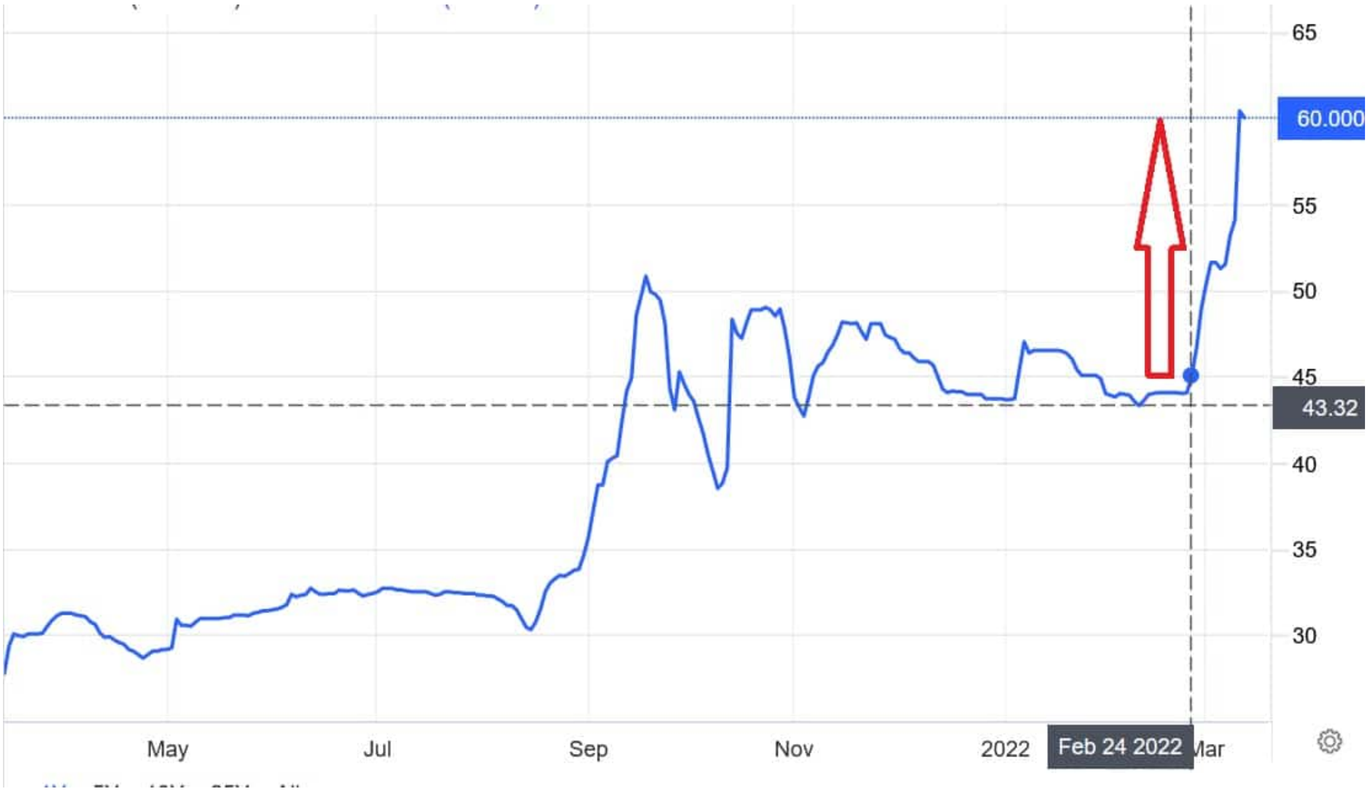
Ur-Energy, Hedging the uranium supply against the chaos of war

The big question right now is what will Putin do next? Last week U.S President Biden banned Russian oil and gas imports. Will Russia respond by banning uranium exports to the USA? That would certainly cause a huge drama given that Russia largely controls the uranium market (41% of supply from Kazakhstan, 6% from Russia) and the USA's dependence on uranium to power 19% of the electricity grid and a significant part of its navy which is nuclear powered.

In anticipation of a possible Russian uranium export ban or supply shock, the uranium price has been moving higher since the war began. At the current uranium price of US$60/lb the outlook for uranium producers is looking dramatically improved.

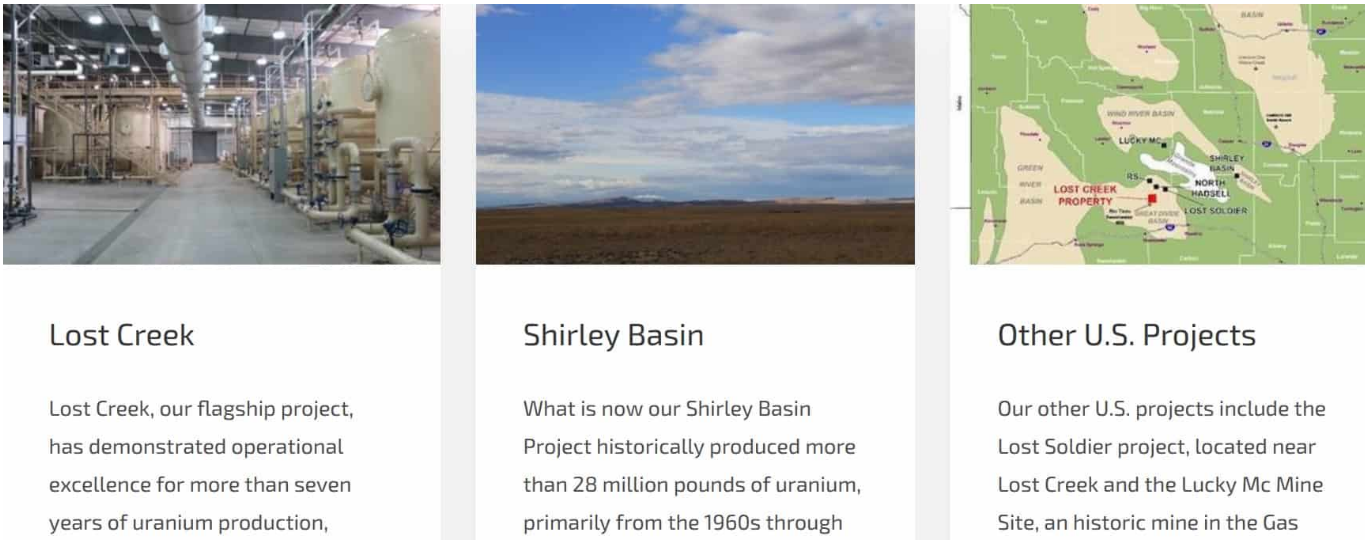
Uranium prices have spiked higher since the Russia-Ukraine war began on February 24, 2022



Source: Trading Economics

Ur-Energy Inc. (NYSE American: URG | TSX: URE) is among the top two U.S uranium producers (when operational). Ur-Energy operates their flagship Lost Creek 'in-situ recovery' uranium mine and facility in south-central Wyoming, USA. The Lost Creek Mine and facility has been on care and maintenance awaiting higher uranium prices. Ur-Energy also owns several other projects including the Shirley Basin Project (construction ready), Lucky Mc Mine, and Last Soldier uranium projects in the USA as well as the Excel Gold Project in Nevada, USA.

A summary of U-Energy's uranium projects in the USA



Source: Ur-Energy website

The recent good news for Ur-Energy investors can be summed up from the following two key announcements:

1. November 1, 2021 – Ur-Energy announces Lost Creek development program to advance readiness to ramp up uranium production. Ur-Energy stated: "We are pleased to announce the commencement of a development program at Lost Creek **that will advance us from reduced operations to full production-ready status……** As of October 27, 2021, we had more than $40 million in cash and 285,000 pounds of U.S. produced U_3O_8 in inventory worth approximately $13.4 million, stored at the conversion facility."
2. March 9, 2022 – "The economic analyses within the Lost Creek report continue to support the potential viability of the property. Total future life of mine (LoM) production (without additional exploration) is modeled to be 12.3 million pounds from 2022 to 2036 with LoM operating costs estimated to be $16.34 per pound. All in, the estimated total costs per pound, including royalties and extraction taxes, is estimated at $33.61 per pound before income tax of $8.72 per pound. Pricing used in the analysis ranged from $50.80 to $66.04 per pound……The Property has a calculated before tax internal

> rate of return (IRR) of 72.2 percent and a before tax net present value (NPV) of $210.9 million applying an 8% discount rate. When income taxes are included in the calculation, the **after-tax IRR is 66.8 percent and the after tax NPV is $156.8 million."**

Note: Bold emphasis by the author.

Lost Creek update

Minimal controlled production continued at Lost Creek throughout 2021 in recognition of market conditions. Ur-Energy has all required permits for operations within the first three mine units at Lost Creek and expects to have the final permit to allow operations within the HJ and KM Horizon at LC East and additional mine units at Lost Creek this year. Ur-Energy is in the process of obtaining remaining additional amendments to Lost Creek authorizations for expansion of the Lost Creek Mine.

Lost Creek recently received an amendment to its license allowing expansion of mining activities within the existing Lost Creek Project and the adjacent LC East Project. The license now allows annual plant production of up to 2.2 million pounds U_3O_8, which includes wellfield of up to 1.2 million pounds U_3O_8 and toll processing of up to 1 million pounds U_3O_8. Additional approvals (as referenced above) for this expansion are expected in H2 2021.

At the current uranium price of US$60/lb it looks highly likely we will very soon hear an announcement of Lost Creek production restarting.

Shirley Basin update

In addition to Lost Creek, Ur-Energy can bring on their Shirley Basin Project. It has a **before tax IRR of 105.6% and NPV8% of $129.7 million**. Ur-Energy has all major permits and authorizations to begin construction at Shirley Basin, the

Company's second in situ recovery uranium facility in Wyoming, USA.

2021 year end results

Ur-Energy's 2021 results are not important given that there was virtually zero (251 pounds of U_3O_8) uranium production and no sales. Ur-Energy reported: "As of December 31, 2021, we had cash resources consisting of cash and cash equivalents of $46.2 million. No sales of U_3O_8 were necessary in 2021. The Company had a net loss of $22.9 million or $0.12 per common share."

Ur-Energy, new CEO, John Cash stated:

"We are encouraged by the dramatic increase in domestic and global support for nuclear power, as it is increasingly recognized as the only plausible solution to climate change. Ur-Energy is in the enviable position of being able to quickly ramp up and participate in an improving uranium market and, in addition, we could immediately deliver up to 284,000 pounds U_3O_8 into the Uranium Reserve Program, currently being established by the U.S. Department of Energy. On March 3, 2022, we had $44.7 million in cash, plus our ready to sell U.S. produced inventory, worth approximately $14.4 million at recent spot prices. Additionally, we continue to advance the construction of header house 2-4 to expedite production when market signals allow us to ramp up at Lost Creek."

Closing remarks

Uncertainty of uranium supply from Russia and Russian controlled sources such as Kazakhstan is leading to a surge in uranium prices, up almost 50% in the past 3 weeks since the Russia-Ukraine war commenced.

At current prices, Ur-Energy's two key projects Lost Creek and Shirley Basin would be highly profitable as per recent economic studies done at uranium prices similar to today's price. All of this means it is highly likely we will soon see the resumption of uranium production by Ur-Energy at Lost Creek Mine in the near term. It also times well with the U.S.'s intentions to build up a reserve of uranium and the recent White House Fact Sheet aiming to build USA supply chains for key materials.

For investors looking at a hedge against the war, then look no further than uranium. And if Putin bans exports of Russian controlled uranium to the USA and others, then expect to see uranium prices closer to US$100/lb, than to today's price of US$60/lb.

Ur-Energy trades on a market cap of US$380 million. Looks appealing.

Is there a Ford in your future?

The American Ford Motor Company, in its domestic operations, has now adopted the current business operations model of the Chinese OEM automotive industry, but lags far behind on the Chinese approach to critical materials supply security.

The Chinese like to emphasize that their approach to politics and economics cannot be wholly understood as just an example or even a simple variant of these disciplines as practiced in the West and applied to China. They refer to their economic system as Socialism with Chinese Characteristics and say that the operating focus of their domestic economy is now dual circulation, the emphasis of domestic consumption leading to a declining importance of exports.

Nonetheless, foreign analysts continue to view China with a Western academic definitions filter.

This has allowed analysts to miss almost entirely the critical details of the growth of the business operations model of the (now world's largest) Chinese OEM automotive industry as it has adapted to what the Chinese call the production of "New Energy Vehicles " (NEVs).

To avoid internal conflict and increase efficiency, large Chinese auto companies now usually set up a separate NEV unit that runs independently from the traditional ICE car business.

I don't know James Farley, the CEO of the Ford Motor Company, personally, but I do know that he is among the most perceptive and far-seeing of American OEM automotive top managers, and one who actually understands the business of manufacturing of cars and trucks and the markets for those vehicles. How do I know this? By the action he announced last week that reveals his financial and market acumen. The Ford Motor Company has announced that it will separate its EV operations and its ICE operations into two separately managed and organized internal units, each of which will focus on a powertrain. There will be the Ford Model-e Division and the Ford Blue Division. The Presidents of both divisions will report directly to the CEO, now Jim Farley.

As Farley states: "We still think that more than half our customers are going to be ICE, and they're going to be ICE for a long time," Farley said. "It's almost like our industry's kind of given up on that business. Even if the unit volume starts to fall over when mass adoption of electrification happens, in a lot of segments that's not going to happen, and we want to have a dedicated team to run that business with passion."

So, now, at least, one of America's remaining, "Big Two" automotive OEMs have caught up with Chinese management "style" in product development.

But, there’s one more area where Capitalism with Chinese characteristics has outpaced the rest of the world. That is in security of supply of critical raw materials. China has an industrial policy that supports key industrial development, and it has had that policy for a long time.

When the Chinese domestic OEM automotive industry was in its infancy a generation ago China rapidly developed the domestic capability and capacity to produce a secure supply of raw materials to make ICE powered vehicles. Those main materials were steel, aluminum, copper and plastics. China soon overtook the USA and indeed the rest of the world combined in the production of those critical industrial materials.

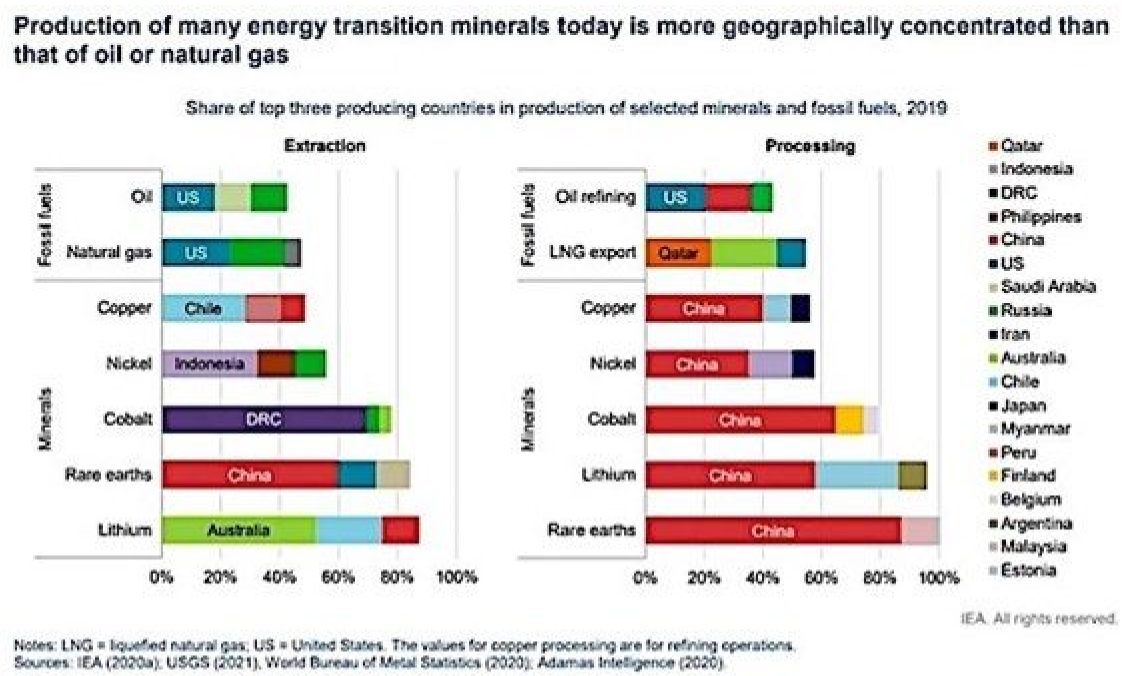
About 6 years ago the Chinese government decided that the electrification of land transportation was critical to hedge against China’s dependence on foreign fossil fuels and to reduce pollution in its rapidly advancing urbanization. Accordingly, the government set out to determine what materials would be critical for such developments. Lithium-ion battery and rare earth permanent magnet motor construction materials were determined to be priorities, and a national program to find them, extract them, process them, and manufacture end-use products dependent upon them for their function was added to the five-year plan system of formulating and carrying out industrial policy. Today, China has sufficient domestic secure supplies of materials and processes already in place to build all of the BEVs it plans to build through most of this decade.

This is where America and Europe are woefully far behind.

Neither the Ford Motor Company nor anyone else can afford to wait for their national governments to catch up with China’s industrial policy planning and execution.

There is nowhere near enough non-Chinese production and processing of the critical materials for batteries and electric motors to fulfill any but a small part of the planned non-Chinese production of BEVs, wind turbines, energy storage, aircraft and ship components, and consumer goods.

It’s going to be every company for itself. I am hoping that the non-Chinese OEM automobile industry learns from the chart below what it will take to survive.



I am not optimistic.

Looking Beyond USD for Gold

Note from Peter Clausi: On June 24, 2019 I originally published this piece. Today, it is arguably even more relevant; and as such are re-publishing for your review.

Gold is glittering again, having its strongest week since April, 2016. Many reasons are offered for this long-expected global run, including natural economic cycles, industry consolidation, the new-normal of rape talk in The White House, conflicts in the Middle East and trade uncertainties.

Whatever the reasons, a higher gold price has a trickle-down impact on the junior exploration companies, the ones in the field doing the high-risk heavy lifting to bring new projects into development and production. It's a well-known axiom to search for gold in the shadow of a headframe, which is why gold camps develop. You find gold near to where someone else already found gold.

Many of these gold camps were historically in production but became economically non-viable when the gold price fell below all-in sustaining costs. I remember attending the world's greatest mining show, PDAC in Toronto, in 2001 when gold was under USD$300 an ounce – a very grim time to be in the mining industry! Mines and exploration projects were shuttered because the anticipated revenue from the deposits was less than the cost of running the mine, which left no cash for corporate operations, and that's not a recipe for success.

Those same projects will be back in play, likely in new hands if gold is able to sustain this run.

PDAC 2012 was giddy as gold had hit its all-time high of USD$1,900 per ounce the previous August. Projects with iffy economics were being green-lighted to try to exploit that price. We all know how that ended.

Gold is almost always quoted in USD. That's the revenue number, the price at which the producer can sell the gold. What's very interesting is that the majority of costs on a gold project are incurred in local currencies, not USD, so it's important to track not only the USD sale price for gold but the movements of gold in the local currency. If the revenue number is up and gold is sold in USD, and the costs are held steady and incurred in local currencies, the opportunity exists for miners in those jurisdictions to increase their margins. What were barely viable projects can be made economically healthy due to exchange rates. This isn't another trick of accounting from those ivory tower theorists under IFRS. This is the real world of real cash flow.

Look at Australia. The Frasier Institute recently pronounced Western Australia to be the world's second most attractive mining jurisdiction. Gold there is not flirting with a mere $1,400 an ounce. No, gold quoted in AUD hit an all-time high of $2027 last week, and closed out the week above $2,000. (Thanks to goldbroker.com for the chart below.)

This gives the Australian gold projects an advantage in attracting foreign investment capital. If costs are incurred in Australian dollars, and the inflation rate continues to be under 2%, the expanded gross margins will see Australian projects on a fast track. Previously worked mines that had to be shuttered due to the fall in gold will be re-opened.

(Note this only speaks to gross margins. Australian mining companies have the stereotype for being lifestyle companies for their directors and management team, killing the net margins. The shareholders must ensure that new investment capital goes into the ground, not the Managing Director's pocket.)

Canada is in a similar position. Gold closed the week at CDN$1,852, and Canada had an inflation rate of 2.4% in April, 2019. Low inflation plus a rising revenue number equals renewed global interest in Canadian gold projects.

Saskatchewan finished third globally in that same Frasier Institute report. Quebec, the Yukon, Northwest Territories also made it into the Top 10 globally. Nunavut came in at 15, Ontario at 20. Of the fifteen provincial or territorial mining jurisdictions in Canada, six finished in the top 20 globally. That's impressive, and that's why that same report ranked Canada as the #1 mining jurisdiction on a national level beating out (who else) Australia.

There's more to gold than USD.

Christopher Ecclestone analyzes the Impact of the Russian Invasion of Ukraine on the Global Resources Markets

In a recent InvestorIntel interview, Tracy Weslosky spoke with Christopher Ecclestone, Principal and Mining Strategist at Hallgarten & Company about the impact of the Russian invasion of Ukraine on the resource market.

In this InvestorIntel interview, which may also be viewed on

YouTube (click here to subscribe to the InvestorIntel Channel), Christopher Ecclestone pointed out that Russia produces a lot of minerals and metals, but that it is a key producer of critical metals like nickel, cobalt, platinum and palladium. Explaining how Russia is currently being cut off from global markets, he went on to highlight the disruptions in platinum and palladium supply given that Russia is among the largest producers of those metals. Christopher went on to discuss the impact of the European conflict on the rare earths sector and on the Canadian resource companies with Russian investment.

To watch the full interview, click here.

About Hallgarten & Company

Hallgarten & Company was founded in 2003 by the former partners of a well-known economic think-tank. Their output encompasses top-down and bottom-up research from a Classical Economic (Austrian School) perspective. Over the years, the team has successfully picked trends using macroeconomic underpinnings to guide investors through the treacherous waters of the markets. It was only natural, in light of the focus of Classical Economics upon the “real value” of monetary assets that the firm’s strengths should ultimately have become evident in resources sectors and projections of commodity trends.

Hallgarten & Company has advised and managed portfolios of offshore and onshore hedge funds.

Hallgarten also provides consultancy services on Latin American economic, politics and corporate matters including the production of bespoke research.

Hallgarten research is now available on Bloomberg and FactSet.

To learn more about Hallgarten & Company, click here

Ecclestone Dusts Off the Crystal Ball for Metal Prices in 2022

In a recent InvestorIntel interview, Tracy Weslosky spoke with Christopher Ecclestone, Principal and Mining Strategist at Hallgarten & Company about his latest research report on the outlook for metal prices in 2022.

In this InvestorIntel interview, which may also be viewed on YouTube (click here to subscribe to the InvestorIntel Channel), Christopher Ecclestone said that the research report titled – Metal Price Preview: Dusting Off the Crystal Ball – also covers the performance of different metals in 2021 including the re-emergence of the uranium market and battery metals going "from being hot to being a furnace." Christopher went on to share why gold and silver are expected to perform well in 2022.

To watch the full interview, click here.

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Russia’s War, Supply Chain Turmoil and What It Means to You

What a week! Last Thursday, Russia invaded Ukraine. Then this week global supply chains went crazy, with skyrocketing price moves and a global-scale sense of worry about where it all leads.

I won’t dwell on war news, meaning stories and imagery from front lines. It’s tragic and painful to witness, and no doubt you follow events.

But definitely, it’s worth discussing the economic impacts of the war. In particular, consider the almost immediate commercial isolation of Russia that’s now taking shape with a wide array of sanctions on Russia’s government, her banks, businesses and people.

This is an entirely new page for the world economy. And what’s happening is not as easy as just saying, “Russia is bad so let’s punish her.” Sad to say, though, that’s where much thinking across the world is focused. Do something. Make it fast. Think about it later.

Another way to say it is that Russia is a major, global-scale source of key energy and industrial resources. These range from products straight from the well like crude oil and natural gas, to refined hydrocarbons like gasoline, diesel and chemicals. Plus, Russia produces a vast array of industrially critical elements, again ranging from ores and concentrates to highly refined and processed alloys.

For example, as Russian sanctions kicked into play over the past few days the price of oil pulled up into a strong climb, with Brent Crude hitting $114 per barrel at one point. This reflects market uncertainty over future access to Russian exports. Meanwhile, one sees stories of tanker-loads of Russian oil going “no bid” because traders are uncertain about the legality of even making an offer. It’ll sort out, more or less. But for now, it’s a serious mess.

Other important commodities with a Russia-trade angle are also rising in price. Wheat futures are soaring to two-decade highs, according to market tracking services. And lumber futures are up sharply as well, reflecting concern over diminishing Russian supply.

Other materials rising in price include aerospace-grade aluminum, now at record levels according to a market follower with whom I spoke earlier. Meanwhile, a significant fraction of the world’s aerospace grade titanium – about 60% by some calculations – comes from Russia.

Or consider spot prices for other widely used, critical industrial elements like copper, nickel and uranium. All have a strong Russia supply angle, and all are at 10-year highs, per trading data.

You get the picture, right? Literally, overnight, anti-Russia sanctions have created uncertainty over future supplies of key energy resources and metals.

Meanwhile, share prices for important Russian producers have collapsed. Consider just two key companies in the Russian investment space, gas producer **Gazprom (OTC: OGZPY)** and metals producer **Norilsk Nickel (OTC: NILSY)**. Both companies' share prices have tumbled in recent days, as you can see here:

Is there an investment angle? Well, the possibilities are many and depend on your risk tolerance.

For the truly bold, the collapse of Russian share prices creates a contrarian setup. If you are aggressive, and perhaps a bit crazy, feel free to wade into the selloff and buy shares of Norilsk and Gazprom. Of course, we don't yet know what will happen as events unfold, so the "buy low" idea could also lead to even more losses, of not a complete wipeout. You've been warned.

Or frame it this way: Russia now has a very significant level of what's called "war risk" in everything that has to do with its investment climate. Perhaps there's an upside in the not-too-distant future, but for now the entire space is a very dangerous place to be for most investors.

The safer investment idea is to focus on U.S. and Canadian names that work in the resource space that's affected by Russian sanctions. Of course, there are many names out there ranging from small exploration plays to large and mighty companies.

For example, let's look at nickel. Large nickel producers include Brazilian play **Vale (NYSE: VALE)**, as well as Swiss-based **Glencore (OTC: GLNCY)** and Australia's **BHP Group Ltd. (NYSE: BHP)**. These names have global operations and everything you would want in a major player. If customers need nickel and cannot obtain it from Russia and Norilsk, they can buy it from these other guys.

On the much smaller, exploration side, though, my strongest play is a Canadian junior operating in Montana, called **Group Ten Metals Inc. (TSXV: PGE | OTCQB: PGEZF)**. This company is relatively early stage in its efforts, but with significant progress on the books. The play is focused within the well-regarded Stillwater District, where the company holds a massive land package. Exploration has already revealed extensive mineralization in copper, nickel, platinum, palladium, rhodium, gold, silver and even chrome. It's a superb asset (I've visited the site and seen the mineralization), with strong technical and management talent.

It's also worth noting that Group Ten holds lands directly adjacent to Sibanye-Stillwater, Ltd. (NYSE: SBSW), currently producing minerals in the region. This situation makes it more likely that Group Ten can eventually obtain necessary mining permits and move towards development and production.

To sum up, we can't do anything about the tragic war in Ukraine. Meanwhile, the anti-Russia sanctions are a massive, international phenomenon, again out of our hands. But already these dynamics have set up severe supply chain issues, all based on just a few days of history being made. And more disruptions are, no doubt, in the pipeline as events unfold and politics play out.

Finally, looking ahead the world is not simply on a glide path to a new version of the Cold War. No, Western nations are on the path to a “Commodity War” scenario, firmly embedded inside the looming political, economic and perhaps military confrontations. In this sense, holding real assets – including ores in the ground – is critical to your investment future.

On that note, I rest my case.

That’s all for now… Thank you for reading.

Best wishes…

Byron W. King

A Reflection on the Democratization of Russia Awards as the World Plugs Putin’s Spigots

In 2001 I joined a firm in downtown Toronto that was responsible for taking the first pure Russian oil and gas play public on the American Stock Exchange (AMEX). Immediately, I joined the U.S.-Russian Investment club and started attending many of their NYC-based events.

I did this for 3 years and the experience included attending an event at Harvard University’s U.S.-Russian Investment Symposium in Boston, November 12, 2003, when international financier George Soros, Chairman of Soros Fund Management received the “Democratization of Russia Award”.

This was a scandalous, hypocritical, slap at Mr. Soros at the time, as this was just after several of his assets had been seized in Russia earlier that year. George surprisingly attended despite the offense, and I remember him taking this award and slowly communicating the kind of message that only one of the richest men in the world could properly communicate…

“You did not expect me to attend” he responded, and it quickly descended into what I perceived as a warning for anyone listening that Russia was anything, but a democracy. And it was just as important for Mr. Soros to communicate that this kind of action would create an immeasurable long-term impact on their ability to attract other investors of his investment fortitude.

It would be a few years later around 2005 when I attended an event in Poland when PGNiG was going public. The moderator of the panel asked: “Is there anyone here who would not do business with Russia?”

Regrettably, my hand shot up, too young to understand that while in Eastern Europe, you do not speak your mind to a group that was in the throes of negotiating with Russian partners.

The host leaned into his microphone and replied sternly my way with: “We do not make business decisions based on emotions.” Another panelist leaned forward and defended me with, “Perhaps her reply is because Ms Weslosky and I had met with Mikhail Khodorkovsky (Russian oil tycoon) just prior to his imprisonment.”

In 2006 PGNiG signed a last-minute deal with RosUkrEnergo, this decision was one that they would later regret.

Over the years as both an investment banker and capital markets Publisher, I was well aware of the Russian investment community on Bay Street. And of course, with my involvement in hosting critical material events, it became apparent to me that the role of the Russians through companies like ARMZ Uranium Holding Co. which held a dominant position on uranium (for instance) had shown that Russians were making great strides in business. But in the United States where sustainability was the drum that we were all beating, the uranium supply we were accessing was barely 5% American.

My point in this commentary is that we – we built Putin. For all his wrongs, we kept the financial taps on strong enough to create this very powerful man who apparently can make people do things that are counterintuitive to what they want. There are rumors of Russians protesting this invasion, so it is clear that not everyone stands behind him. I want to reach out to associates from the critical materials sector to ask them about their positions, but I fear they may be greeted with reprisals should they dare communicate their opinions.

While the world focuses on plugging Putin's financial spigots, and while money is unquestionably an element of this powerade, he has consumed too much of it, and the equation of how we got here must be examined. We are watching the world respond and reviewing some incredible prose online from a wide range of professionals. Please do leave your comments as we continue to send out our support to the Ukrainian people.

Here are a few links/stories I have enjoyed regarding the impact on investors in the capital markets over the last few days:

- Canadian-listed Mining Companies Affected by Russia Invading Ukraine Click Here
- Putin attacks Ukraine, what are the consequences for investors? Click Here
- Asset Class Winners and Losers if Russia Invades Ukraine Click Here

Putin attacks Ukraine, what are the consequences for investors?

Like a lot of people around the world, I'm royally pissed off about what is happening in Ukraine. My email inbox exploded yesterday with questions on what this means from a trading perspective, and no one seemed to like my answer, which is – it meant very little to me (but please don't mistake that for my personal outrage with respect to this issue). Frankly, when all was said and done not a whole lot happened in the market, and depending on how the continued sanction saga goes, we'll see if it has much impact at all. I targeted a few buying opportunities of anything that got yard-saled, but my guess is that this is a simple speed bump, and the market will have forgotten about it in a week or two.

In my opinion, the bigger market impact will be how it affects the U.S. Federal Reserve actions. The potential for increased commodity inflation (due to sanctions) could slow the economy. A slowing economy is not a great background for gung-ho interest rate increases. So, this conflict/war/assault on humanity may actually temper interest rate increases which could be bullish tech and gold. A perceived less aggressive interest rate path may partially explain the slap upside the head that most North American financials took, although there may also be some ramifications from all the banking sanctions announced. But, by day's end, all I had done was to buy some Facebook/Meta (NASDAQ: FB) and sell some out of the money covered calls on Cameco Corp. (TSX: CCO | NYSE: CCJ), and that's it. There was a lot of uranium interest for sure, but we saw bigger intraday moves when everyone was all cranked up by the activity of the Sprott Physical Uranium Trust (TSX: U.UN). Nevertheless, I will often find some way to trade around a 10% single day move in an equity.

Now don’t get me wrong. I’m definitely paying attention to the obvious sectors that may be impacted as one could argue that Russia is a global commodities superstore – you know, oil, natural gas, wheat, corn, palladium, platinum, aluminum, potash and phosphate, to name a few. But let’s be frank, a lot of these commodities will see limited impacts for various reasons.

The current global supply/demand picture for both oil and natural gas, the largest contributor to Russian GDP, is such that no country has enough spare capacity or political will to completely shut off Russian imports. It seems like every speech made by President Biden on this topic always has some reference to keeping U.S. gasoline prices below $4/gallon. And in Germany, they made the symbolic gesture of halting certification for the Nord Stream 2 pipeline but that wasn’t shipping any product yet anyway. There’s still the original Nord Stream pipeline and its total annual capacity of 1.9 trillion cubic feet (55 billion m^3) of gas that hasn’t been discussed in any press releases I’ve seen so far. Likely because it’s still winter and Germany isn’t about to let its citizens freeze, and realistically it doesn’t have any other quickly available, viable options. If those united against Mr. Putin actually grow a spine and put a hard stop to all Russian oil and gas purchases, Russia could simply sell most, if not all, of it to China and current Chinese supply will redistribute to other parts of the world. This could certainly create some interim price volatility but it’s highly improbable (in my opinion) that actual Russian oil and/or natural gas production will be cut and thus there will be no dramatic swings in supply.

In fact, I believe China probably has the most sway over how this whole situation unfolds. Mr. Putin obviously doesn’t care about sanctions from the rest of the world given those sanctions were signaled well in advance and it doesn’t appear to have dissuaded him in any way, shape or form. China can likely absorb a lot of the commodities that Russia is currently selling to the rest of the world, should sanctions actually start to have an impact, but I’m pretty sure Mr. Putin isn’t that trusting of his giant neighbor who happens to have an even larger economy and army. But if China decided that enough is enough and threw its weight behind the opposition of the rest of the world then this incursion ends immediately. If China is on board with sanctioning Russia along with everyone else, Russia no longer has an economy to speak of. But I suspect China plays along for a while, at least until they have Chinese troops on the ground in Taiwan, but we can hope that’s not a story for another time.

Ultimately, I have no idea what Mr. Putin’s end game is. Why has he manufactured some alternate reality regarding Ukraine that supposedly required Russia to invade? We may never know. To quote Winston Churchill from 1939 when he defined Russia as “a riddle, wrapped in a mystery, inside an enigma,” it would appear Mr. Putin has taken this description to heart. In the meantime, it might be time to start nibbling away at North American commodity producers and explorers of just about everything because this event has taken security of supply to another level. It should also reshape the perspective of any ESG funds and investors as I’m pretty sure an unwarranted invasion of a neighboring country violates both Social and Governance mandates, and if it doesn’t then it should. With that said, let’s be clear, these are the actions of Mr. Putin and his political and financial supporters and not necessarily the Russian people. Regardless, I’m glad I don’t own any Russian equities or companies with Russian backing right now.

Squeezing the juice out of the idea that endless cash will somehow make more battery materials appear

It has been said that the (U.S.) Central Bank, the Federal Reserve System, can simply create money by creating bank reserves on its balance sheet. It does this by purchasing long term U.S. government bonds from the banks; this is known as Quantitative Easing (QE). The purchases are entered as new reserves on the seller's account. This open-ended creation of money is the basis of Modern Monetary Theory (MMT), the idea that governments can never go bankrupt; they can simply create more money when needed.

Modern Mineral Resource Theory (MMRT) has evolved out of Modern Monetary Theory so a brief excursion into MMT will help understand MMRT.

Many, if not most, of those who believe in free-market capitalism also believe in the efficient market hypothesis. This holds that the supply and demand of goods and services always seeks to be in balance, so that, for example, if there is an excess of demand for a good or service, let's say the public wants to buy more electric cars than are available, then the price of electric cars will rise until it is profitable for manufacturers to increase the supply of them.

The efficient market hypothesis assumes that there are infinite amounts of goods and services available, and the only constraint on their supply is a price high enough to allow their production to be profitable. Excess demand causing the price to rise is the motivator for increased supply, and there is no limit to that supply otherwise.

Modern Monetary Theory holds that money, itself, is a commodity whose “price” is determined by demand and supply. Modern Monetary (MM) Theorists, however, do not believe in the efficient market theory. They believe that an excess of money stimulates demand across the board and automatically increases supply of all desired items.

The confused MM Theorists must believe, therefore, as a necessity that there can be no limit to supply so long as there is enough (commodity) money available. I call, this caveat, Modern Mineral Resource Theory.

This is the terrible mistake that is wrecking “free world” economies through its application to the crisis du jour, climate change.

MMRT is the reason that the green energy revolution will fail to improve or safeguard lives, and in fact, will cause a resurgence of poverty.

The total mineral resources available to mankind are those, the deposits of which are physically accessible and exist at grades (concentrations) high enough so that state-of-the-art mining and chemical engineering can extract them, separate them, purify them, and fabricate them into end-user forms that are widely affordable for mass production.

To be widely affordable for mass production of consumer goods the total amount of capital necessary for their creation must be reasonable and not interfere, by its allocation, with the standard of living of the society for which the goods are intended. Just like any other “commodity,” capital is not infinitely available.

A good example of the failure of MMRT is lithium, which is already too expensive to support, and in too short an accessible supply, to allow the transformation of personal, commercial, and freight transportation from the use of fossil fuels to the exclusive use of battery electric power trains (BEVs).

Modern Mineral Resource Theory holds that the demand for BEVs will cause the supply of lithium to increase to meet that demand. This is not true, and MMRT, which holds that the supply of mineral natural resources is infinite, if the price is right, is false.

Black Opportunity Fund's Colin Lynch on building a $1.5 billion fund

In a recent InvestorIntel interview, Peter Clausi spoke with Colin Lynch, a member of the Board and a Founding Member of the Black Opportunity Fund ("BOF") about how BOF is enabling Black business owners with enhanced opportunities to participate in Canada's economic growth.

In this InvestorIntel interview, which may also be viewed on YouTube (click here to subscribe to the InvestorIntel Channel), Colin Lynch said that Black entrepreneurs face inequitable access to capital which inhibits their ability to build and scale businesses. Supported by individuals and families and about 40 corporations in Canada, Colin went on to say that BOF is empowering Black led businesses and charities in Canada by providing them with sustainable long-term funding to support initiatives around entrepreneurship, education, health, criminal justice, etc.

To watch the full interview, click here

About Black Opportunity Fund

Black Opportunity Fund is a community-led registered Canadian Charitable organization, whose mandate is to dismantle anti-Black racism by establishing a sustainable pool of capital to fund Black led businesses and Black led not for profits and charities, in order to improve the social and economic well-being of Canada’s Black communities.

To learn more about Black Opportunity Fund, click here