needed for high-tech applications.

This is a new, evolving market, so investors should be highly cautious about investing in graphite companies. Like rare earth element junior mining companies that commanded investor attention in 2010 to 2011, these little-known areas of the mining market are dominated by speculators and can easily develop into bubbles that can quickly burst.

However, there are ways to cut the risk of investing in graphite juniors—or any penny mining stock.

Junior Mining stocks: Investment quality comes first

When we research junior mining stocks to recommend in our investment services and newsletters, we like to see a mine-finding effort that focuses on geological probabilities and doesn’t simply attempt to piggyback on the popularity of areas that are in the limelight because of a recent rich find.

It is sometimes said that a single drill hole has a 1-in-1,000 chance of turning up an “anomaly,” or a drill result that could be a marker for a mineral deposit. However, the odds against finding a mine on any one anomaly are also about 1,000-to-1. So, the odds that a particular drill hole will lead to the discovery of a valuable deposit are about a million-to-one. That’s why we never recommend juniors that have much or all of their value riding on a single drill hole. Instead, we want to see a series of promising drilling results, along with other encouraging development work.

Buying junior-mining stocks is pure speculation. It can pay off extremely well when it succeeds, of course. But, in addition to the geological odds lined up against success, it’s much easier to launch and promote a junior-mining stock than it is to find a mineable deposit.

That’s why junior mines are so common, even though profitable mines are rare. It’s also why many juniors fail, and why they should make up only a very small part of your portfolio.

As we mentioned in the graphite section above, it's not uncommon for an obscure mineral to gain the attention of brokers, media and investors in the penny stocks sector. This has happened recently with rare earth elements, graphite, and lithium. However, these manias rarely last. With junior mining stocks, it's very easy for speculative stocks with few real assets or very early-stage assets to trade at very high levels only to come crashing down once the crowds move onto the next big thing.

It's best to avoid stocks trading as unsustainably high levels as a result of investor mania or broker hype. Penny stocks are susceptible to extreme highs and lows that can be influenced by such things as a major investor selling their stock (which could easily destabilize the financing of the company) or a positive news report (which, in the case of penny stocks, could send the price soaring, but for all the wrong reasons).

Conclusion

Mining stocks, like their counterparts in oil and gas, are cyclical in nature. Metal prices naturally rise and fall with the progress of the global economy—with the exception of gold, whose price tends to depend much more on investor psychology. This cyclical pattern with mining stock makes them more risky, and may prompt some investors to sell these stocks during economic slowdowns, or even avoid them altogether.

We believe investors should remain invested in mining stocks. For one thing, they have a history of rising with inflation. Thus, they play a crucial role in your portfolio as a hedge against inflation. If inflation remains higher or rises significantly over the coming years, mining stocks would be among the most valuable investments in your portfolio. And when the economy rises, the best mining stocks will at the same time reward investors with substantial gains, and, in many cases, dividends.

Maintaining an investment in resource stocks is an integral part of our fundamental investment approach. Our approach is grounded in our three-part investing program. This approach forms the core of all the advice you get in our newsletters, and on TSI Network.

1. **Invest mainly in well-established, mainly dividend-paying companies.**
   When the market goes into a lengthy downturn, these stocks generally keep paying their dividends, and they are among the first to recover when conditions improve.

2. **Spread your money out across the five main economic sectors (Manufacturing & Industry; Resources & Commodities; Consumer; Finance; and Utilities).**
   This helps you avoid excess exposure to any one segment of the market that is headed for trouble. Diversifying across the five sectors will also dampen your portfolio's volatility in the long term, without the shrinking in its potential that you'd get if you invest significantly in bonds yielding little more than 3%.

3. **Avoid or downplay stocks in the broker/media limelight.**
   That limelight tends to raise investor expectations to excessive levels. When companies fail to live up to expectations, these stocks can plunge. Remember, when expectations are excessive, occasional failure to live up to them is virtually guaranteed, in the long term if not in the short.

These three investing philosophy principles guide us in every portfolio we manage. Using these three value-investing principles will help protect your money during periods of market turbulence, and help you profit when the market rises.

About TSI Network

With over four decades of experience as an advisor, commentator, editor and publisher, Pat McKeough has a long record of determining which stocks are bound to reward investors most.

Over the past two decades he has been the editor and publisher of a growing series of investment newsletters through *TSI Network.* Pat also offers two investment advice services, *Inner Circle* and the advanced *Inner Circle Pro*. Since 1999, he and his team have put his investment approach to work for private clients in his Successful Investor Wealth Management business.

His philosophy is anchored in safety and a balanced portfolio to generate accelerating gains for subscribers and clients. TSI Network now publishes seven newsletters for every kind of investor:

1. The Successful Investor—Pat's flagship advisory continues to be a beacon for Canadian investors seeking growing gains and reduced risk with the best Canadian stocks.

2. Power Growth Investor—If you like the idea of "a conservative approach to aggressive investing", this advisory has Canadian and U.S. stocks with escalating growth potential.

3. Wall Street Stock Forecaster—Your portfolio is much stronger with at least 20% in U.S. stocks—and this special advisory covers the 70 best U.S. stocks for Canadians.

4. Canadian Wealth Advisor—A 'safety-first' advisory offering you the best conservative strategies based on well-established Canadian dividend stocks, ETFs and REITs.

5. TSI Dividend Advisor—In this advisory, our exclusive Dividend Sustainability Ratings® will change the way you look at dividend stocks—and the way you invest in them.

6. Spinoffs &Takeovers—If you'd like "the closest thing to a sure thing in investing," this advisory on spinoffs and other special opportunities is utterly unique.

7. The Best ETFs for Canadian Investors—This ground-breaking publication shows you how to get the best results with ETFs as these investments explode in popularity.

In 2002, Pat founded his ***Inner Circle***, offering investors more personal attention, plus access to his four original publications. Members can ask Pat personal investment questions. They also get his commentaries and answers to questions posed by other Inner Circle Members. In 2017 he launched ***Inner Circle Pro***, an advanced group that receives all seven of his newsletters.

Through ***Successful Investor Wealth Management***, Pat and his team manage assets under management verging on $1 billion and growing. Free of comprising ties to brokerages, with no hidden costs or commissions, the team charts an independent course for clients. For the past 18 years the portfolios they manage for clients have enjoyed an uncommonly high annual average return.

You will find more information on all of these services at www.tsinetwork.ca.

Successful Investor Wealth Management

Pat McKeough offers personal portfolio management advice to a number of individual investors, his Successful Investor Wealth Management clients.

Before becoming our clients, many followed Pat's advice through our investment newsletters. Others were referred to us by satisfied portfolio management clients. All benefit from the fact that this service is free of the conflicts of interest that distort so many other sources of investment advice.

A strong team of experts contribute an enormous amount of time and research to the Successful Investor Wealth Management service. But Pat personally approves every transaction in every portfolio.

If you'd like to know more about this unique portfolio management service, please call **1-888-292-0296**