

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 corporate interviews with corporate executives and institutional investors. Mike sifts through all the noise of main stream 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: Tuesday, July 31, 2018. Welcome to the podcast. Hope you had a good weekend. It's been steamy here in New York. The temperature's been in the low 80s but the humidity has been the mid to high 90s and man it's those type of days that no matter how high you have the AC cranked, you come out of the bathroom after a shower and 10 minutes later you feel like, "Oh god. I gotta go shower again." Because you get no respite from the moisture. But you'll realize that when it's winter I'm complaining about the cold, when it's the summer, I'm complaining about the heat. My wife says, "What weather do you like?" We joke around about that.

Anyway, it was a good relaxing weekend. For so many years, my hobby has been work. It's been that my family is my core and work has kind of been my hobby. As I'm getting a little bit older, I'm trying to get interested in doing some other things. I still play hockey. In the summertime, it tones down, but I think I was mentioned for those, if you're new to the podcast you wouldn't have heard this, but if you listen a while back I mentioned that over the winter time I'll put on some weight. I can put on those 10-15. The spring comes around and I'll get back or the summer comes around and I'll start to quickly drop some weight.

I packed on more than the 10 this winter. I saw myself interviewed or doing an interview, I forget which it was, and I look and I'm like, "God, take a look at the stomach. WTF? How did that happen?" I quickly got the diet back in order. I started working out a little more. But about a month ago, I have a heavy bag at the house and I have a little gym area, which is even more of a disgrace that I even put on 10 pounds or 15 in the winter because it's right down stairs. We have a heavy bag and the last month or

so every day been spending 20 to 35 minutes just punching the heavy bag. Go online, go on YouTube, find some boxing workouts, and it is, I gotta tell you, it's spectacular. First, for the weight loss. It just comes off really quickly. Unless I'm playing a sport, unless I'm skating up and down the ice or shooting some hoops, I hate cardio. I have a spin bike. I get on there. I'd rather walk on broken glass, but I do it.

But this workout, granted I'm not getting punched in the face, right? So, everyone, as Tyson says, everyone has a plan until they get punched in the face. It's all beer muscles that I have hitting a heavy bag, but I have to tell you for those 20-30 minutes, it's mentally spectacular. You might take a little bit of a rest, 15 second rest, every few minutes, but it's fantastic. I don't know if any of you have tried hitting a heavy bag, for my money, it's a great workout.

Anyway, I've got that going. Hobby-wise, like I said, it's been mainly work and reading and more work and reading for 20 plus years. If you have been listening to the podcast, you'll know that I stumbled across ... Well first, the first one with binge watching on Netflix was House of Cards which was a while back. I hadn't watched it, hadn't watched it, and then my wife and I watched it and we were hooked. Then we recently, this year, one of my listeners suggested Black List and Black List was just spectacular. We couldn't stop watching. So I've gotten into this little bit of a binge watching thing and I find for me, it's really mentally soothing. From spending all my time talking to management teams or reading annual reports or quarterly reports, building spreadsheets, going out in the field doing research, it's kind of nice. So when I get a little bit of time late at night, I'll do some binge watching.

Well this weekend, we've got a new one. It's something ... Typically, I like to binge watch the political dramas, the crime dramas, those are really ... Homeland's another one we watch a lot. But this one is called the Turn: Washington Spies. It was originally on the AMC network and you can catch it on Netflix now. It's based on Alexander Rose's book "Washington Spies: The Story of America's First Spy Ring." It covers the events from 1776 to 1881 about a farmer from Setauket, Long Island.

I live on Long Island. I was born and raised away from Long Island for a number of years so we're not total local yokels, but ... It's essentially these local farmers in this town called Setauket, really an unlikely group of spies called the Culper Ring. It helped turn

the tide during the Revolutionary War. It begins in 1776, after the British had recaptured Long Island; Staten Island, which is a burrow of New York City; and New York City for the crown and when they did that it left George Washington's army really in dire straits. I have to laugh because the first several times we were watching it, I didn't realize it was a true story and nor did my wife.

She's a CPA, I have a degree in accounting. History was not our strength. We're fans of it and as we're older now, we like to take the kids to Boston or Philadelphia where America's culture is very rich in history. Living on Long Island not too far from New York, you don't realize how much took place in New York City, downtown lower Manhattan. We kind of knew it but they don't do anything to really celebrate it, to accentuate it. If you go to Boston or Philly, it's jumping off the page. This is America's history and culture. New York, not so much. It's just go everything else going on. Out here on Long Island, to get to my sister-in-law's house, I drive right past Setauket. I didn't know anything about it. I knew it was a nice, pretty town. There's a lot of history here. A ton of history here that gets glossed over. When you're watching this, it's about farmers and settling the land and they were in these tiny little communities. They were building their own homes and they were doing all this stuff that everyone did back in the 1700s.

My British friends will laugh who are listening because when I travel around the U.K. on business with them, they say, "Now this castle's been here since the 1400s or the 1500s." They laugh at America's history as to how short it is. They know it so well. I could take to them about the Mets and the Islanders and the Yankees and even though I'm very well read and I know a lot of geo-political stuff, for some reason what took place here 200 plus years ago, is something that I hadn't really spent too much time on.

But watching that, it was great. They fix stuff all the time. So my wife said to me, "The cushions on the outdoor furniture, when you sit on some of them, you sink, right?" I said, "Yeah." She said, "Can you fix those?" I said, "Absolutely. I can fix those." And she said, "Or I can call a guy in." I said, "Ahh." Here I am, I've been watching a couple days' worth of guys fixing stuff and building stuff. I said, "I got it." So I went on YouTube. How do you fix a ... Well first of all, I didn't even know what it was called. It takes me 15 minutes to figure out what to look this stuff up, what I'm trying to fix. So I get in the car, I go to the hardware store. I conclude I need a staple gun and with the staple gun, I could stretch the elastic that's in there and I could do it. My wife says, "Just don't

spend crazy money because you always go to the hardware store and come back with tools that you don't even know how to use which is true."

now my neighbors know if they need something they can come here because I have a lot of tools. I just don't know how to use them, or I do use them, I do it wrong. Like I said, in the past podcast, I grew up with a long shoreman and he was a mechanic also. I don't know, there's something deep down inside me that says at least I should have the tools. So I have them.

I go to the hardware store. I buy this monster staple gun. I ask the guy, "Is this going to work?" "Yes." We also put a new outdoor carpet on our patio and it was coming up a little bit so I was going to get some double-sided carpet tape. Here I go. I buy it. I come back. I read everything. I don't ask for help in the store, because it's like asking for directions. I know what I'm doing.

So I come back. My wife says, "Now did you ask the guy?" I said, "Honey, I didn't need to. I read it. This is what I need." She says, "But why wouldn't you ask?" I say, "Because I can read." She says, "How do you know this is the right staple gun? How do you know it's going to go through?" I said, "Because it says it. It's heavy duty." She says, "But that doesn't mean anything." "Because it says it. It's heavy duty." She said, "But that doesn't mean anything." She was out. She went out for a little bit. I started my project. Aluminum frame. Load the gun. Took me 15 minutes to figure out how to load the staple gun. It's not a regular staple gun but still, come on. I should be able to figure it out. I had to go on YouTube. So I find it, I staple. Bouncing right off of it. I had told my wife, "By the time you back, these will be done. I'm telling you." She said, "Really?" I said, "Yep."

Nothing works. So now I try and get some screws. I try and screw them on. Doesn't work. I don't have the right drill bit. So I spent between going to the store, between trying to fix this, two hours, complete waste of time. But here I am thinking I got this all figured out because I just watched this stuff. I could go get the tools. I could figure it out. Again, not a shot. So then I work on the double-sided carpet tape. I put the carpet tape on. I stick it to the bottom of one of the carpets. We have an area rug outside. I had to use it. We had to do something because it's coming up and I don't know why. Our prior rug didn't and we have a fire pit. So you could take a header right into the fire pit. So you want to be careful there. I get the double-sided tape. I put it on. I peel it off. I put it down. Boom. I walk on it. Got it. Great.

So I said, "Okay. She'll come back from the stores and at least I got one out of two things done." And I'll just, "You were right." I'll concede on one of the two. And she told me she wasn't sure if the double-sided carpet tape would work on this blue stone. I got it. It works. I go in. I finish it. It looks perfect. I come inside, and she comes in the house. She says, "What happened?" She says, "You didn't do the frames." I said, "Well I had the wrong staple gun." She said, "I thought you had that figured out." I said, "Well I don't." She said, "I thought you were going to do the carpet. Why is it sticking up?" I said, "I did." I went outside, it was completely up. Nothing worked. So long way of saying, I don't know when that time is going to come when I'm going to say to my wife, "Yes. Just call the guys and have them come in and do it." But I'm starting to get there. Two, three hours and I'll do projects and I can't finish them. Anyway, that was part of my weekend.

But the Turn, I really recommend it. If you like Revolutionary War, if you like history, you like intrigue, you like spy stuff. That's my latest thing.

I don't, you know that I'm not going to, I told you several weeks ago I'm not going to get into the weekly what the market's doing because who cares what anyone says really because everyone has an opinion and we know what opinions are like. But I'm trying to call the overall market, right? I am bearish. We know that. I've talked about that before. If you're a new listener, I am bearish. I'm not going to get into all the reasons why. Maybe somewhere down the road, I'll get more into it, but not today. I'm not going to go thing for thing. One of the things I talk a lot about earlier in my podcast was the market's had a huge move and I think it's time that you need to start really thinking about how your portfolio is positioned because stocks have moved so much that you want to be cognizant of weightings in your portfolio.

If you've been owning an index fund or a large cap mutual fund, you've been riding the wave of the S&P tech sector which has been outperforming like there's no tomorrow. But this past week I think is a good example if you're dealing with this stuff then you really want to start pay attention. You'll notice that Facebook, it's been one of the fangs, real darling, one of the most loved stocks. They announced what was really a pretty astounding cut in its operating margin outlook that didn't sit well with the people who owned these big growth stocks. Growth investors don't like big margin cuts. The stock was down 20%. It's market value was cut by \$120,000,000. That 120 billion was the largest single day loss of market value in U.S. stock market history for any one stock. Stocks

go down 20%, but the speed at which it occurred. It happened overnight after they reported numbers. The stock got crushed. It just continued to get crushed. If it served one purpose, you get in on the stock where you don't have any TF or if you do, I think it made the market pay attention to the crowded positioning that you're seeing in specific stocks, specifically in the tech sector.

Tech stocks have been steadily going up for years now. It's pushed the sectors market weight as a percentage of the S&P 500 to its highest level since November of 2000. Remember 2000? Right before the internet bubble? The dot com implosion. At that time, the S&P information technology sector was about 35% of the S&P 500. It's not there yet. It sits at about 26%. It's getting there. If you looked at a chart as a percentage weightings, it's starting to really go what I'd say a little parabolic up towards parabolic straight up. Not going straight but it's going up. Really starting to take off.

If you look at Facebook had a market cap of about \$630,000,000 and then you look at Alphabet Google had a market cap of \$900,000,000. Apple is approaching a trillion dollars. So if you own an S&P 500 index fund or any TF like the Spider ESPY or the [inaudible 00:18:10] QTQ trust you own these stocks. And if you own an actively managed large cap mutual fund you probably almost certainly own these stocks.

So what that means is your position is owned by countless other people. And that weighting of these tech stocks is high. Netflix got hammered in the last couple of weeks. Dang [inaudible 00:18:37] thanks. We saw Facebook that I just talked about. So that should be an eye opener. I mean a stock lose 20% of its market value in minutes. So if it serves as nothing else it should be apparent that the risk is high in owning some of these right now.

Amazon had a really good quarter. Blow out numbers I think you'd say. The stock, after market, was up 12% or so. It barely finished up. Pre-market trading was four percent but throughout the day it substantially weakened. It closed up just half a percent. That could have been ... Amazon's been a beast. It's stock's been tremendous. I think after Facebook, you'd think Amazon comes out with great numbers that it would take these stocks higher, but it didn't. It itself barely budged. You've got to wonder how toppy is it. The whole tech sector finished ways behind the other 10 groups for the week. It lost 10%. Intel got hammered down almost nine percent. They had a slower roll out of some next generation chips, which really overshadowed better than expected second quarter earnings.

Twitter got hammered, down 20, 21%. They had a decline in monthly active users, disappointing guidance. So just something to think about. Again, I'm not sounding alarm bells, but if you are heavily weighted, you might want to re-examine your weightings.

Anyway, on to other stuff. This past week in the uranium world, we saw significant news. Cameco, the largest publicly traded uranium company, they announced indefinite shutdown of the world's largest uranium mine. MacArthur River which is up in the Athabasca Basin in Canada. They produce about 18 billion pounds a year. It had been on temporary shutdown and we had ... The market wasn't sure what they were going to do. They shut this thing down in ... They announced it in November last year and they shut it in January. The plan was a 10 month shut down and they were going to keep it closed hoping that that lack of supply hitting the market would impact the price of uranium to move from the low 20s up to where they probably want it in the mid 40s, before they would get it going. The market wasn't really sure. Cameco was somewhat late to shut production during the seven year downturn that the market was in, the uranium market.

But they announced last week that they're keeping it closed and we've seen the price of uranium rally. It's at almost \$26 a pound. Some of the stocks, not all of them, there was some bifurcation in the group, but some of the uranium stocks started to really move. That's a lot of supply coming, that's 10% of the world's supply that's not going to hit the market and for those of you who follow my view on uranium, I think the world is in a uranium deficit right now. I've been very public since last year that that was my view. That's what's going to happen. So there's a lot going on in the world of uranium.

Because it's the summer, because it's hard to get people, today's interview was an interview, I interviewed it in the middle of last week, right before this news came out. It pertains to uranium and it's a CEO of a uranium company and we're going to have Amir Adnani come on to talk about macro uranium stuff. Without further ado, Amir Adnani, welcome to the podcast.

Amir Adnani: Hey, Mike. Nice to be back.

Mike Alkin: Hey I'm sorry I didn't get to see you out in Vancouver last week for Sprott Conference. I understand it was-

Amir Adnani: I was looking forward to it. I was all ready and you just last minute decided to stay home and take it easy.

Mike Alkin: I got so busy with a couple of things and I said I'm just going to have to pass on it this time. But the big take away from the conference for me was, the Facebook live video I was of Frank Curzio flying a plane. I don't know if you had a chance ... Did he tell you about his piloting experience?

Ami Adnani: Yeah. I think he briefly mentioned it to me. I think he enjoyed that.

Mike Alkin: He did, but the definition of white knuckled experience can now have a picture of Frank's in the Webster's Dictionary holding tightly onto that stick as he was piloting the plane.

So folks Amir was at the Sprott Natural Resource Conference last week. Amir is a CEO and president and board member of the Uranium Energy Corp. and Gold Mining, Inc. He's the chairman of Gold Mining, Inc. Amir was at Sprott and Sprott is an annual get together for a bunch of natural resource companies and a lot of investors go there and meet with the companies.

So, Amir you've been going to these for a while, what's your take away from the conference?

Ami Adnani: It is a very different kind of conference mainly because as ... You're aware but just for the audience purposes if they're not familiar with Sprott, Sprott is really an asset management company. They're an institutional investor in the resource sector and so this conference is unique in the fact that a company needs to be invited to be at this conference. You have to basically be owned by Sprott or Sprott has done significant due diligence and they invite. To begin with, it's always been quite nice and an honor that guys like Rick Rule who have been shareholders of both Uranium Energy and Gold Mining in a big way for many years continue to invite us back. It's a great opportunity that way.

The other obviously thing is that you can imagine being a very natural resource focused conference, we have seen weakness across the commodities board recently with U.S. dollar being stronger, gold being really struggling here being closer to 1200 rather than 1300. Copper prices coming off. With uranium, I feel like, so internationally you feel like the mood would be a little bit subdued, but if you're a hard core contrarian natural resource investor, you almost sort of maybe live for conferences like this and times like this in the cycle. I tell you, with uranium, it felt to me like there was almost the calm before the storm so to speak. In a sense that I think many people-

Ami Adnani: The calm before the storm, so to speak, in sense that many people attending there, recognize that there was something really positive developing in the uranium market that we were going to have many exciting months and years ahead of us for the sector as this recovery begins. Generally there was a very upbeat, yet subtle response towards it.

So, very interesting conference always very well attended by natural resource investors. I would imagine Mike, that at conferences like this, we would see a greater number of generalists funds or investors as we start to see gold and uranium prices at 10 year highs, as opposed to 10 year loss.

Mike Alkin: It's interesting Amir, before we hit uranium, I'm going to throw you a curve ball that I just thought of while you were talking, and you mentioned gold. You are chairman of gold mining, I am not a gold bug, I am not a gold fishing auto. I have a view, but what moves gold up? Dollar up, dollar down, interest rates up, interest rates down. No matter what scenario it seems. Frank and I were talking about this yesterday, just having a chat on the phone, gold's kind of stuck here in the low 12. What's your view on just gold itself? How do you think about it here?

Ami Adnani: It's a compliment, its stuck in this range because it's been going down. My views are that we ended up with these, let's say short term and medium term dynamics in the market that drive goals, the big one being the US dollar. So, here we are over the last 60 days due to events that you look at what's been going on in Europe, you look at what's been going on in Italy. It's just been this a relative strength in the US dollar relative to what's been going on through generally every other currency on earth. That's been the deliberate in the last 60 days.

We also tend to see geopolitical events. Events move to gold price, but it almost seems to be so short lived when that happens. That historically has been supposed to be gold's role in the world, we get some geopolitical uncertainty and gold moves hasn't really been the case.

I really believe this is about a longer term trend when you think about golds. When you think about gold, you have to think about the longer term effect of what trade wars, and the fact that we're coming out of one of the longest bull markets ever in history, one of the longest cycles of low interest rates. What does it mean when come out of this?

So, to begin with trade wars and anything to do with tariffs and things like that, these are inflationary. We ended up with rising inflation, which is going to happen. Then ultimately we're going to see lower real rates, and negative real rates. So, nominal rates adjusted for inflation are going to be the key driver for the gold price, and I think that's the ultimate relationship that I'm looking for.

So, even if you look at where the bond market is pricing in further rate hikes, everyone is quite suspect of how many more rate hikes the Fed can support. And, here there's going to be a greater velocity of rising inflation than the interest rates. And again, hence will end up in an environment where we will have negative real rates. That's ultimately what's going to bring the gold price out of this six year bear market that we've been in.

We're going to head back, and retest the 2010-2011 highs and up. Especially given where total debt worldwide is right now, total household debt, total corporate debt. This is an environment that I would be ... I look at gold almost as insurance, Mike. I look at it as an insurance and a hedge against all these possibilities that I've seen in the market.

Mike Alkin:

Okay great, that's helpful I appreciate your view, and we shall see where it takes us, so let's get back to uranium. Obviously, for those who are new to listening to me or listened to me, but I've been paying attention or cared to listen to about uranium. No, it's been a seven year bear market, I personally think the bear market is over.

The price at one point of uranium was \$137 a pound back in 2007, and today it sits in the spot market at about \$24 per pound, having hit a low of about 17, over a year ago. The number of companies who mine, and explore for this stuff gone down from several hundred down to below 50 publicly traded. If I really sharpen my pencil there's fair amount less than that, they are worthy of investors capital.

Nuclear power accounts for about 12% of the world's electricity production. And, in the US it's about 20% of the electric rate, and a lot of people might not know that. So, if you're new to this, that might come as a little bit of a startling number. And, from a worldwide perspective, the nuclear power industry is a growth market. It is bifurcated between the OECD the developed countries, and the Non-OECD world the developing world.

In the developed world it's flattish to some countries are reducing the dependency or eliminating it. We've seen Germany and Switzerland want to go away from nuclear power. France has talked about reducing their dependency, and the French generate a three quarters of their electricity from nuclear power, although recently they've backpedaled on that.

In the United States, low natural gas prices make it somewhat not competitive for certain nuclear reactors, so you're seeing some challenges there. In the rest of the world where there's rapid growth, and where there is the need for clean air, think India, think China you're seeing it grow rapidly. And, around the world there's about over half a trillion dollars, at least in construction. There's 58 or so reactors around the world under construction, off of base of 450 reactors that are already out there.

So, it's a growth business, but the commodity is down over 90% from its peak. So, for contrarians and for people who like to look for companies left on the garbage pile, and industries where people are really forgotten about that's the uranium mining industry.

Amir's business, Uranium Energy Corp is a miner focused in the US. That's where they do a process of mining called In situ recovery, and there's two ways to mine. There's conventional, which is either an open pit where you see the big trucks down there pulling this stuff out or underground, and then there's In situ recovery, which looks like an oil and gas setup. Where they drill down into the ground, and they separate the uranium with a solution, they pull it up through the pipes and they process it.

I want to turn Amir to the US, the US is a fascinating beast in the world of nuclear power as I said, it's about 20% of the US electric grid, and it accounts for 30% of nuclear power worldwide. There's 99 reactors that operate in the US.

At one point, if you go back to the 80s when the Cold War really was at its peak. The US, let's say, consumes, we'll round up folks, It's about 50 million pounds a year of uranium to fuel the reactors. And, most of the uranium goes towards reactors very little for bombs and medicine, and whatnot. But, back then in the 80s, it was producing almost all that it was consuming. It had a healthy nuclear fuel cycle, it had the ability to enrich uranium because uranium by itself, doesn't power anything it needs to be enriched.

Now, as you fast forward all these years you've moved forward about almost 40 years, the United States produces less than 2

million pounds of uranium, and it consumes let's use that \$50 million pound number. And, so we have to, I say I'm an American, you have to import 98, 99% of the uranium, it needs from foreign sources. Those foreign sources are not always friendly to the US upwards of half are Kazak, Russian, Uzbekistan, uranium, and not who's countries don't always have the best interest or don't have the best interest of the US in mind. So, and the enrichment he built it to enrich has been decimated. There is no self-reliant enrichment capacity in the US.

It's taken a dramatic change for the worse, and recently the two companies in the US energy fuels and UR energy petition the Commerce Department under something called section 232 on the grounds of national security, which was enacted back in 1962 to really protect the industries, from foreign sources of materials coming into the country that could damage US industry or companies on the grounds of national security. And, one can make a pretty good case that a uranium is one of those industries. They petitioned back in January 2018, the Department of Commerce, and the Department of Commerce recently opened an investigation into it.

So, Amir it could take up to nine months for them to come to a conclusion, and then they make a recommendation to president Trump, and he has 90 days to decide what to do with it. So, it's in a bit of limbo right now, but Amir as a US miner could you talk about the state of the US uranium mining industry? How we got here? And, your views on where this all ... how it unfolds.

Ami Adnani:

The state of the industry has been low activity or being closer to historic low for well over a decade, if not maybe two decades. So, it can trace its roots back to the end of the Cold War era, and the beginning of an agreement between US and Russia called the HEU or Highly Enriched Uranium agreement where tens of thousands of, I think in total when it was all said and done, it was over 23,000 Soviet era of warheads that were dismantled, and the highly enriched uranium was blended down to low enriched uranium. And, that was fed into the market primarily the US market. That was the equivalence of the world's largest uranium mining. The HUE program was providing over 20 million pounds a year in the world's biggest uranium mine because the River produces 18 million pounds per year.

So, this was a big source of supply, it flooded the US market, and uranium prices felt too low and lower than what was economic to mine uranium, and to look for uranium in the US. In 2005 when

I started as an entrepreneur to look at the uranium business, I recognize them, saw that, 'oh geez, look at this.'

The US is importing 90% of its uranium requirements. That doesn't seem like a sustainable picture, and that's how Uranium Energy Corp for a little bit, 13 years later we'd be importing 98% of the uranium requirements. And, so while we've built business with fully permitted projects to mine uranium in Texas and Wyoming, we don't want to deplete our uranium at the bottom of the cycle.

Things have been picked up for the total production of US uranium. But, here we are in a very acute situation where the uranium being mined in the US is only enough to meet the needs of one out of 99 nuclear power plants in the US. And, there's nuclear power plants are generating 20% of the electricity in the US.

Ultimately, what we have here is perhaps a period of time where many other countries were able to develop assets or projects that in the previous uranium cycles had some advantage over US assets. I tell you as we move forward and we think about the next 10 to 15 years and ask ourselves "where will new uranium projects be developed?" I don't necessarily think other jurisdictions have any key economic advantage over US assets.

What I mean by that is we have \$22 per pound uranium price, clearly \$22 per pound uranium price doesn't work even for the world's biggest uranium producers, the Canadian company chemical, and the Kazakh company Kazakhstan. I say clearly because these guys have been shutting down mines, and announcing production cuts over the last 12 months, and signaling and stating to the market that we can't make money at \$20 uranium.

The environment that we're in, which is a difficult environment, is not just difficult for US companies. This is so important for your listeners, Mike, to understand because the moment we start to talk about section 232, and it reminds people of how section 232 is being used or has been used for steel and aluminum, and putting tariffs there, and an automobile industry. Tariffs have this negative connotation that it's an attempt to pop up an industry that's not otherwise competitive.

It's important that people understand, yes, we have a very difficult situation for US uranium industry, and the industry is about to get wiped out almost because in terms of how little production there is, but it's the same for the rest of the world. The global uranium

mining industry is not able to make ends meet at \$20 uranium.

This is not a US centric issue, and cure for low prices is low prices. This happens in any commodity, and the key here is to say, as the sector comes around, as the commodity price globally recovers, how competitive are US companies? I would say companies, especially those that are focused on In situ recovery, this is a low cost way of mining uranium in the US, which is the specialty that we have at uranium energy.

These are very competitive projects compared to what we see in the world. Most feasibility studies that have come out on new Canadian projects that are pre-production need \$50 uranium and higher. Incentive price for most mines in the world outside of Canada and Africa, and elsewhere is \$65 uranium and higher.

Clearly everyone needs a higher uranium price as an incentive place to develop, and when we look at sort of this issue, I just think that there's a foundation in place in the US to discover new uranium deposits to be able to almost replicated what the oil and gas industry was able to do over the last decade or so. Where, this is a very interesting perspective that the chairman of our company, Spencer Abraham as the 10th US energy secretary under George W. Bush and his administration there were deeply concerned. That 50% of oil requirements for the US was being important, and that problem has been solved today. It's been solved by really making it a core focus both in terms of, tapping into geologic potential, tapping into American ingenuity, tapping into this collective based that says, "Yeah, this industry is important and let's turn it into an economic engine."

I just thank the US Uranium industry, is not an industry that needs to be propped up. It's an industry that is very strategic for energy infrastructure, department of Defense, and others needed for a nuclear navy needs it.

Ultimately, this is an industry that can become a global powerhouse, it can become an economic engine, it can create thousands of jobs, and all you need to do is look at the history. When we were a much bigger industry, this industry employed over \$20,000 close to 30,000 people compared to 500 today.

This is a very sound argument here is to look at, and I think what's also important is that, this is not just about section of 232 filing. Over the last year we have seen so much support from different branches of the US government speaking in favor of US Uranium.

Department of Energy, Department of Interior, Department of Interior has added uranium to the list of critical minerals.

Department of energy has halted at charitable barter program they've had for years, but they've been selling uranium from government stockpiles to pay for cleanup. Terrible, terrible policy, it finally ended.

Department of Defense, finally it's charming in and talking about the needs of the Department of defense to run aircraft carriers and submarines, all of which run on nuclear power, all of which need US origin uranium. I mean by law you can't even put Canadian origin uranium for the needs of the Department of Defense, that has to be US origin.

Lastly, Department of Commerce that we've talked about, but there's something much bigger going on here and part of it has to do with maybe just a rebalancing of the market to some extent, Mike. Because it's quite fascinating that Kazakhstan has become a single nation OPEC, 40% of global production in their hand from deposits where they're mining with the same little cost In situ method that was invented 30 years ago, 40 years ago in the US, and most of US deposits could be mined the same way. Hence, it just makes you think, "Well, what can we have that kind of industry leadership?" And, we can.

Mike Alkin:

Let's go back Amir, that was very good explanation. Let's go back to 232 itself. What the filing the petition was asking for, which was they would like the president to mandate that 25% of the US uranium needs be purchased from us suppliers. Which would be about \$25 billion, 25% will be about 12 million pounds. 25%, 12 million pounds to be purchased, and like we said the US produces less than 2 million pounds.

Some of the issues around that number one is, realistically, when you look around at all of the production capabilities of the mines here in the US. What's the timeline that you think that 12 million pounds would be able to be mined in a realistic timeframe? And, would that cause perhaps, if it takes a little bit longer would that cause, do you think if commerce Gary's through it. Would it make sense to kind of gradually ease into that 25% if you were able to even produce that much? How do you think about that?

Ami Adnani:

Well, as you said, as its proposed right now, it's supposed to be 25% of requirements. So, if the total demand is \$50 billion pounds, then 25% would give 12 million that you're talking about.

Let's distinguish between requirement's annual demand versus requirements versus when you need to buy. There's a natural even period built in. What do I mean by that?

Mike Alkin: The fuel cycle.

Ami Adnani: Because of inventories, if you're US utility, and you're sitting on two to three years of forward demand on hand. Well, you don't need to step into the market tomorrow and buy and, when you do, be a demand to buy 25% from US origin. So, depending on inventory management, US utility could prolong the timeline or when the quarter becomes applicable, so that's important to keep in mind.

The second thing is the fact that it is a thing in issue. It's an issue for the sector to ramp up overnight to get to \$12 million pounds per year, it simply won't happen. I don't know the exact timeframe, but I can tell you it won't be months, it will be years. And, the reason for that is that the rate determining step, and developing any uranium mine into US as permitting.

I speak from direct experience, I've spent 13 years building Uranium Energy. We have fully permitted uranium mines in Texas and Wyoming with the full capacity to get up to 4 million pounds per year. So, we can at least satisfy initially 4 million pounds out of that 12 million. But Mike, it took us five to seven years to get those permits.

That's the thing people need to understand is that, the key issue here. The key gating I do that it's going to be permitting, and it takes five to seven years. So, this is going to be a story where the 232 petition or any other policy that is designed to stimulate growth in the US uranium mining industry will create a premium US pricing, a premium domestic pricing for uranium, which could last for a number of years before enough production comes online to satisfy whether its quotas or whatever the case is. Then prices should normalize, and the domestic price over a longer period of time should not be that much higher than the international price.

Frankly, I just don't understand why that should be an issue. And, what I mean by that Mike is this, if there is a great concern over national security and energy security due to the shortage of uranium being mined in the US, and the heavy reliance on foreign imports. And, especially in countries where there's a higher degree of geopolitical risk. Then there needs to be a boost like this, there has to be great incentive provided to stimulate growth and interest.

And, over the long term, key strategic objective has been satisfied, and like I said, this is something that really assist the evening, the playing field.

To some extent I look at the fact that there are so many ways that other countries are incentivizing development and exploration in their countries when it comes to any kind of exploration, uranium in particular. You and I have talked about this, look at the incentives in Canada, which flow through financing. The mechanism we don't have in the US, but that exist in Canada, and people get a tax break by investing in companies that are going to go drill for minerals, including uranium. Well, that's an incentive, we can call it a subsidy, but it's incentivizing and action that otherwise wouldn't happen.

So, to come back to your question, I think the gradual process could be managed by utilities themselves, and how they manage their inventories, that they don't have to come to market on day one, and buy US origin uranium depending on where they are with inventories.

The other thing I would say is, let's not forget there's two ends to this equation. The one end of the equation is the uranium, and the fact that the fuel cycle for nuclear power starts with uranium. But, on the other end of the cycle, you have nuclear power, and the fact that the nuclear power plants in the US have been struggling economically due to heavy amount of subsidies that were given to renewables, due to a very cheap natural gas prices.

The Department of Energy and the administration has done expensive studies about grit reliability, grit resilience, they're realizing that, we need base load power from nuclear power plants. We need to level the playing field for nuclear power given that it's generating clean carbon emission, free electricity around the clock, and it has characteristics and attributes that gas fired power plants and renewable stones.

So, if you're utility and on one end, maybe asked to buy 25% of your requirements from US mine uranium, but on the other end you're receiving some other economic incentive, where grid operators might be ordered by electricity that you generate. That was a memo that was leaked from the White House about a month and a half ago.

Ami Adnani:

Memo that was leaked from the White House about a month and a half ago. It goes to show you that ultimately this is not just

about uranium mining; but this is about the entire fuel cycle, from uranium all the way to power generation and understanding grid reliability and grid resilience. And this has been a cornerstone part of what the [inaudible 00:52:21] Energy secretary has done; and then just look back to a year ago when they published the whole grid reliability study. I think that tells you the whole playbook of the bigger picture that they are looking at here.

Mike Alkin:

So the utilities, right, the utilities, they're not going to lay down and say "Okay, whatever you tell us." They've come out with a counterpoint to being told where to buy their uranium; and they say "Hey, if you Mr. Commerce Department or Secretary Ross may recommend that we buy 25% from miners, that price could be bifurcated between a higher US price and a lower international price. That's going to make our ailing nuclear power plants uncompetitive. So, we don't want to see that." How do you respond to that defense from the nuclear power plants?

Ami Adnani:

Well, I just like I said, I think it's absolutely fair for them on their end to make that point. I think this is not necessarily something we need to sort of point the finger just necessarily at them and single them out, but I think we need to just step back and have some fundamental questions. Again, it should be concerning to anyone, including a plant operator and owner, when thinking about reliability of fuel coming in for running a power plant; and it should be concerning if you have an overdependence on import. I mean these are just basic sort of issues outside of economic consideration.

But as I mentioned, economic consideration has two ends to it. Right? It has the end about how do we feel about nuclear power longer term, having to compete with subsidized renewables; and where does nuclear power's role kind of fit in when it comes to the very positive attributes that it contributes to the grid.

The whole discussion around uranium can't be looked at in isolation on its own. It can't be looked at in a vacuum. I think it has to be looked at in the bigger picture of where the grid fits, what kind of diversification we want to have when it comes to the grid. I think it goes back to why we're seeing this incredible growth in the global industry for nuclear power. Why from Saudi Arabia to China and India there's record number of reactors being built because even the Saudis want to diversify their electrical grid. They don't want to put all their eggs in one basket.

It goes to the heart of that and so we have this tremendous growth

taking place in the global nuclear power industry. The US could regain much of the leadership it's had in this sector for decades, which frankly it has lost to Russia and China; and Russia and China are using nuclear power and selling nuclear power reactors as a form of building political relations and exporting their kind of diplomatic initiatives through nuclear power.

This is a real strategic lost opportunity for US companies and for US interests; and so I think it goes well above and beyond someone sitting there and just looking at it in isolation as to what they are paying for a pound of uranium for 25% of their requirements. Whether that's 25%, 20%, 15% we don't know what the final thing is going to look like. I just think that what we do know at the end of the day is that nuclear power is a growth industry; and it is a growth industry that US companies and US industry should be a part of.

You can't be a part of that, nor can you lead that if you are missing the most fundamental piece of the equation which is the fuel, which starts with uranium. Without that, it doesn't, what are you going to build multi-billion dollar nuclear power plants but not have the most basic fundamental portion of that at the lowest cost portion to offer a nuclear power plant is the uranium or more or you pay for uranium. So, this is not tactical thinking in my mind to be hung up on that and we gotta look at the big picture.

Mike Alkin:

I've been pretty vocal when asked the question or in some presentations that this seven-year bear market has been somewhat self-inflicted by the uranium mining industry in the sense that when the price starts to dip below the cost of production and you're certainly not incentivized to produce, one of the responses you can certainly have is to cut production.

The uranium mining industry, in my opinion, has been slow, had been slow to respond to declining prices. And I understand the reason for that is the nature of the market. Many of the uranium pounds that change hands between miners and power plants occurs in the long-term market, which is the 7 to 10 year market. Recently, that's shifted a bit towards the shorter-term market with 1 to 3 years with the carry trade that has come in where financial intermediaries will buy the uranium and then deliver in a shorter time period.

But, for security of supply purposes, the power plants want to know they have this uranium under contract for many years because they think in that term. So, you hadn't really seen the

supply response until January of 2017 when Kazatomprom, the state-owned entity of Kazakhstan cut production that they announced back then at the time at 10%. Then you've seen others with the biggest mine in the world McArthur River owned by Cameco, that was cut. They announced it in November. So you've started to see that. People look back and say "Well, it's been 18 months or so and we've only seen the price of uranium move from high teens into low 20s, maybe inching up now toward mid-twenties per pound in the spot market."

I've long contended that price discovery, real price discovery, not financial arbitrageurs trying to scrape buy trading uranium back and forth like the physical traders do, in the spot market, but real financial discovery for 5 million pound type contract occurs in the long term market; and we haven't really seen that because the nuclear power plants haven't had to because there's been some inventory out there and there has been these shorter term contracts.

But now those contracts that they were entering into towards the latter part of the 2010s, '08, '09, '07, '10 are winding down; and a third of the needs for uranium are uncovered for 2020 at the nuclear power plants. So, price discovery needs to occur; and that, I think, is the power plants recognize that there is some supply constraints happening now. In the back half of 2017, Emir, we started to see some requests for proposals from their power plants come out and they wanted to pay low prices; and the miners didn't bite. That might have been the first shot across the bow from the uranium mining industry to the nuclear power plants saying "Listen, we're telling you, our costs are higher than what we're selling it for." And then nothing was really done in the back half and then 2018 comes around and the latter part of January you saw this section 232 file by Uranium Energy and Energy Fuels.

So, if the nuclear power plants have kind of withdrawn a little bit from the purchasing cycle, they've kind of gone hiatusing. We don't know who we're going to have to buy this uranium from. So why enter into longer-term contracts? But if you are sitting, put yourself in the mind of a fuel buyer. You're sitting there; and if 232 does go through and it gets recommended, and we don't know that it will, but if it does, you'd probably be paying a higher price for US uranium. Why not be a US nuclear power plant buyer and why not start securing supply now and start dipping your toes in the water? Are you going to wait to the resolution of 232 or are you just going to start to secure supply now from those sources, some of it. If you've only been buying a couple of percent, what's the harm

in buying 5% or 10%, or just some more now, because some of the mines could produce and deliver? So what do you think the logjam is?

Ami Adnani:

I mean it could be just the fact that, like we've talked about, uranium just makes up such a small percentage of the overall cost that maybe they are quite insensitive to it, despite complaining that they don't want to pay more.

I think the other issue is that this is still a kind of "To be Continued" kind of development and maybe they don't want to get ahead of the curve and start the purchasing before there's some clarity on the exact outcome of what the administration wants to do.

And then finally, I think it's just the fact that look, even if you stepped into the market today to buy US origin uranium or any kind of uranium, there is just no supply available. This is just a market that has really become quite tight for different reasons. If it is US origin uranium, this year's total production is expected to be less than a million pounds. Again, that is enough for 1 nuclear reactor; and there's 99 of them in the US, so there just simply isn't enough material.

If it's the global market, even that market is rebalancing. Utilities are competing with the likes of Cameco in the broader, global market to buy physical uranium. Cameco not only has shut down McArthur River, but in order to replace the uranium that would have been mined out of McArthur River to meet their contract requirements, they'll be buying uranium in the market. It could be 10, could be 15 million pounds. So this could be just a case of total complacency by the utilities and falling behind in what maybe they should be doing in this point in the cycle.

But, Mike, you know I guess at the same time we could argue that utilities have been burnt before. They did buy and contract at the top of the cycle back in 2007 and back in 2010; and they've had it maybe too good for the last 5 or 6 years though prices have been low and they've taken advantage of that. Maybe at this point we are just seeing the tide's turning back in favor of the producers and sellers and the buyers just not fully adjusting the order book and their game plan and the strategy accordingly.

Mike Alkin:

We talked about production capacity, Canada and Australia are major suppliers of uranium; and I think one could argue that the US' national interests are pretty well aligned with the Canadians

and the Australians. We all kind of have similar self-interests; and we are very good friends. What do you think happens to the Australian and the uranium miners under 232, those who are selling into the US? Do you have a view on how that plays out for them?

Ami Adnani:

I don't really have a view on it in the sense that again I think when we look at other developments with 232, steel and aluminum being one that was recent and again has to do with commodities. I think in the case of uranium the argument is way more compelling because we really do have an overdependence on foreign imports; and there really is a national and energy security matter. But in the case of steel and aluminum again initially there was thought to be exemptions for Canadian and let's just say many Canadian suppliers and in reality exemptions haven't been provided yet.

I think longer term I go back to another issue. Forget about exemptions. Forget about whether Canada's truly aligned with US interests or not. Of course Canada is. But I think ultimately it goes back to the point I made earlier, Mike, which is Canadian projects to be developed in the next 10 to 15 years will also need a substantially higher uranium price than where we are to be economic. And so it becomes a bit of a moot point as to whether there's a quota or no quota. It's something that I think we will have to fully understand. The best new mine in Canada, Cigar Lake, has 10 years left in terms of reserves.

Projects like McArthur River have been shut down indefinitely, but more importantly, these are not brand new mines. These are mines that have been around for a long time. So new mines need to be developed in Canada. New mines need to be developed in Kazakhstan. When we're talking about the global uranium mining picture not working at today's prices, then clearly again it puts the sanctions and/or quota, whatever we want to call them in the US, into perspective.

I think with or without these quotas, ISR projects in the US will be globally competitive in the next cycle for higher uranium prices. I believe they'll play a bigger role. I think investors will generally look at the IRR and the economic profile of developing an ISR project in the US with or without quotas way more favorably than developing hard rock conventional strip mining projects in other parts of the world then. And it's just not Canada and Australia. It could be anywhere.

And that's truly how I look at it and I think again, if any kind of

US policy puts an added extra layer of incentive for US production, makes it that much sweeter, Mike, right? Especially when you're in our shoes as a company like UEC. Never in our plans in 13 years of developing US assets, being focused on US assets, did we think we needed the intervention of government to make our projects competitive. But nor did we ever think the uranium price would get this low and so much lower than cost of production, marginal cost of production and the incentive price for the industry. If it wasn't for long term contracts that were signed in the last cycle and the fact that this contracts kept producers going for longer, to your point, the supply discipline wasn't there and the producers should have been cutting mines sooner. But hey, to have contracts at higher prices.

Mike Alkin: Yep.

Ami Adnani: The market is finally rebalancing and this is the most positive thing in my mind about the sector right now. That US assets will be globally competitive with or without these quotas.

Mike Alkin: Well, you know it's interesting, Emir, one of the pieces of work that I've done is on the prospective projects that are out there that could come online and there's a natural primary mine shortfall versus demand every year for decades now; and it's made up by those secondary sources. But as you mentioned, Cigar Lake has 10 years. You know of other projects that are going to be winding down in the next handful of years, so you need new mine development.

As I go through the 40+ projects around the world, with the exception of a few smaller ones and one big one that won't be available for this cycle, all of these projects require well north of \$50 per pound uranium pricing to be viable. It gets to something I don't see talked a lot about, but it's the project financing of these. So, however you're going to finance it, whether it be 60, 70, 80% debt and the rest equity, these major projects that will be required to meet the demand, people will not lend on that without firm contracts in hand. It's going to be very difficult for somebody to finance that project even if you had a board and a management that threw caution to the wind and said "Ah let's build it on hopes of the future."

I don't know who is going to finance that unless these projects have contracts in hand for whatever that price may be, \$55, \$60, \$65 uranium for those to even get off the ground. It kind of takes it away from managements making poor decisions because they

are anxious to get a project going. They won't get the funding for it. How do you view that?

Ami Adnani:

Not to give you a long answer on it because I think you covered the points really quickly, I think that is exactly the point here. Because maturity of the production growth in the uranium industry over the last decade has come from government-backed projects, mainly Kazakhstan. This was all because Kazatomprom has been a private, government-owned or Sovereign Wealth of Kazakhstan owns it or is the sole shareholder. So their expectations or thresholds on IRR and the hurdles to clear to develop projects would be completely different from the expectations of a public company with shareholders and stakeholders and financiers.

I think Kazatomprom own thresholds and hurdle rates will change dramatically as they look to do their IPO later this year or next year, right? Focusing instead on bottom line as opposed to top line, right? Instead of just growing production at any cost, thinking about profitability. And I think, by the way, that's a really fundamental shift in the sector.

I think if 40% of global production becomes sensitive to economic constraints, to profitability, to bottom line, to IRR hurdle rates that they want to clear that's closer to where the other 60% of industry or production has to deal with, then that is going to create a much more normal cost curve for the industry. I actually think the cost curve for this industry has been quite abnormal because, again, the majority of the production and cost curve is dominated by government backed projects and initiatives where you just don't see what's really going on but you just know government's cost of capital at any given day will be lower than what a small or mid-sized public company would be.

Mike Alkin:

Yep.

Ami Adnani:

So, I think these are all very positive fundamental shifts that are taking place that will develop into a much more competitive cost curve, a much more equal across the spectrum cost curve where everyone's thinking about the same bottom line, same competitive economic thresholds and adjust for these realities that maybe up until now have not been properly looked at. Don't forget, much of the production that's coming out of Kazakhstan also has its development and exploration history and roots in soviet-era times when the soviets spent out of totally other government funding and initiatives than reasons for what became deposits that the Kazakhs have been ramping up over the last decade to become

the world's dominant uranium producer. That kind of history and that kind of background would not be available today. And again, these are probably one-off historic events that had an influence on the uranium market, but we've now moved sufficiently past those events; and everything is coming back into a proper equilibrium.

Mike Alkin: I love talking uranium with you.

Ami Adnani: I really enjoy it, Mike, because you're very unique and I think someone who's not initially from the industry but comes from a different industry as an investor, as a hedge fund manager. But the fact that you've become such an expert on this based on your analysis and fresh set of eyes, honestly is rewarding to me because, as someone who has put over a decade of his life into this myself, and the money and time and energy that I've put into this as an entrepreneur building it, I have incredible conviction in what we're doing, but every once in a while, it's quite nice to have someone from a whole other perspective and background come to the same conclusions and see the positive upturn that we see coming in the coming months and years. So, I always appreciate connecting with you and having these conversations.

Mike Alkin: Yeah. Same here; and we'll keep the dialog running. And it's going to be an interesting time to see how it unfolds here, especially for the US miners. So, Emir, thanks for taking the time, I appreciate it.

Ami Adnani: Thank you very much, Mike.

Mike Alkin: Alright, thanks.

Well I hope you enjoyed the conversation with Emir. I always find that Emir has a good feel on the macro, global uranium market; and I spent a lot of time talking about uranium and I get a ton of requests, whether it's on Twitter or e-mails or direct messages with questions, so my goal is to bring ideas that I think are interesting or topics that I think are interesting and relevant at the moment.

So, anyway, I just want to let you know 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 up on as the basis for investment decisions. Clients and/

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Hope you have a great week and I'll be back next week with another interesting guest.

Thank you.

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