THE MIKE ALKIN SHOW

TALKING STOCKS OVER A BEER

Announcer: Free and clear of the chatter from Wall Street, you're listening to Talking Stocks Over Beer. Hosted by hedge fund veteran and newsletter writer, Mike Alkin, who helps ordinary investors level the playing field against the pros by bringing you market insights and interviews with corporate executives and institutional investors. Mike sifts through all the noise of mainstream financial media and Wall Street to help you focus on what really matters in the markets. And now here is your host, Mike Alkin.

Mike Alkin: Welcome to the podcast. It is October 8, 2018. I hope you had a good weekend. My weekend was busy. This is probably the time of year where I am just like a kid in a candy store. I mean this, from a sport's perspective, it just doesn't get better. I mean we have college football ramping up, right. You're starting to see how the season's unfolding, and so some surprises and not some surprises. We've got the NFL, right. You're in week five now. You're out of the starting gate. You're starting to see some surprises, right. You see the Browns starting to do okay. And then you've got major league baseball playoffs, so you've got from the late afternoon to late at night you've got baseball. And then you've got NHL dropping the puck opening the beginning of the season.

I mean literally I feel like a kid in the candy store. At nighttime, I mean, I got the clicker going back and forth. I'm watching The Dodger game or then I'm going to watch the Yankee Red Sox game. And then you're flipping over to football. There's college, you got pros. I mean for a sports fan, and then some of you probably hate sports and think I'm nuts, but that to me it just doesn't get better than that, so a really exciting time of year.

On the weekends I have, my daughter's on kick line for the varsity at her high school, so they perform at the half time with a high school football game. So of course, I gotta go watch the high school football game locally, which has won 29 straight games, a couple of state tittle. So, I get to watch that on Saturday afternoon.

My little guy, he's in middle school. He's been playing football for all these years. Although he's out now. He got a concussion during a practice last week, so he's out for a bit. But just a great, great, great time of year. Fall lacrosse for him is kicking in, in a few

weeks. So, as you can tell sports are a big part of our life. We take it in stride. I mean it's fun, but it's enjoyable.

And my Jets won this weekend. They dominated Denver. I mean who knows, right. I've learned to stay on an even keel, but sometimes I get a little excited, but I'm not gonna bring my excitement on the Jets with their two and three start, but decent sports weekend. It was good. I'm Italian. I was raised by my mom's parents who were Italians, and so making spaghetti sauce and meatballs is a big thing on Sundays, and so I made that yesterday for the family. And so, it was a great weekend.

So anyway, I think I talk a lot about Tesla. I've been watching. There's so much going on, right. The volatility is probably unlike anything I've seen in a long time. You don't even know where to begin. There's so much information that comes out your head hurts sometimes following and sorting it out and thinking about. The stock price fall is just unbelievable. So as I think about it, one of the things that I find interesting and it's the whole market. The market itself is, you have this stock that's so polarizing. You have people who are wildly Bullish on it. You have people who are wildly Bearish on it, right. So, some people think it's going to zero. Other people think it's going to $4,000. It's gonna be a trillion dollar company, $4,000 per share, so obviously is that right? Maybe there's a middle ground, maybe there's not.

I think if you've been listening to the podcast, I'm in the camp that, it is Elon Musk is an entrepreneur that was able to sell his vision to a lot of people. He raised a lot of capital. I certainly don't have that skill set on being able to dream up big dreams, come up with companies like he's come up with. He's brought this car to the masses, is that right, in the Model S, the Model X, by all accounts. I've driven them. They're really, really pretty cool gizmos. I think it's a niche provider. I think for me where he made his mistake was trying to bring a car to the masses, and mass produce with his Model 3. From an economic standpoint I don't think it will work for him. I think the base that he got people excited about, the $35,000 car, would be $7,500 credits for the mainstream. I think that's come and gone. I don't think that it will be economical for him. I could be wrong, but that's my view.

I think that he's had to raise so much capital. He's got a significant amount of debt on the balance sheet. I think it's a timing thing for him. I think to get to where he's been his promises have ... The timeline continuously moves out. I get it. People say, hey, when you're trying to change the world, when you're trying to

save the earth things happen and it takes longer than expected. Maybe. I totally get that. Unfortunately when you have financial commitments that have to be paid back that's just the way it works. There will be someone else that can do that, right. His first move or advantage I think has been wiped away as you see all the major behemoths coming out and committing massive amounts of capital to the electric vehicle of business. I am a fan of the electric vehicle. I believe that we'll see a huge ramp up in those.

But one of the things that strikes me about it all is it's the whole financial markets. It's interesting because it makes me think about the stock market. Anyone can invest in the stock market, right. You set up an account. You put money in an account, and you can buy or sell. One of the things over the last couple of years I've really started to pay attention to was Twitter. You've heard me talk about this before if you've listened to the podcast. But, I joined Twitter in 09 and I don't think I ever posted anything, but I just watched it. But, really early in 2017 I started to post, tweet, post. You can tell I'm ancient. I started to talk about it, not Twitter, not Tesla, but I just started to get involved. I was very suspicious of the platform. I didn't know what to think. But over time, going on a few years I have really seen some dramatic, some really incredible quality work.

As an investment professional for decades now there's a few things I know. One is it's hard. Two is I certainly make my share of mistakes. I've been dead wrong on some things in the past. I've been dead right. I've been right more than wrong. But, that's how you have a career and grow your career. But, one of the things that you do learn is how to identify financial analysis. I identified good analysis and bad analysis, and what is real, and what isn't. For me over the years one of the that I've always done, my stock and trade if you will, has been field work, primary research. Gathering a mosaic of information from the different parts of whether it's talking to customers, talking to suppliers, talking to competitors, stuff like that because there's two sides to every story.

You have the company management teams that are out there talking about all of the things that a company's doing with the pluses of what a company does. And then on the flip side of that you might have if you go to the other extreme you have people that are out there poking a hole in it. One of the things that you see is the way you can get walked off a cliff as an investor is by purely putting your trust and faith in everything that a management team says because it is because they're in the business of talking about their business in a positive light. Typically, where you hear about

the bad news is when an earnings release comes out and says, or a pre-announcement and something's bad. So, the way you can defend against that is by going out and doing your own work.

Now obviously people who are not doing this for a living can't, or don't have the time, or may not have the interest, or the inclination to go out and do that, but there are people who do that, right. There's regular investors. There's amateur investors, professionals. Some professionals don't do that work, others do. But, one of the things over the years I have been able to spot is quality work. Like I said, quality research doesn't mean it's reflected in the stock price. There can be a huge disconnect between actual work, actual analysis, and where the stock prices goes because stock price is driven by sentiment. It's driven by results, ultimately. But, between ultimately and sentiment there's a lot that can happen.

One of the things I've noticed in using Twitter, and I do not own Twitter, the stock, is really, and Tesla just magnifies it 10X, is the level and quality of the platform as a crowdsourcing tool. It's fascinating because you have some really, really bright, bright people on both sides of the aisle there. But, when it comes down to companies, and it comes down to visions, and it comes down to how things are going to manifest itself in the stock prices it ultimately comes down to fundamentals. The story works until the story doesn't work, right. Why don't stories work sometimes? They don't work because at the end of the day if it's a big hyperbolic growth story. Well growth has to be there. And with Tesla you'll see the Bulls say that the story is that they have triple digit growth. Yeah well, you don't take revenue growth to the bank. Ultimately that has to translate into profits. For Tesla, it has been, time and again, being pushed to the right.

As I said earlier, you have debt obligations coming to you. If you're not generating that cash flow you have to go out and tap the equities market. I'm not on a rant here to get in the fundamentals of Tesla, which I've done before and people who subscribed to my work have seen my views on that and I'm not gonna share the minutia of that. But, one of the things that I find interesting is there's this term FUD, right. It would come from a Tesla Bull, and it talks about fear, uncertainty, and doubt. It's interesting, right. Every time an argument comes from a Bear a Tesla Bull will respond with that's FUD, right. They're spreading FUD, fear, uncertainty, and doubt.

Let's take what FUD is. What is FUD? When you think about

FUD, and when you take a platform like Twitter, so if I'm a Bull I'm listening to what management is telling me. Let's use it for any company. A really good management team that has a really talented sales person who can pitch a great story about changing the world, about doing something to save humanity, and doing it against David and Goliath ... Okay, let's talk about Tesla. Saving the world, changing humanity, taking on its David verse Goliath, well that's empowering, right. And if you've tested the product, if you've driven the product it's awesome, right. You go from 0 to 60 in nothing. And until you have these millions and millions of fans, a couple of a hundred thousand buyers of the car, right, so it produced a couple hundred thousand of them, so the disconnect between the number of fans, let's say Elon Musk has 23 million on Twitter, follower, and the number of people who have owned the cars is different.

It's like in the Super Bowl when in 1969 the Jets and Joe Namath at the Orange Bowl there were 70,000 people there. But there have been five million people who were at the game because everyone says they were there. But, everyone loves the vehicle, okay, so on, and so forth. I get that, right. It's a powerful story. But when timelines going back years, and years, and years are not met, and they're pushed out, and the story changes, and production numbers and timelines change and aren't met, well I think it's very, very reasonable to question that. One of the beautiful things now that didn't exist for years is this crowdsourced research.

And so, when you think about it when you have people flying drones over distribution points questioning what it is, when you have people digging into filings asking about how many vehicles in a paint shop that can actually be produced, and understanding the permits for that, and people post that out there, or when you have expert financial analysis, and I could go [inaudible 00:15:14], or not talking about the capital structure, and how debt payments work and how debt works, these are investors, none of them may not have their real name out there, but there's a very cogent articulate argument on the capital structure. And that gets considered FUD. It's fear, uncertainty, and doubt. Yeah, because people are questioning. All they're doing is questioning.

They're not questioning the fact, or not the fact, they're not opining that electric vehicles aren't going to work. They may view they are, but they may view that they're gonna work, and Mercedes, Audi, Porsche, Jaguar may be the ones to take it there. They're not questioning the mission of a cleaner earth. They're questioning a single company. They're putting information out

there that is documented. When you fly a drone over you ask the question, what are these cars? It's not FUD. That's a question. It's not listening to the leader of a cult and saying okay, thank you. We get it. You have the right to question, especially when timeline, after timeline, after timeline, after promise, after promise gets pushed out. You have the right to question when you do an analysis and you have things that are disconnected from what's being said. There's nothing wrong with that. It's called two sides of an argument.

Now you may have sunk your life savings because you believe he's gonna save the world, or you may have a big capital commitment to it, or it may not. Maybe you just have an interest in it, maybe you just have a feverish belief that what he's doing is truly noble. Okay, I'm not arguing that. But there's another side of it. I don't know what the answer is, but when I look at some of the arguments when they are a cogent, articulate, numerate, and financial analysis the opposite side of the ... Financial analysis that questions how do you get out of this? How do you do this? What are we looking at here? And it comes back with that's FUD. That's not the answer.

But you have a playing field where anybody could go in and buy a security. Anyone can go and shore a security, and just open up an account. I don't know what the answer is, but I think that people need to just step back, and just say okay maybe there should be a financial literary course, that 101. That, okay this a balance sheet, cash flow statement, income statement because unfortunately that's how people get run over. Now I don't know the ultimate outcome. I suspect I think I know where Tesla goes, and I think it gets hammered. But I could be wrong. Maybe something comes in something with [inaudible 00:18:28], and all the people who believe in the story the stock's gonna take off and they're gonna be rewarded. I don't believe that to be the case. But based on financial analysis it's reasonable to question. It doesn't mean it's FUD.

Now take this for anything any of you listeners out there that may not be financially savvy in reading balance sheet income statements. You may want to believe in something, but there are some really solid arguments that are brought up that should be questioned. And look, sometimes like I said, the stocks could move much higher and companies can get bailed out and things can happen. It doesn't mean it was FUD. It means it was questions based on sound analysis. I think it's so easy when you have capital at work to look at every side of it. I just think it's important and I wanted to talk about it because Tesla on Twitter I mean obviously

Musk has been curtailed a little with the SEC settlement. But then he came out and they wanted to monitor his tweeting, and yet he comes out and he goes after the SCC. He's knows how to rally the troops. It's us against them. Hey, that's fine, but at the end of the day it comes down to the fundamentals.

It doesn't come out as revenue growth. Revenue growth has to translate into cash and to profits and to cash flows. If that's gonna work that's called economy's the scale that are gonna generate the business. I look at some of the analysis on the Bull's side and it's just grow, grow, grow. Well, growth comes at a cost. If you are listening and you are a Tesla Bull you've probably made, depending on where you bought it, you probably made some good money on it. And if you are in the FUD camp step back. Don't think that everyone has an agenda because these guys are telling you that Tesla's the shorty air force or the ground force. They're out there presenting a different opinion that comes out of the company. There's nothing wrong with that. Question it. Don't attack it. Question it. Ask it because it might just save you. On the other hand, if they're wrong they're gonna lose their money and you are gonna make it up. But, they're presenting a different side of consensus, a different side of what's coming out of management. I think everyone should always question that. Anyway, that's my rant.

We're gonna do a little uranium talk right now. Again, I'm going to preface this. If I have a company on I will tell you if I own the stock, or not. It does not mean it's a big position or a small position. It could be a very tiny position. It could be a large position. I will not tell you that. Don't make your purchasing decision of a uranium stock. I am not a financial advisor. Do not make it based upon what I say, or thinking if I own it, it means it's right for you. It may not be right for you. I bring these people on to share with you some uranium talk. We talk about their company. And then you do your own research. You should do your own research. The CEO I have on today I own the stock of the company in the vehicle that I have. Again, it doesn't mean it's big or tiny, but it's any interesting guy. I've known him and had the chance to meet him and talk to him. It's not an endorsement in any way, shape, or form of the company. But, it's something that I just always want to tell you that.

But, we're bringing on Mike Young who is the CEO of an Australian miner based out of the Perth called Vimy Resources. Mike's an interesting guy. I've gotten to know him. The project is a high cost project, so it's not one of the low cost. It's in the third quartile on

the cost. So, it means it's a higher cost than the rest of them. But, it's not so simple to say oh, high cost project it's not interesting. The same thing just like you say oh, there's a low cost project that means it's interesting, right. There's a lot of stuff that goes into it. But, we're gonna bring Mike on and talk about what's going on in his part of the world, and how he's thinking about macro uranium. I hope you enjoy the conversation. Mike Young, welcome to the podcast.

Mike Young: Thanks very much. I'm really quite chucked to be on the podcast. Thank you.

Mike Alkin: Well, good. I love talking to people who are in West Australia right now as you're coming out of your Winter and getting into your nice Spring season. You're getting ready to go while we here on the other hemisphere are starting to get ready for our Fall and Winter.

Mike Young: Well, we throw the word Winter around with reckless abandon here because Winter here is really like an Autumn day in North America. We're on our bicycles all year and we don't shovel snow out of the driveway.

Mike Alkin: Yeah.

Mike Young: You can tell from my accent that I grew up in Canada, so I don't miss any of that. I've been here for 30 years and we still go the beach in the middle of Winter. Sometimes it's good, windy and wavy, but we don't have Winter like they do in your part of the world and in Canada.

Mike Alkin: Exactly. Well listen, so Mike you are CEO of Vimy Resources. Why don't you give listeners your background. I mean you've been in the mining industry for a long time, so share with listeners where you come from and what your experiences are.

Mike Young: Yeah, so I grew up in Canada. I went to university at Queens University, and did geology. From an early age I was a rock collector, and I really enjoyed being outside. I studied at Queens. In fact, my first Summer job when I was at Queens in 1981 was working in Uranium City for [El Dorado Vehicular 00:24:59], which was the forerunner of Cameco. I was working in their Beaver Lodge operations. There was an underground mine that went down 5200 feet, and then it closed the following year, but that was my first Summer job. I was bitten by the uranium bug young, while I was still in university.

And then when I graduated I was a typical ... Do a little skiing,

do a little mountain biking, do a little bit of work to support the habit. Two of the jobs I did in the Winter of 86 and the Winter of 87 I was doing geophysics for [La Monde Tanjophysics 00:25:38] in North Saskatchewan looking for deposits. Well it wasn't called [inaudible 00:25:45] then. I think it was called [Cohema 00:25:49] Saskatchewan Mine Development Corporation. We were working in tent camps up in Northern Saskatchewan in the middle of Winter on snowshoes doing geophysics.

Mike Alkin: That's real Winter.

Mike Young: That was a real Winter. I've paid my dues. If it was above minus 40 we're out working, and both scales come together at minus 40, so minus 40 Celsius is minus 40 Fahrenheit. Not that you really care at that point. But interestingly, and just coincidentally our crew were the first ground crew to actually walk over the McArthur River Deposit while it was still just an airborne electromagnetic anomaly. We went out there, and by this point I was a very experienced geophysical operator. We got back to the tent that night, reduced the data on very primitive computers, and the data was all corrupted. It said operator error, go do it again tomorrow. So, off we went to redo it. Nobody likes redoing work, so we were a bit grumble, grumble, and we came back and we got the same result. They said it must be machine error. So, we went and did it a third time, and by this point the owner of the company-

Mike Young: Well, we went and did it a third time, and, by this point, the owner of the company, [inaudible 00:27:04], who has a brain the size of a planet, he happened to be in the camp that night. And he looked at the data, and he did a little bit of tap, tap, tap on the computer, and suddenly he filtered the data and some mathematical [inaudible 00:27:18] way, and this screamingly huge anomaly appeared on the screen. We were all sitting there, and I remember. It's in a tent, and we're all around the screen looking at this anomaly, this graphical representation. He basically said, "Boys, you'll never see another anomaly like that again."

They drilled it the following winter, and that was McArthur. Yeah, to say I've got uranium in my blood is an understatement. Having had two interests in northern Saskatchewan and having met an Australian teacher in Vancouver, I decided I'd follow her to Perth. I just started working in the mining industry down here. I migrated towards what we call resource geology so, I'm actually, funny enough, really color blind, so I'm not a very good field geologist, but what became really good at was 3D modeling in the early days, back in the days when graphics were done on big smoking

graphics workstations, and it was all very early-stage stuff. I did a lot of work on all sorts of commodities, including uranium. We did feasibility studies all through the '90's, and I saw lots of deposits all over the world.

Then in the 2000's, we were back into another metal boom, and I went and worked for a junior gold company for a few years. Then I was offered a position as the CEO of an iron ore startup called BC Iron. That started up in 2006, that we listed that in December 2006. We had no office, no staff, and no work had ever been done on the project. We just basically had air photos showing there might be some iron in this area. This is in the northwest of western Australia where the big iron mines are, BHP, Rio Tinto, Fortescue Metals Group.

Within four months, we were drilling. Within five months, because of my experience as a resource geologist, I knew that we had a viable deposit. I've actually worked for 18 months on an iron ore mine in western Australia. We immediately turned to moving this thing into production. In less than four years from our first drill hole, we were putting iron ore onto a ship and exporting it out of Port Hedland Harbor. Yeah, that's a very, very fast timeline even back then, and it would be virtually impossible today because the approvals timelines in just everywhere in the western world have blown out a bit.

The way we did that, and this is relevant to the story today, the way we did that, there were two reasons. One was focus, and it was really focus about getting in production with a very strong, and, I think very valid belief that being a producing mining company actually brings a lot of value to your shareholders. I'm a pseudo athlete on a bicycle, and I know that sugar is not a good carbohydrate, but I know that low GI carbohydrates are going to last. I kind of equate it to that. You get your little sugar hits on the market, your little marginal gains, but to have a really valuable long-term company, getting in production is pretty key. We did a joint venture with Fortescue Metals Group at the time, which, at the time, a lot of people criticized, but our company went from a $13 million IPO to a $650 million company by the time I left.

The reason I left in May of 2013 was that we just weren't growing. We were a big money-making company, and frankly I was bored. We weren't doing any business at all. We were looking at opportunities, but it was hard because you needed infrastructure. I got bored and decided I'd take some time off and spend some time with my family because it had been a pretty busy time, and then Vimy came along.

Now Vimy used to be known as a company called Energy Minerals Australia, and it was listed in 2008, but it was listed on the back of an asset, the Mulga Rock deposit, which had been known in the circles of geology in western Australia for a long time because it had been discovered by the Japanese in the 1980s, so everybody knew about the fabled Mulga Rock deposit out in the desert.

What happened was they approached and said, "Hey, look, the company needs some new blood, some new life. We need to reset our strategy. Would you have a look at it?" and so I did. The thing that stood out for me at the time and still does, was how big it was, how simple it was, and the fact that there was no native title on the property, which is quite rare in western Australia. Because it is in the Great Victoria Desert in basically what is an inland sand sea, the Aboriginal people just didn't live there. There was no water and no way of sustaining life. It had sort of ticked all the boxes really.

A gentleman named Julian Tapp, who used work at Fortescue Metals Group with whom I had a very good relationship, was also not working at the time. He's good at a lot of things. He's an economist by trade, but he's actually very good at approvals. I thought to myself, "Right, he's going to be key." This is going to be about metallurgy and mining; this is going to be about approvals." Julian came on board as a director and then to sort to finish off the trifecta, I asked an ex-government minister, a state government minister, Cheryl Edwards, to join our board as the chairman. Cheryl, a very smart lady, a lawyer, first female attorney general in western Australia, but she was also, at one point, minister for the environment. Cheryl is one of those rare politicians where both sides of the aisle respect Cheryl and actually like Cheryl, and she can work with both sides of politics. It didn't really matter who was in power, Cheryl would be able to cut through and not have issues with the parliamentarians and the various bureaucrats. Importantly, she is bilingual; she speaks English and she speaks bureaucrat, which is something I just don't do. That's a real gift, I can tell you.

Mike Alkin: Yeah, nor do I.

Mike Young: I don't think bureaucrats speak bureaucrat. Anyway, that's kind of how we got to where we are. On a personal level, my wife runs a medical research foundation. She is a CEO in a medical research foundation. I've got a 15-year-old daughter who's in grade 10 this year, and she's a [inaudible 00:34:07] rower. She wants to be an astrophysicist.

Mike Alkin: That's awesome.

Mike Young: Yeah, yeah, I think it's fantastic. She loves math and physics and loves rowing, so her dream is to get a rowing scholarship to MIT. Good luck doing it. That's awesome. I said, "Honey, you're going to aim much higher than that."

Mike Alkin: That's great. You're looking at 2013, now we're two years into a uranium downturn at that time. It's interesting, you and I had met several times and we've talked. As you're looking at this project, what about the project stood out at that time near advancement? The market in 2013/2014 is still ripe. People are still hoping the Japanese are coming out. There was a lot of hope in the market at the time, and there's this hope that the Japanese were getting restarted. What was really your view for Mulga Rock product then, where it is today, and how it's unfolded compared to what your vision was at the time?

Mike Young: Yeah, that's a fantastic question, which I expect that from you Michael.

Mike Alkin: My wife and kids wouldn't, but we'll go with that.

Mike Young: Well, on a professional level I think. Well, the key thing was at the time, let's not forget that back at that time, I think uranium price was probably in the 40s or 50s. The price was higher than it is today. I think one of the things was, at the time, I guess there were two things that we believed at the time that frankly didn't come to fruition. One was that the Japanese reactor starts would come on a lot quicker than they have. The second was that the Chinese inland build program wouldn't have been delayed as long as it was. There were two pretty important aspects on the demand side. Certainly on the supply side, I think Andrea Janetta at Fuel Cycle Weekly put it best when she said, "You never know what Kazakhstan is going to do until they've done it." I think that's a truism. I think those things were working together. The demand side wasn't growing as fast as people thought it might, and the supply side was over-supplying, and I think that's been the theme for the last three years. I suppose it's taken a while for Kazakhstan particularly to, for lack of a better term, westernize. I think [inaudible 00:36:44] coming into that group has been a major contribution to the way that they're now approaching business.

The deposit itself, as I said, at the time, it kind of for me personally was in my sweet spot. As I said, I'm not an exploration geologist; I'm a resource development person, and this thing

had enough drilling on it that you could move it into a feasibility study. That's really my strong point, is that development from exploration to mining. That's what I like doing.

The key thing for us was when we took over the company, Julian and I. It really was in bad shape. It had a pretty messy balance sheet with a lot of debt, and we really struggled to get traction until the gentleman who actually owns 40% of Fortescue Metals Group, a guy named Andrew Forrest, he put some money in. He put $12 million equity in, and then that catalyzed the conversion of the debt to equity. That cleaned up our balance sheet. We decided, because of the history of the company and because its name, Energy Minerals Australia was very confusing considering there was Energy Resources and Energy Metals Australia, we changed its name to Vimy Resources. Vimy is just sort of a nod to my Canadian heritage. It's a famous battle in World War I that the Canadians were very successful in, the Battle of Vimy Ridge. Importantly, it didn't translate into anything embarrassing in Chinese, Japanese, or Korean, which is something you always have to check.

That was where we started. One of the key elements, I suppose, to our success was when a gentleman named Tony Chamberlain, who's our COO, literally walked in the door and said, "I've been watching you guys. I like this deposit, I know this deposit. I'm a uranium metallurgist. I want to work with you guys." That really was one of the watershed moments where you just have to pinch yourself and say wow, did this really happen because he really is a hugely intelligent, diligent, hardworking engineer who is a rare breed in that he can actually run a budget and run a schedule, so he's a real package. Tony has been really critical to this project. Under his guidance, we took the project through a scoping study, a prefeasibility-to-feasibility study. Even Tony said to me about the time the feasibility study finished earlier this year, he said, "I've just never worked this fast on a project." He said that working for someone like me with my boundless energy and my ADD, he said it's been quite a ride and he really enjoyed it. That's how we got to where we are so quickly.

Mike Alkin: Mike, when I look at a mining project, simple is better right? You like to see simple geology, you like to see mining that's not complicated, metallurgy that's fairly straightforward, infrastructure, everything's pretty simple. Talk about what you're doing as we go through those different categories with me. Let's talk about the geology of the project.

Mike Young: Geologically, it's basically an old river channel. Australia's had

various episodes of being covered in Amazonian rain forests and high water tables and right through to being a desert. This is actually an old river channel, and the river channel had a lot of organic material in it. It then got buried by other sediments. It literally is a low-grade lignite; that's the best way to think of it. It's almost peat. It's unconsolidated. It's a sandy sort of lignite, and it's about 50 meters down. Now, through various geological processes, there's been this what we call supergene alteration has occurred. The best way to think about it is it's pretty much the same chemically as a roll-front deposit where you've got an oxide and a reducing boundary, and, at that boundary, what they call a redox boundary, reducing oxidizing, you get enrichment of uranium. Now, if you just take that and make it horizontal, that's what we have. We basically have a deep, unconsolidated paleo channel, an old river channel with carbonized just organic material that has trapped the uranium.

In terms of its geometry, it's flat. The main deposit, which will sustain the operation for the first ten years, the ambassador deposit, is about 8-1/2 kilometers long. On Google, I put it at the bottom of Central Park, and it pretty much made it down to Battery Point, that's how big it is. It's about 2 kilometers wide, and it's about 50 meters deep. It's just a big slab of free digging carbonaceous material. To prove that it was free digging during our feasibility study, we dug two test pits, both 50 meters deep down to the ore body. What we really wanted to understand was, for lack of a better term, the dig-ability of the waste rock because the strip ratio is about 15 to 1, 15 cubic meters to every pound of uranium we pull out. We had to really understand that's our key cost. Our single biggest cost is removing the overburden. We really wanted to understand that, so we dug these two test pits. It cost about $2 million, took about six months all up, and we dug them down to the ore body, collected 100 ton of ore, and then we used that in the next process that I'll talk about.

From that, we knew that the mining would be simple. There would be no drilling and blasting. We could use big equipment and free dig this thing. That was the second thing about it, simplicity. Really importantly, by doing that, we knew that we could actually owner operate the mining plate. If you've got a complex ore body that requires drilling and blasting, the ore body is complicated, you have to be very diligent with your drilling, blasting, digging the ore, blasting the ore. You would get contractors in to do that. Because this is quite simple, it's about removing the overburden then mining the ore. The ore boundary, I might say, is very visual. It goes from this bleached white sandy material into black ore, and

you can literally put your finger on it. It's a very sharp contrast. You've also got the added bonus of being able to use Geiger counters or radiometrics to see where the ore. There was very low risk in the mining, and that's a really important factor because if we're owner operate, that margin that would normally go to a contractor comes to us. It does make a significant cost on our mining costs.

Then metallurgically, basically what happened is, as you had this old river channel sitting underground with this organic material in it, the water was still moving through the sand, and, as it was moving through the sand, it was carrying metals, lots of metals, and one of those metals was uranium. The carbonaceous material would literally trap the uranium.

It's so simplistic. We have basically what we call hexavalent or free uranium stuck on carbon, or it's uraninite, which is UO2. Metallurgically, it's as simple as it gets. All you have to reverse the process by using chemistry. Basically what we do is we take the ore, we wash the sand out of it because the sand that's in the ore is completely inert. It's actually a beautiful white sand; it would be great for sandboxes. We would wash this material out just using sand mining technology, so off the shelf. We then put it through acid leach, pH of about 1-1/2. I think we heat it up to about 40 degrees, which is the ambient temperature for half the year. That then releases uranium. It's about one hour residence time, and then we now have this free uranium in solution, and we put resin beads in there, so it's called resin pulp. Again, it's a proven technology. This is one of the areas of Tony, our COO, his expertise is this resin technology, so we've got the right resin for the conditions. Once you have that, you strip the uranium off the resin and precipitate what we call UO4, so it's yellowcake.

The process is just about managing your chemistry in your tanks. Gosh, we've been doing it for over 100 years in western Australia in various forms of metal extraction, so, again, not complicated. Once it's in yellowcake, we would truck it to Adelaide, which is down on the south Australian coast, which is currently the shipping port for both Heath gate's Four Mile Project and Olympic [inaudible 00:46:02]. Again, no problem with the export licenses, no problem with the logistics. We've already approached Port of Adelaide about that.

All of those things are, as I say, very simple. Where it starts to get complex is the economics, is the current uranium market, the incentive price that we need to get the thing going, and then

funding the CAPEX for the project.

Mike Alkin: Well, you know Mike, it's funny, you and I were talking in the past, and I said, "I want to meet that uranium producer that's not in the lowest decile or [crosstalk 00:46:41]" because every presentation you see says here we are one of the lowest cost producers in the world. I joked with you. I still want to meet that, and you said, "That's us. We're not."

Mike Young: That's right. We're third core top.

Mike Alkin: Yeah, third core top, and that's it. Right now, with spot prices at $27.00 a pound, people look at $60.00/$65.00 a pound and say, "My God, look at that. When's that ever going to go into production?" Right? If you're casually observing the industry, you might think well that's a challenge. If you see the historical patterns and if you understand supply/demand, one can, as I have, believe that that's a very real possibility and very likely. Talk about where you sit on the cost curve and how you think about it in this $27.00 environment.

Mike Young: I'll answer that by answering the last question first. I think it's worth thinking about the history of, you say the $27.00 environment, and, of course, you're referring to the spot price.

Mike Alkin: [crosstalk 00:47:50]

Mike Young: Of course, and I think it's important for your listeners to sort of understand the history of the spot price. Every presentation that has both of those on it, and certainly our presentation has a very good diagram of spot and long-term contract prices. Up until the run up in 2007 to the spot uranium price, there was very little difference between the contract price and the spot price, and that's because the spot market was really similar where the producers would put excess supply, and the producers could go in and manage the spot price. There was no arbitrage; there were no traders.

2007 hits, you've got relatively cheap debt, and suddenly traders start getting into the market. The uranium is traded, as you know but just for your listeners, most of it is traded on contract. These are contracts that are three, five, sometimes ten years. CAMICO did ten-year contracts just after the big spike down. Of course, after that 2007 uranium spike, everyone panicked and locked in long-term contracts. Now there was still excess supply, there were still people putting supply into the spot market, but the spot market

quickly became that arbitrage market again. There's one thing when you look at uranium price you'll always see. From about January 2008 just after the spike, the spot price has always been higher than the contract price. Sorry, the other way around; the spot price has always been lower than the contract price.

Mike Alkin: Yep.

Mike Young: That's because it's an arbitrage market. By that, I mean that traders will buy small consignments of uranium. They will amass those assignments, and that could be yellowcake, unenriched uranium, hexafluoride, it might even be enriched uranium hexafluoride, but they're buying it in all parts of the fuel cycle. Then, when a utility asks for a request for a proposal, they've got enough uranium locked away or they've got enough forward contracts locked away that they can beat into that, and they can get it at a higher price. That's arbitrage, and that's the way they work.

Now, the problem with the spot market is it's not a clearinghouse market. It's not a normal market like the London Metal Exchange or gold market where producers are selling it into an open market. This is an arbitrage market. We've done a lot of work on this, Julian Tapp particularly, who as I say is an economist, and we can actually see trends in the spot market where, at the end of month in a normal trading cycle where there's no significant catalyst to the price, we can actually see the price come down at the end of the month. Everyone knows anecdotally it happens, but Julian has now seen it statistically. Towards the middle of the month, the price comes up. It's about, on average, 2%. That's just creating this little 2% buffer in the middle of the month when they might be buying and selling the uranium, but, towards the end of when the contracts are fixed, that price comes down.

Because you're such a small volume in the spot market, because it's not a true clearinghouse market, and because it's an arbitrage market, it's almost always going to be linked to the contract prices, so it's always going to be whatever the contract price is less cost and less margin. You can see that on any graph. It's almost always consistent, follows it like no other spot market. I used to work in iron ore, and there was a spot market and a contract market, and they were never in sync. You were forever fighting with customers about what to do about this difference because sometimes you're in the money, sometimes you're out. This market is always, one always follows the other because it is a margin arbitrage market. The problem you've got is that the only market that is visible is a

small volume, not openly traded arbitrage market.

Mike Alkin: Until this year where the volumes are blowing out this year.

Mike Young: Yes, and we'll come to that. We have to think about the contract market. Now trying to find out what contract prices are is very difficult, as you know. The other thing that's happened is, as the prices were coming down during the '15s, '16s, and '17, the utilities were sort of extending their stockpiles. Now, this is another thing for your listeners, the people that aren't as in tune with the market as you and I are. The utilities will run two- to three-year stockpiles because the nuclear fuel cycle is about 18 months to 2 years. By that, what I mean is, when the uranium leaves my gate and gets on a ship and goes to say France or Port Hope or America to get processed, to go from my mine gate to a fuel rod going into a nuclear reactor is about two years. They might want to have a year's worth of fuel rods or how they manage their fill cycle, they might have two to three years of uranium in stockpiles around the world, and that's normal.

That's another thing that's really strange about this market. Steel makers don't run three years of iron ore stockpiles, right, and nickel producers don't run three years of nickel stockpiles, but we run three years of uranium stockpiles. When it comes to contracting, you have to be thinking three years out. What's the price going to be in three years? What price will a guy agree with me today to pay me in three years? This is where it comes back to your second question, how do we get the $60.00. Well, the answer to that is, while the spot market has basically been drifting down as contract prices have drifted down because the number of contracts being written has dropped away, as you know. I don't think anyone's written a contract this calendar year. By that, I mean the America utilities, mainly that's the market we want to be in.

Mike Young: That's the market we want to be in. But when you look at the cost of production, and again, we've done a lot of work on this, and there's a lot of mythology out there on the cost production. One big myth is that the Kazakh corporations are running it less than 10 bucks a pound. Well, they're not, because they're accounting was not westernized, and when you actually look at a westernized style of accounting, when you include their well development, which is the equivalent of me removing my over burden, suddenly their costs are in the low 20s, and recently -

Mike Alkin: Sometimes higher.

Mike Young: And sometimes higher. There was a really good piece done just after the World Nuclear Association meeting in September that was done by Cormark Securities out of Toronto, and they had talked to one of the JV partners in Kazakhstan. I think it was Uranium One, and they'd say look, we think the cost is actually in the mid 20s, and certainly I've had those discussions with [inaudible 00:01:0], and that seems to be the case. So we've done a lot of work on this, and we've got joint taps on the operating costs of uranium production. In a normal market-- so, nickel, copper-- markets I've lived in, worked in, breathed in-- what happens is, metal prices always [inaudible 00:55:20] at what we call the marginal cost of production. So the marginal cost of production, for your listeners, is basically the highest cost producer that's still operating in a certain environment.

So, with the uranium market right now, I think the miners are producing about 165 million pounds a year. The highest cost producers are in the 50s. And that's just cash cost. So now, on top of that, you have to add capital, return on equity. All of those things.

And what I want to come all the way back to is the lowest cost producer on the cost curve, leaving Olympic Dam out of it, because that's a byproduct, is MacArthur River. MacArthur River is the lowest cost producer. So that means, when you look at the cost curve, they're in the first quartile. I think they own it.

Mike Alkin: Yeah.

Mike Young: When you look at the cost curve, they are the cheapest producer. That means everybody else to the right on this curve is higher cost. And some are almost double. If they cannot get contracts to sustain production at one of the lowest cost mines in the world, what does that say about the rest of the curve at today's prices? What it says is, we're either going to run out of uranium or the utilities are going to start paying closer to the marginal cost of production. [crosstalk 00:56:42]

Mike Alkin: Yeah.

Mike Young: And that's where the--

Mike Alkin: And you see that in the-- 165 was coming into the year. And then you back out all these cuts that we've seen and it's a meaningfully lower number now because on that cost curve, one that comes to mind would be Langer Heinrich. Right?

Mike Young: Correct.

Speaker 1: Correct.

Mike Alkin: [crosstalk 00:56:56] The mines owned by Paladin in Namibia. Right? They can't make it work, so they have to cut production, and you see it across the board in some of these mines.

Mike Young: Well you do, and you're quite right. So in fact, the numbers are that [inaudible 00:57:13] supply in 2016 was 162 million pounds. And with all the cutbacks, but also putting into-- 4 million pounds of the [inaudible 00:57:23] supply in 2018, is 125 million pounds and expected to manage 172. So you've got this big shortfall. Now, short term, the stockpiles around the world will manage that.

Short term, some of the utilities will just sit on their 3-year stockpile and let it dwindle down to two. And 232 has complicated it. But we would expect the utilities-- and Duke Energy's put out an RFP-- we would expect the utilities to start contracting from about now through, especially in April when the 232 decision is expected to come down.

Mike Alkin: Just for the listeners, Mike. Those who don't know, Section 232 was brought to the US Department of Commerce by Energy Fuels and Ur-Energy, two US miners. And they're asking, on the grounds of national security, relief from the US government to the US mining industry by-- they want the US government to mandate, through quotas, that the US nuclear power plants buy 25% of their uranium from US miners, versus about 2% now.

And the reason for that is, they're saying that they import in any one year 35 to 50%, depending on the year, of their uranium from, like, Russia, Kazakhstan and Uzbekistan. And that provides great geopolitical risk. Risk to national security.

And Section 232 is a rule that was put in-- in 1962, where, on the grounds of national security, the commerce department can recommend to the president that this be put in place. And simply, the US miners that did this were saying, look, foreign state-subsidized uranium is making its way in here, and it's causing the US miners to basically not be able to have an industry. And nuclear power provides one-fifth of the electric grid, and lights one out of five businesses and homes in the US. The US nuclear Navy relies upon it, and yet we're not going to have an industry. We can't compete if prices don't go up and this dumping of uranium doesn't [inaudible 00:59:47]. So that has caused US utilities, who were in

the midst of a contracting cycle, because it had been many years since they'd procured the uranium for their future. And that was about to take place, and then Section 232 was called, so rather than them enter into prolonged contract discussions through request for proposals, RFPs, they've just stepped back and said wait, let's see how this is going to play out. So that's what Mike's referring to with Section 232.

Mike Young: Now, here's something really interesting about 232. So as you say, it came out in 1962. There have been 30 investigations, including the uranium ore and products one of 2018. The one that your listeners would probably be aware of was the automobile industry that was initiated by the secretary of commerce, which I think is still in process. And also aluminum and steel, which had positive outcomes. Now, of the 30 that were done, there were only 11 positive outcomes. But six of those positive outcomes were initiated by government departments, the Secretary of Commerce, mainly.

So what that tells you is the ones that were done by private-- either associations for manufacturing, or companies, have almost always been negative. And that was a really interesting bit of information that Julian dug up. So where's it going to go? One of the fuel buyers, when were in London, put it best. He said, we've done a thousand scenarios and then it goes to Trump.

Mike Alkin: He said that?

Mike Young: President Trump, I should say, with due respect.

Mike Alkin: Look, so in other words-- flip a coin.

Mike Young: It's-- yeah. But the truth of the matter is, even if it were to go to, I guess would be the worst outcome, which is a 25%-- coming from America, it would take 10 years in the American uranium industry to gear up to what that-- 14 million pounds a year. Our view is it won't get out in its current form. There may be tariffs, there may be some other mechanism. I'm now starting to think there won't be anything, because it may be that the Commerce Department just looks through what it really was. And it really was these companies just pulling every lever they could. And you've got to remember the context. So basically what happened was, these guys-- there are two producers in the western United States, small producers, trying to get contracts with the utilities.

And then in 2017, the steel and aluminum 232s came out, from

the Secretary of Commerce, and they would look at that and they would have said, hey, why don't we give it a shot. I suspect, or I speculate, that they probably wanted to use it as a catalyst to say to the utilities, hey, why don't you guys come and talk to us, we'll withdraw it.

But once it was in the system, it kind of got out of their control and it became what it is. And it's going to be interesting. I think the Commerce Department's starting to release some of the submissions, and it's going to be some fascinating reading to go through and see what the various viewpoints are.

Mike Alkin: Yeah, and they have. You started to see a number of-- I think there were over 800 submissions and they started to-- they solicited from the public. So there's some-- you know, write-ups on both sides. You see-- every view you can think of is represented there. And you know, it's wild. I think, you know, my view is-- will it be 25%? My own personal view is probably not. That 12 to 14 million pounds would be difficult. From my view it's less than 10 years and it could be-- but still, I think something will be done. I don't think it's along the order of magnitude that they're asking for.

But for me, it's about clearing the market. Markets hate uncertainty, whatever the market is. So once there's certainty and markets can get their head around what it is, then it sorts itself out. And in this case, certainty is from the US fuel buyers who will say, okay at least now I know who I have to buy my uranium from. Right? So I-- once it comes and clears, I think that's a good thing. And how one plays it, whether they want the US miners or they want African miners, Australian miners-- at least it gives the utilities a reason to get back in and start. So [crosstalk 01:04:39]

Mike Young: That's right.

Mike Alkin: So on this cost curve, so now you talk about, okay, you got to get the $60 uranium for-- that's how your project is based. And so a bear is going to look and say, well, that's a long way away. So, but talk about the steps. First of all, talk about on Mulga Rock, talk about the size of the deposit, the mine life and how much per year they're going to produce out of there if you're ever there.

Mike Young: Sure. Well, it's about a 15 year mine life. There's probably a good chance to extend that by five years with further exploration in one of the second deposits. We'll produce three and a half million pounds a year. Cash operating costs will be about 25, and their all-

in sustaining cost for the first five years will be about 30. And I say the first five years, because we'll be mining higher-grade parts of the core body in years one to five. So that's kind of where we are.

Mike Alkin: Mike, your break-even price, when you're looking at a capital payback period, and the discount rate on the project, where are you putting your break-even price?

Mike Young: It's about 44, break-even for life of mine. In the first five years, about 40. So it's in that low 40 range is our break-even price. So our incentive price will be, you know, it's going to depend on the cost of capital, but I would think that mid 50s to 60 would be where we'd say yes on it.

Mike Alkin: Okay.

Mike Young: So, we're not that far away. I think if the spot price gets into the 30s, which, it certainly looks like it's heading that way-- and there's more action with Cameco, of course, coming into the market, seeing how deep the pool is and probably finding it's only ankle deep. But as we see that move to 30, mid 30s, you know, with that constant arbitrage we're always seeing- you know, if you're at 35 on the spot price, in a market that's moving up, then getting 55 isn't a stretch, when you look at the historic arbitrage. The other interesting thing is the way that utilities buy fuel. So, again, quite different than other commodities.

They like to have portfolio management. They like to have-- and you think about what they're doing. They're running a nuclear power plant. Security of supply and their diversity of supply are really critical. And so, yes, they do buy I think 39% of American uranium is coming from the central Asian republics, and then a lot of it's coming from Canada. So they are keen, and this is directly from them to us, they are keen to see new entrants, particularly from Australia. So that works in our favor. [crosstalk 01:07:24]

Mike Alkin: You mine cost is going to run upwards of $500 million AUS?

Mike Young: Yeah. So it's about $493 AUS, which I think-- the dollar's at about .7, which, ironically is the number we used in the feasibility study and people said that'll never happen, so here we are at 7%. So that's about 300 US. Now, importantly-- part of that's our mining fleet. So about $70 million of that is the mining fleet, and that will be done off balance sheet, through lease arrangements with the providers. So some of that capital's not up front. There's about $250 US that's upfront capital. Part of that's pre-stripping,

so we have to dig the original pit, which we will use as our tailing facilities.

So this is an important distinction with us-- is that we won't have surface tailing facilities. We'll be burying the tailings back into the pits, for which we have environmental permission. And that's a really important management issue. And then part of that-- the plant equipment's about 2-- just trying to do the conversion in my head-- probably about $200 US for mine plant equipment infrastructure.

So, it is remote. We have to build a camp, we have to build an air strip, we have to build roads. But that's-- to Western Australians, that's not risky, because we do it all the time. All the new mines in Western Australia are built in very remote regions.

Mike Alkin: And so-- talk listeners through this cycle, from the time you decide to move forward, you get your financing. What's the amount of time before you're producing ore out of the mine?

Mike Young: So, it's two years. It would be, from the final investment decision, when we-- we're all up there with the silver shovels taking happy snaps, breaking the turf, to producing our first yellow cake, it's two years. And again, that's a timeline that's been put together by Tony Chamberlain, who's our COO, and this is something that he's got experience with. And I might just add a point. So our board and senior management have all started mines before. You know, I've taken-- the BC Irons story. We took it from first [inaudible 01:09:51] to first ore in ship in four years. Julian Tapp was on the JV committee with me. He was also at Fortescue Metals Group-- it's a multi-billion dollar iron ore company. He was employee number 11. Tony's been involved with mine startups. Our chairman was involved with another iron ore company called Hancock Mining.

So we've been a team of people who have built mines. This isn't something that we're frightened of, or something that we consider to be risky. So having that caliber of people in this situation, for me, is really key.

And it really has been our strategy-- I like to use the metaphor of a surfer in the water. And he's on his board in the takeoff zone, waiting for the set to come in. And I'd rather be that guy, on his board, in the takeoff zone, than some guy on the beach, sort of waxing his board or getting it out of the car. In my view, when you look at our peers, we are up there. You've got a few like Berkley

who are actually pushing dirt around. But amongst the other peers, in terms of where our center price is, where our product is, in terms of-- in the cycle, in approvals and the studies, we're ready to go. And that's been our strategy and certainly we've acted on that.

And on top of that, just quickly, we did buy the Alligator River project in the Northern Territory from Cameco, as Cameco was contracting around the world. That was an asset that came up very suddenly. We acted very quickly to get that asset. We're up there drilling right now, and what we're seeing are good indications that-- there's something up there, and worth following up. So really, for us, that's a pretty exciting grassroots exploration area, that gives us a pipeline of projects.

Mike Alkin: Yeah, talk about Alligator River. How much-- is it much of a capital commitment for you guys?

Mike Young: Not at the moment. I'd love to spend about $10 million bucks on it. Alligator River is part of what's called the Alligator Uranium Field in the Northern Territory. Now, this is where Ranger and Jabiluka are. This is the same geology, the same formations. Jabiluka is a 350 million-pound deposit. It's a big deposit. And what happened-- so this Alligator River province is-- I like to think of it as Canada's Athabasca. Now, part of it's covered by a national park, so that's kind of off limits. But the area we have is the biggest since tenant block in that entire Alligator River province. And it's quite large, and we have some good graphics in our presentations that show that.

But one of the things that's really exciting for us is, in Australia, back in the 1990s, the then-government, to get votes from green, left-leaning people, brought out what was called the Three-Mine Uranium Policy. And at that time, there were three mines operating in Australia. So that basically just stopped all exploration in the Northern Territory. And while that was happening, the Canadians were discovering Cigar Lake, MacArthur River, Millennium, Roughrider, Triple R, things like that. Nothing was happening here.

So we're basically-- it's been almost like a time warp. We now have this opportunity to do modern exploration in a region that just hasn't been explored in 30 years. And we bought that from Cameco. We've already defined a 26 million-pound resource, at 1.3%, which is quite rich. Even in this market that's something that could be economic.

And so our intention there is to really go and look at all the targets that have been worked up by Cameco and drill them. And we've started drilling. We're getting good indication of some of the holes now. And certainly, there's a lot more work to do up there. But what that gives us is sort of another arrow in our quiver, particularly grassroots. And it's important to the utilities, because they like to see, Mulga Rock, 15 year mine life. To a Western Australian geologist, that's like, wow, that's a big mine life. But to a utility, they're thinking in terms of 30 years. So they want to see a pipeline of projects, and this certainly gives us one.

Mike Alkin: So while you're-- I mean, you'd love to spend 10 million. Your board won't let you. What's your [inaudible 01:14:26]?

Mike Young: Yeah, so we're spending $1.8 million this field season. So much like Canada, we have a very distinct field season in the Northern Territory because of the monsoonal rains it can get in summer, so we're winding down the current field season now. We've got another week or so with the drill rig, and then we'll close the camp for the summer. And then next year, we'll go back in there. We haven't determined the budget for next year. It'll really depend on what money is available. Obviously, we have to raise money given the state that we're at. But we'll just basically-- I can't really say what we're going to spend on it, but having spent $1.8 million this field season, it would be at least that and then some. So we've got some good targets worked out. The guys are doing some good regional geology to find more targets, and our biggest problem's going to be which target to drill. It's one of those-- in the famous words of Donald Rumsfeld, it's a target-rich environment.

Mike Alkin: So, you know, I get asked this question a lot, and I've answered it a lot. When you think about-- you need the uranium cycle to work, who are-- for the investment thesis, for my thesis to work, uranium has to-- the price has to go up. As you look at the landscape, and you live, eat, and sleep that-- what is it that most worries you that would cause uranium pricing to stall out or to go down?

Mike Young: I suppose-- see, uncertainty on the demand side is really the key thing, I guess. Supply side, there's a lot more discipline, a lot more certainty, and ironically, because there has been such a long winter of development. There's very few new developments. So if the demand side were to keep growing at, say, 3% per annum, we'd be in very, very good shape. But it's the uncertainty of-- the Belgians want to close their reactors, I'm sure England's building another reactor. The American reactors-- a lot of uncertainty

there. There's uncertainty in the unregulated markets in America with regard to gas prices. Certainly, the pressure comes from the subsidized wind and solar.

Now ... I'm just going to get political for a second, but it defies logic to be giving subsidies to un-economic power sources to make them economic, making the economic power sources un-economic. Nuclear is non-emitting power source. It's safe. It's proven. It's 24-7.

And hopefully with the new doomsday scenario that came out from the IPCC-- hopefully it gets people thinking that should. Nuclear has to be part of this. Nuclear has to be part of the solution, and you're certainly seeing some high profile, what I would call true environmentalists-- not what we call watermelons, green on the outside and red in the middle-- true environmentalists are basically saying, yes, nuclear has to be part of it, right? Because we're not going to get there. There was a study that came out the other day. If America was powered with just wind, one-third of the United States would have to be covered in windmills.

So, you look at how the power density of a nuclear power station-- if people are serious about reducing greenhouse gases, and certainly China's driven by more than reducing greenhouse gases. They're driven by the fact that their pollution kills a million people every year.

So my worry is that we stop building nuclear power plants, but my hope is that the world looks at it, goes, we need to-- there's no way out of this problem we've got unless we build them. So that's the thing. It's a sort of existential threat that sort of ... something I can't control, so I don't lose sleep over it, but it's always right there in the middle of my head.

Mike Alkin: Yep. Okay. No, that's good. Well, listen, I enjoyed catching up. It was-- I think we saw each other in London about a month ago at a conference, but always good to chat and really appreciate you taking the time to talk with my listeners.

Mike Young: That's no problem at all. I'm always happy to have a chat. And if you want to chat about bicycles and cycling, or anything like that-- but I'll see you in Boston, I hope?

Mike Alkin: Yep. You'll see me in Boston in a few weeks, absolutely.

Mike Young: Thanks [inaudible 01:19:08]. Yeah, I'll be there. And I will have just

been in China as well, so I'll give you some feedback on that.

Mike Alkin: Yeah, I look forward to it. It was great catching up.

Mike Young: My pleasure, Mike. See you soon.

Mike Alkin: Take care.

Well, I hope you enjoyed the conversation with Mike Young. I always enjoy chatting with him. He's always brings a differentiated view into it. Now that he's been in Australia for 30 years, you hear part Canadian accent, part Australian accent, and it's always good to chat with him. I just want to let you know that I am the co-founder and chief investment officer at Sachem Cove Partners, LLC. And due to industry regulations, I don't discuss any of Sachem Cove's funds on this podcast. And all the opinions expressed by the podcast participants are solely their own opinions and do not necessarily reflect the opinion of Sachem Cove or its affiliates. And this podcast is for informational purposes only, and it should not be relied upon as the basis for investment decisions. Clients and/or affiliates of Sachem Cove Partners may maintain positions in securities discussed on this podcast.

This week, I hope you enjoy NHL hockey, playoff baseball, Thursday night football, whatever it is, or if you don't like sports, then you won't enjoy it. So I'll be back next week and I look forward to speaking with you then. Thanks.

Announcer: The information presented on "Talking Stocks Over a Beer" is the opinion of its host and guest. You should not base your investment decisions solely on this broadcast. Remember, it's your money and your responsibility.