


Building A Successful Junior Mining Stock Portfolio

Greg McCoach

The Mining Speculator

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- "Mining securities are not the thing for widows and orphans or country clergymen, or unworldly people of any kind to own. But for a businessman, who must take risks in order to make money; who will buy nothing without careful, thorough investigation; and who will not risk more than he is able to lose, there is no other investment in the market today as tempting as mining stock."
 - Charles Dow (founder - Wall Street Journal)

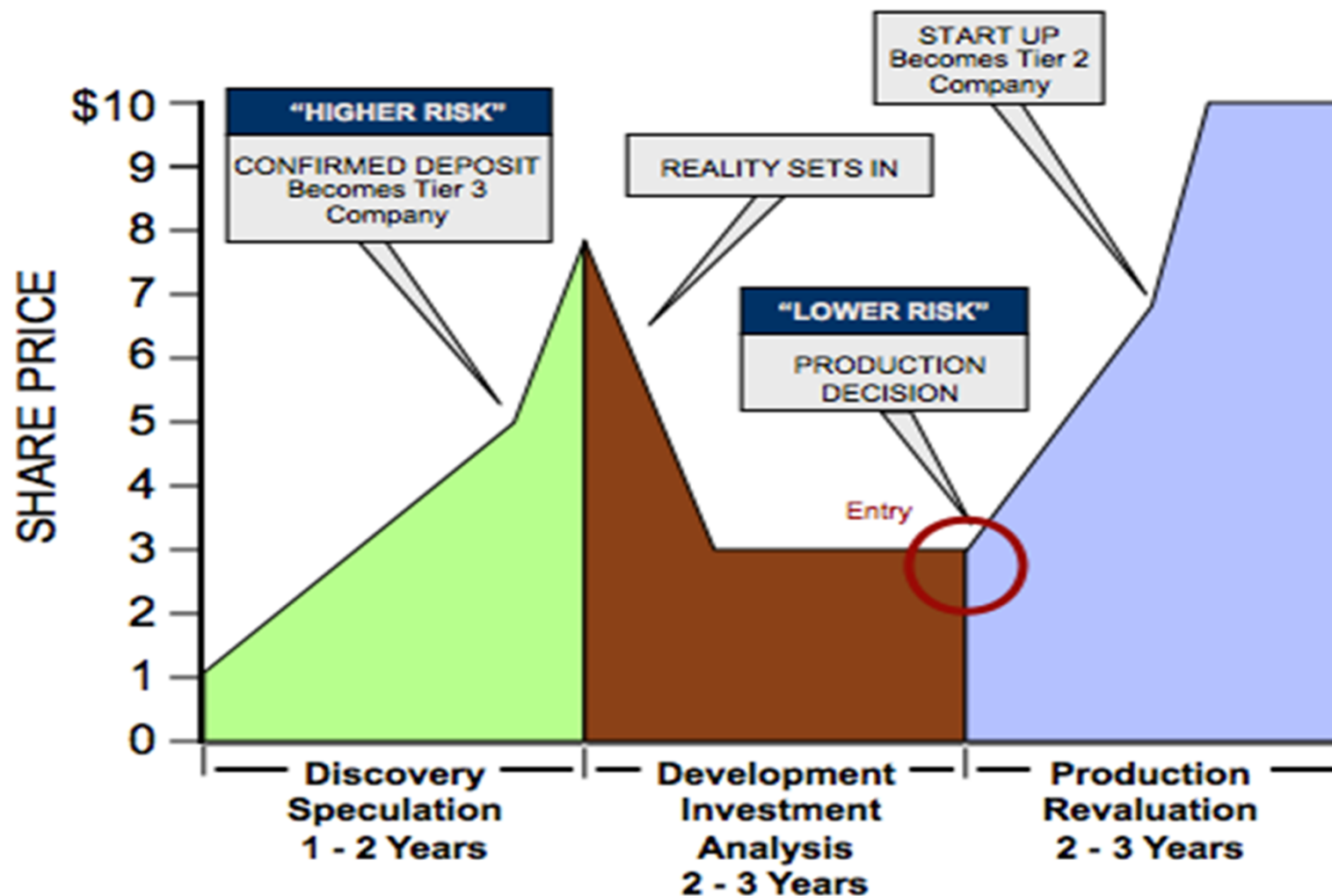
Have A Clear Understanding of What You Are Trying to Achieve


- Exploration companies
- Development companies
- Near-term producers
- Small producers
- Majors
- Royalties and royalty companies


Leverage is the Key

- Trade the juniors – where the value and leverage is.
- Our strategy is to find undervalued mining stocks that can deliver us 10x or better. The juniors offer us the best potential.

Life Cycle of a Mining Share



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- “A slow but steady rise during exploration, as results come in. Then a further ramping of the price as realization sets in that ‘there’s gonna be a mine’
 - Then once that wears off, and during mine construction, the share price recedes, but picks up once the mine is brought into production and results show up in the financials.
 - --Pierre Lassonde’s...description of mine life



How likely is the
mining company able
to get through the
process of becoming a
mine?

The Six M's of Mining Stocks

- Management
- Money
- Market Cap
- Mineral
- Mining Cycle
- Model (Prospect Generator)



Buying Low and Selling High

- Train yourself to buy when the news is bad, not when everything seems to be going well
- Train yourself to sell when the news is good while the crowd is still buying
- Keep your ego out of your buy and sell decisions (**Do you want to be right or do you want to make money?**)
- Avoid buying and selling on emotional fear and greed scenarios

Becoming A Better Gate Keeper

1. Learn to just say “no”
2. Choosey mothers choose JIF – learn to be more discerning
3. Be extremely selective at what you allow into your portfolio
4. Look for reasons why a company **SHOULD NOT** be included or why one company is better than another

Becoming a Better Gate Keeper (cont'd)

5. Does the management team have the kind of background we are looking for?
6. Have they had success at doing what they say they are going to do?
7. Do they have the ability to adequately finance themselves?
8. Does the risk reward ratio offer you a big enough return if things work out?

3 Key Factors in Picking Precious Metals Production Companies

1. Increasing reserves
2. Increasing production
3. Increasing cash flow

Who is there? **But more importantly who is likely to be there at a time of rising precious metals prices?**



Important Factors to Keep in Mind

1. Country Risk
2. Regional Risk
3. Geological Risk
4. Multiple Prospects
5. Metals prices – Is the cycle intact and will it remain intact?
6. Elephant size new deposits
7. Infrastructure and development costs
8. High grade versus low grade – Grade does matter
9. Environmental risk
10. Currency Risk

Becoming A Wise Speculator

1. You must continually educate yourself – Learn all you can about geology, mining, and investing
2. Learn from your mistakes – keep those lessons firmly implanted in your mind
3. Make the hard decisions when it comes to pruning the portfolio
4. Who can potentially bring the biggest gains in the shortest time frame

Quality versus Quantity

- Fewer quality stocks are better than just sheer quantity
- Build your portfolio in sets of 10
- It is very difficult to effectively track larger numbers of stocks – How much time do you have to keep on top of all that is happening with your companies?
- Use a service like STOCKWATCH to effectively track your companies

Taking Profits

- The smartest investors consistently pay themselves back as they get a double or triple on their money – Play with the casino's money! Let the rest ride to see how high it can go with no risk.
- When you get a 10 X or better return make sure you are paying down or paying off debt, building your precious metals stash, and re-loading into other quality junior mining stocks
- You can never lose taking a profit

Value versus Price

- When purchasing mining stocks you want to focus on **value**, not price
- Too many investors buy low priced stocks thinking they are getting a great deal. Maybe they are, maybe they're not depending on whether the company has any value
- You want to combine value with a low priced buying opportunity to get the best results in your portfolio
- Pan American Silver during the meltdown