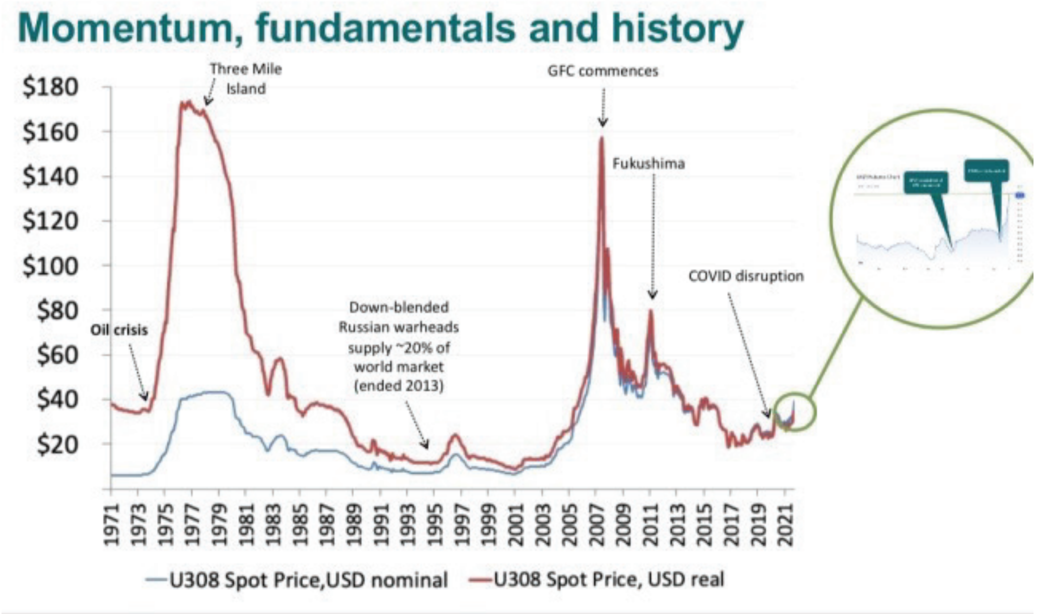
THE PROSPECTOR
RESOURCE INVESTMENT NEWS

URANIUM'S BULL RUN: OFF THE LOW, BUT WELL-BELOW ITS ULTIMATE HIGH

David H. Smith

The past 50 years have seen two massive uranium bull markets. We are now moving into year two of the third - and potentially biggest one of all. After Fukushima, which in 2011 put paid to any hopes of a rebound toward a higher technical top, uranium dropped into a secular bear phase, keeping well below cost of production, in spite of analysts' multiple year calls for an imminent Yellowcake turnaround.



Courtesy Bannerman Energy

In the beginning, five companies occupied "the uranium space". At the top, almost six hundred. Ten years after what Marin Katusa might call the "Echo" - after the $70/pound uranium price following the 2011 mega-top around $140, there are less than six dozen uranium companies of varying quality and prospects left.

But now... After a slow leveling in the spot price, bottoming in 2018, and an impressive multi-factored removal of global supply, the picture has substantially changed. In 2020, many companies rallied sharply, forming a double-bottom and moving up sharply until encountering the third important retracement of the impulse leg, wherein prices declined last December to touch/bounce off the sector's 200 Day Moving Average.

A new fund created to "sequester" cash uranium has - in just a few months - taken over 22 million pounds off the market. In effect, the Sprott Physical Uranium Trust (U/Un.TO; SRUFF: OTC) closed end fund - which seeks a formal U.S. listing - has become a uranium "consumer". Several juniors are also buying physical uranium. A new Sprott-like fund to be focused on European and Asian holders - less vulnerable to political/economic sanctions - is being formed to accomplish similar ends. Lastly, since August 2021, over $1.5b of new money has flowed into the ETF sector, pushing it higher, punctuated by deep corrections. For reference, call up the URA uranium fund weekly chart.

No one can predict how high this bull run will go; whether its duration will be 24 months, or last additional years. And there's no guarantee it won't be derailed by another "Fukushima", or a collapse of China's Three Gorges Dam, imperiling a number of downstream reactors. Should such an unlikely event occur, it would hit share prices and temporarily blunt uranium's rise. But a strong case can be made that the current recognition for critical electrical base load needs is such that no other alternative - not wind, solar, or battery-stored energy - can meet global requirements over coming years in a low-carbon manner.

Views toward nuclear power are changing - by users, builders, and public influencers - as possibly the "greenest" way to provide low footprint mega-amounts of base load electricity safely and cheaply. If numerous Small Modular Reactors (SMRs) come online in the late-2020s - while the build out of large reactors continues apace - the need for substantial amounts of yellow cake could become a decade-plus investment narrative.

Watching the net-zero carbon/ESG/climate-change movement swing to acceptance in a big way, demonizing fossil fuel now while trying to get it all done yesterday, tells us the odds favor a strong run. Keep an eye on alternate energy generating strategies like nuclear fission, and the increased use of SABRE/ISR extraction technologies, which could truncate the supply deficit time table.

The world can't run (just) on wind and solar.

- A 3% diminution of power load in the U.S. is enough to cause rolling blackouts.

- *Under typical weather conditions of central Europe, it takes some thousands of large wind turbines, or solar cells covering a total area of the order of 100 square kilometers, to generate the same yearly quantity of electricity as a single 1 GW conventional or nuclear power plant. Building a wind turbine capacity of 1 GW requires 50-100 times as much steel and cement as a nuclear power plant with the same capacity.* -asiatimes.com

ADDITIONAL DATA POINTS.

- *Justin Huhn of Uranium Insider Pro (to which I am a paid subscriber) writes "... while these events are unfolding there has been no meaningful primary supply response, whatsoever. Unlike factory floors that can begin running "double shifts" or oil and gas production that can be ramped up quickly, uranium mines take years to come online. For example, if the re-commissioning decision of Cameco's McArthur River occurred today, it would take 18 months to fully get back online..."*

- This interview of "Doomberg" with nuanced questions by Palisades Gold Radio Host Tom Bodrovics, titled "All Crises Lead to the Great Reset" https://tinyurl.com/38f5kck9 offers a "big picture" look at energy (esp. oil), fertilizer, and food imperatives, along with the power of unintended consequences, putting untold millions at risk should decision-makers get the production mix and timing wrong. Doomberg concludes: *"There is no path to even moderate de-carbonization of the economy (without using) nuclear- which doesn't result in the starvation of hundreds of millions of people...so you're either pro-human or not. We view an environmentalist stance on nuclear power as a measure of their seriousness..."*

- The recent "coming out of nowhere" Kazakhstan implosion - source for 45% of the world's uranium, has introduced a severe element of uncertainty in terms of both its duration and supply disruption significance. https://tinyurl.com/ypchbjvw

HOW TO GO ABOUT IT

Act sensibly to control your emotions, accumulate tranches into weakness, choose a few stories you believe to be "best of breed", avoid committing "can't sleep at night" funds to the sector. Don't place all your bets on one choice, no matter how strongly you feel. The asymmetric nature of this run, giving evidence of being even more bullish as we dig deeper into the fundamentals, offers a secondary "small money-carefully committed- for big money potential" opportunity to be seriously considered.

Buy and Sell the Boom. Skip the Echo? This is the game plan and the metrics I'm following to achieve it. Your approach can certainly be different.

- After deep sector research, I chose 5-6 companies with well-developed projects - either in production - or within 5 years, honing in on the U.S., Canada... and Niger - which has high grade deposits, low country risk, and is home to the largest U.S. military base in Africa.

- Holding 4 as core, sometimes limit selling 1/3 into deeply overbought impulse legs to limit buy back on a reaction toward the 200 DMA. For capital gains, hold as position plays.
- Expect more than the three notable uptrend declines so far - the price we pay when seeking MX returns.

- A real stunner: Our research indicates that the last bull run began and ended with a uranium supply surplus. This one began with a supply deficit, and is now also being accelerated by a demand-driven dynamic.

The advantage of "leaving early" It's easier to make (and keep) big money during the Boom phase. Newly-acquired funds can be deployed to another sector. This avoids trading the difficult "Echo" phase, when prices move in an extended sideways range after the runaway "Boom" has exhausted itself.

Meanwhile, our commitment to an eventual upside price explosion in gold - and especially silver - remains in play with sufficient resources to deploy, if such a historic realignment takes place. I've gone on record with the view that 2022 will see Silver test and surpass $50. After attaining this level, if it falls back (into the mid-$30s?) during the first half of the year, it should build a base through the summer months, flushing out remaining weak hands, then mount its fourth and highly-probable successful run, smash through $50 for the fourth time, moving deeply into three digits in 2023-4.

We began covering this sector in January 2020. **Subscribers to The Morgan Report who have held select uranium plays** have done very well. We're no longer at the bottom of the story, but neither we believe, are we anywhere near the top. For the next 24 months, if our premise is correct, the potential for out-of-the-ballpark returns looms large. Approach your targets with the trading tools discussed - and don't overstay your welcome.

All investing distills down to playing the odds. To maximize bull market gains, choose carefully, remain calm, and mostly just sit tight. When you've got "enough", start legging out so the market can't take it all back. Don't forget that in the end, it's not how much you make,...it's how much you keep!

Bio Brief: *David H. Smith: Senior Analyst, The Morgan Report ; Contributor, Money Metals. com ; LODE Digital Silver project ambassador at https://ag.lode.one/ ; Co-Author with David Morgan of* ***Second Chance: How to Make (and Keep) Big Money from the Coming Gold and Silver Shock-Wave****; Tours/ Writes about Miners and presents globally at Virtual/ F2F Conference venues.*