

# CONTRARIAN CODEX

The biweekly newsletter for all the general  
and commodity market news and updates  
(10-07-2026)

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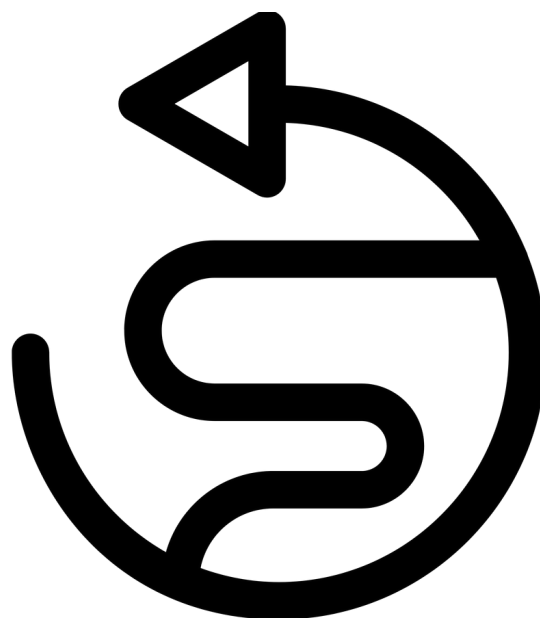
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## CONTRARIAN CODEX

### A ROUGH PATCH, WHAT'S NEXT?

Welcome back everyone to another extensive report and let me just kick things off by saying thank you. The past few months have been rough and volatile, but the sheer amount of support and messages I received stating that the content is helping them get through this rough patch was extraordinary. That means more than I can put in a paragraph and I do not take it for granted.

As for the portfolio, I have been putting some cash to work. Not all of it, for the regime I map out again in the macro section, rates held under inflation with the long end capped and the currency doing the adjusting, rewards patience in the near term. Being right on a 3-year view does you no good at all if you get shaken out in month 3. Size to your sleeping level, whatever that number happens to be for you, it's the most important metric in your portfolio. As for this report, the rollover arithmetic and Waller's inflation range, uranium's term price at a nominal record and an extensive SMR analysis, plus the usual company news flow. Before we jump in though, just a quick note that the next newsletter will be uploaded on the 31<sup>st</sup> of this month instead of the 24<sup>th</sup>, thank you for understanding and let's jump right into edition #123.

“You also do not float an idea like this while inflation is cooling and nobody is paying attention. You float it now, to prepare everyone for...” Page 5

“At some point this will snap in one of two directions, either with term dropping and confirming the need for weakness in the equities, or by the equities rising to meet the upward trajectory of the term price” Page 12

“The bull case in my model is a 48x from here, I am buying more” Page 43

## MACRO ANALYSIS SUMMARY

A quick word before the wall of text and starting with what I thought was the most interesting chart I stared at over the past few weeks, roughly \$8 trillion of Treasuries roll off over the next 12 months. The average coupon on that stack is about 3.3% and the one-year bill it rerolls into sits closer to 4%. Refinance the lot at today's front end and you have bolted something near \$50 billion of fresh annual interest onto a budget already carrying a deficit around \$2 trillion, and that is not a charge you swallow once and forget. Every quarter more of the zero-rate decade's cheap paper matures and reprices at a multiple of what it originally cost, so the weighted average rate on the whole federal stack grinds higher for years even if the Fed never touches policy again. Interest expense already runs near \$1.2 trillion, roughly 23% of federal receipts.

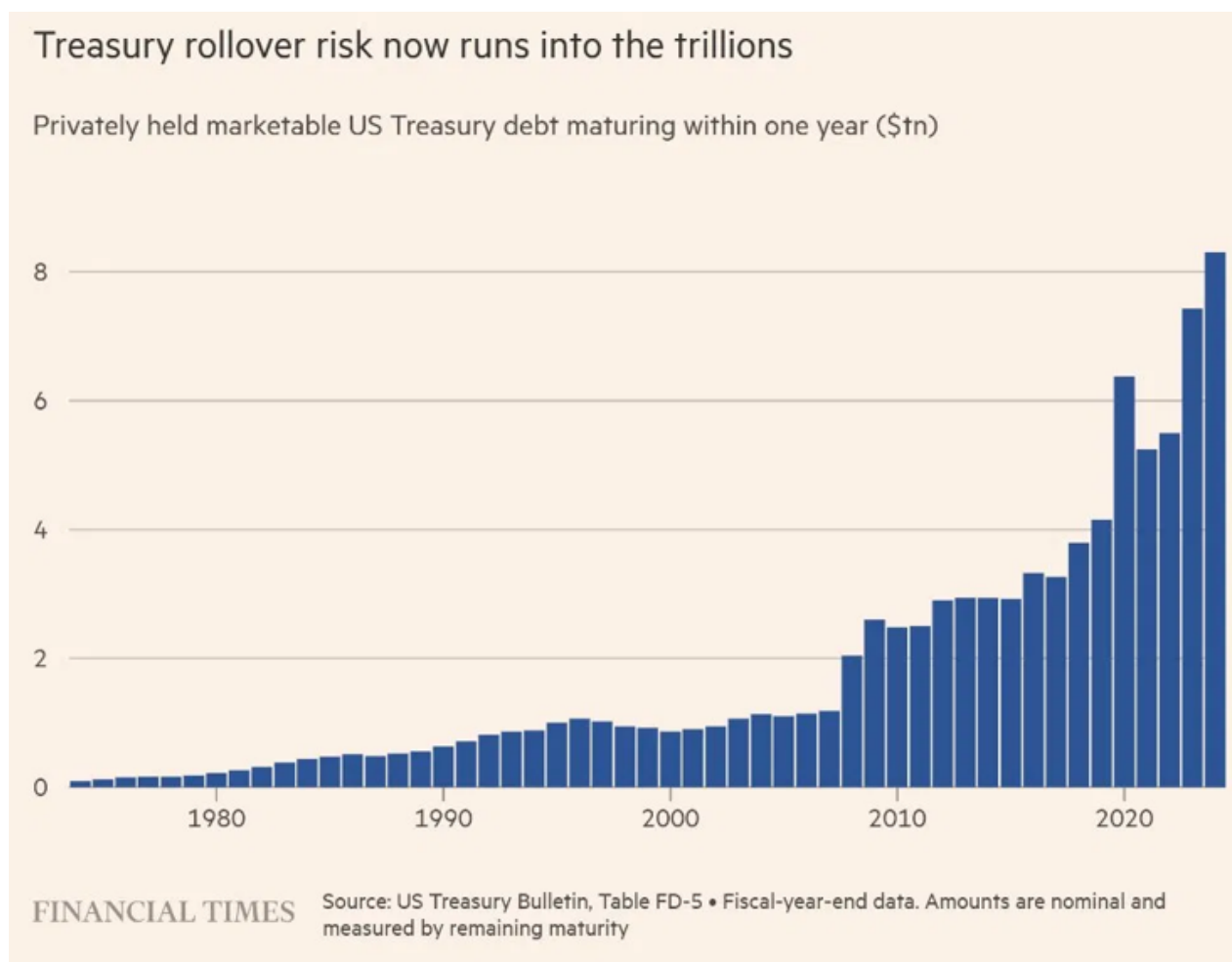
Volcker could run 20% money-market rates because the prior decade had already inflated post-war debt from near 100% of GDP down to something like 30%. Inflate first, hike second. We are standing at the wrong end of that sequence, with the ratio back above 100% and the rollover wall directly in front of us, so the cure feeds the disease straight through the interest channel. Which is why I do not believe the bond market gets to freely price 8%. Treasuries at 8% with \$8 trillion rerolling annually is a market that seizes and a seized Treasury market drags the collateral base of the system down with it. To the surprise of exactly zero people, Washington cannot choose that. So you cap the long end, openly or through the back door, hold nominal rates under inflation and let the currency absorb the strain, which is inevitable in my view, but doesn't have to be imminent. Financial repression is the courteous name for it and right on cue, Waller floats the idea that the inflation objective ought to be a range rather than a fixed 2%, hedging it immediately (because of course he did) while Warsh mutters about frameworks and how we even measure the thing. A point target turns every 3-handle print into a visible failure. Widen the band and a 3% overshoot becomes a polite miss, and the tolerance the aforementioned repression requires gets written into the furniture before anyone needs to use it.

Sitting underneath is fiscal dominance and the 1970s playbook worked because the marginal dollar was privately borrowed and borrowing answers to the price of money. The marginal dollar now arrives from the fiscal side, so hiking into a stack north of \$30 trillion pays hundreds of billions of interest income into private hands. The hike is the stimulus. On the real economy, manufacturing construction spending is down roughly 22% year over year and still running at better than double the pre-2021 baseline, which reads to me as the CHIPS and battery-plant binge being digested rather than an industrial collapse.

## MACRO ANALYSIS

What better place to start this week's macro analysis than, you guessed it, the UST market. The chart below was shared by Lukas Ekwueme and it shows that around \$8 trillion of Treasuries roll off in the next twelve months. The average coupon sitting on that stack is about 3.3%, and the one-year bill it rerolls into trades closer to 4%. Refinance the whole \$8 trillion at today's front end and you bolt close to \$50 billion of fresh annual interest onto the budget, and that lands on top of a deficit already running near \$2 trillion a year that has to be funded from scratch.

That \$50 billion is not a one-off charge you absorb and move past either. That stuff compounds, because every quarter more low-coupon paper printed during the zero-rate decade matures and gets refinanced at a multiple of its original rate, so the effective interest rate on the whole debt stack grinds higher for years even if the Fed never touches policy again. The Treasury is refinancing 15 years of suppressed rates all at once, and the front bars on that chart show the pace picking up. Paper that used to carry a one or two percent coupon reprices to four, and the weighted average rate on the entire federal stack keeps climbing toward the market level it dodged for a decade. Not a pretty picture in my view.



## MACRO ANALYSIS

Volcker could run double-digit rates in 1980 because the inflation of the prior decade had already done the fiscal work for him, and that is the comparison Lukas draws to undo the 1990s-style rate-hike fantasy (more on that later as well). Post-war debt to GDP near 100% had been inflated down to roughly 30% by the time he reached the Fed, which left him a debt load small enough to survive 20% money-market rates without the interest bill devouring the budget. The sequence ran inflate first, then hike, and we are standing at the wrong end of that same sequence, which is not great for traditional fiscal policy.

Today the ratio is back above 100%, the low-coupon rollover wall sits directly in front of us, and the tightening is arriving before any of the inflating away has happened. Interest expense already runs near \$1.2 trillion a year, around 23% of federal receipts by Lukas's own count, so the squeeze is being felt harder by the minute. You cannot Volcker your way out of a debt load north of 100% of GDP the way you could out of a 30% one, because at this size the cure feeds the disease straight through the interest channel.

At the risk of kicking in an open door here, the exit is not a bond market left free to price 8% because some model of fair value says it should. A Treasury market yielding 8% with \$8 trillion rolling every year and a \$2 trillion deficit behind it is a Treasury market that seizes up, and a seized Treasury market drags the collateral base of the entire financial system down with it. Washington will not choose that outcome, they simply can't, so the choice it makes instead is the one I have been mapping across these pieces. You cap the long end, whether openly or through the back door, and you let the currency carry the strain. As for term premium, the extra basis point the market demands to hold long paper feeds straight back into the rollover cost, and once that loop starts turning on its own the auctions grow sloppy, dealers choke on inventory they cannot move, and the Fed gets dragged back to the desk no matter what the inflation print says because their most important mandate is to keep the UST market functioning properly. That feedback is the dysfunction the release-valve policy exists to head off, no matter what their other mandates may state.

## MACRO ANALYSIS

Rather than let yields blow out and detonate the rollover math, you hold nominal rates under the rate of inflation, lean on some form of yield curve control to keep the UST market orderly, and let the dollar do the adjusting. The debt gets serviced in dollars' worth progressively less, the real burden erodes the way it did into 1980, and the bond market is spared the dysfunction the arithmetic would otherwise force onto it. That is the release valve I keep coming back to, and financial repression is the courteous name for it. For risk assets that setup is a tailwind rather than a threat, in nominal terms at least. Rates pinned below inflation and a capped long end push capital out of cash and government paper and into whatever holds its value against a debasing unit of account, which means equities, gold, hard assets, real cash flows and anything with structural scarcity. It's coming folks.

And right on cue, as if to underline the whole release-valve argument I shared above, along comes Waller floating the idea that the Fed's inflation objective ought to be a range rather than a fixed 2% number. He hedges it immediately, because of course he did, granting that redefining the target while inflation is running north of 3% would torch the Fed's credibility, and he insists in the same breath that the central bank has no intention of keeping rates low to help Washington fund its deficits. Which is precisely what you would expect him to say if you have been paying any attention to Fed communications over the past few years. A range is the institutional scaffolding the debasement trade needs, at least the way I see it. A point target turns every 3-handle print into a visible failure, a monthly reminder that the Fed is missing what people see as its job (even though their job is UST market functioning), and you cannot run nominal rates under inflation for years on end while that scoreboard flashes red every four weeks. Widen the objective to something like 1.5-2.5%, or wider still, and a 3% overshoot becomes a modest miss of sorts and the tolerance band the aforementioned repression requires gets written into the framework itself. You do not have to announce that you are inflating the debt away, you simply hand yourself the room to be perpetually, politely surprised by an inflation rate that refuses to behave.

You also do not float an idea like this while inflation is cooling and nobody is paying attention. You float it now, to prepare everyone while it runs a bit more hot, so the band is already part of the furniture by the time the political moment arrives to formalize it. Warsh has been muttering about a different framework and the flaws in how we even measure the thing, so this is hardly one governor freelancing. The goalposts are being measured for the wheels of a new fiscal system.

## MACRO ANALYSIS

Moving on, we need to talk about one particular subject that I have discussed before, but it's becoming very relevant again, fiscal dominance. For those who missed it the first time I discuss it, it's the regime where the size of the debt decides monetary policy rather than the other way around. In a normal setup the central bank moves rates to manage inflation and the Treasury works around whatever it does. Under fiscal dominance the causation flips. The debt has grown large enough that the interest bill becomes a first-order driver of the deficit, so the Fed can no longer set rates purely against inflation without also deciding, in the same move, how fast the government's finances deteriorate. Monetary policy turns into a hostage of the balance sheet. Everyone took one lesson from the 1970s, that the answer to inflation is always higher rates, but that lesson only held for the world that produced it. In that world money was created mostly through bank lending. When the Fed raised rates it made credit expensive, bank lending slowed, the money supply contracted, and inflation fell with it. The tool matched the fire because the marginal dollar in the economy was a privately borrowed one and borrowing responds to the price of money.

As you can imagine, that transmission has broken because the source of new money has changed. A rising share of the money entering the economy now comes off the fiscal side, from deficit spending rather than private credit creation, and deficit spending does not answer to the funds rate the way bank lending did. If anything it runs the opposite direction, because when the Fed hikes into a debt stack this size, every rate increase blows the fiscal deficit out further, since the higher interest bill is itself deficit spending paid straight into private hands. See where this is going? The hike that was meant to drain money from the system instead pumps hundreds of billions of interest income to bondholders on a debt pile north of thirty trillion.

That is why the tightening in front of us reads as a phase and not a destination. Rates can climb, but every increment pulls tighter the fiscal noose around that aforementioned rollover math and the tighter it pulls the nearer the turn toward repression and a capped curve becomes. The macro picture falling out of this is not the tidy disinflation the 1970s script promises, far from it folks. It is a long stretch of rates held on purpose below inflation, a currency worn down as the release valve and nominal asset prices carried higher by the same liquidity the Fed cannot fully pull without fracturing the market it funds. Fighting inflation with rate hikes, if that does happen, inside a fiscally dominant system just reroutes it into the dollar, which is exactly where my macro framework has said all along it would land, with YCC and more USD liquidity to keep the system operating.

## MACRO ANALYSIS

Now for some more industrial and economic data, manufacturing construction spending is rolling over, and not gently either, down around 22% from a year ago in the latest Census figures and softer for the better part of the past year. On its own that reads like the industrial story is grinding to a halt before it has even properly gotten off the ground and plenty of folks are treating it exactly that way. The way I see it though, that figure is a rear-view mirror. What is rolling off is the tail of the CHIPS and battery-plant building boom, a policy-driven wave that crested back in 2024 and has been normalizing ever since, and even after the slide we are still running at better than double the pre-2021 baseline, so this is a binge being digested rather than the economy coming apart I believe.

Flip to what companies say they are about to do, and the mood inverts. The big CEO capex readings are sitting near their strongest in roughly 18 months and comfortably above their long-run averages, with the share of chief executives planning to lift capital spending grinding up toward 37% and only a sliver planning to trim. Factory sentiment has walked the same road, with the ISM manufacturing gauge back above 53 and expanding for 6 straight months after a long spell buried in contraction, its best run since 2022. Stack those together and what you get is a handoff in the industrial capex cycle rather than the end of one. The old leg, semiconductor and EV fabs pouring concrete, is winding down, and a new one is forming underneath it, and from what I can tell this next leg points squarely at AI compute, the electrical grid, data centers, and reshored defense. That distinction is close to the whole ballgame for my corner of the market, because substations, transmission, and the power to feed all that compute run enormously more copper, electrical steel, and transformer heavy per dollar than standing up a chip fab, and the aforementioned capex intentions are concentrated in the very firms leading that spend.

As for how this all ties into inflation, early-cycle industrial capex, funded and forward-looking, tends to slide a floor under commodity demand and a bid under input costs right as the disinflation crowd is uncorking the champagne. Correct me if I'm wrong here, but a capex cycle that is only just clearing its throat, aimed at the hungriest corners of the commodity complex, is not the backdrop for the soft, tidy inflation glide some may be expecting now that oil is rolling over again. Let's see how that develops going forward.

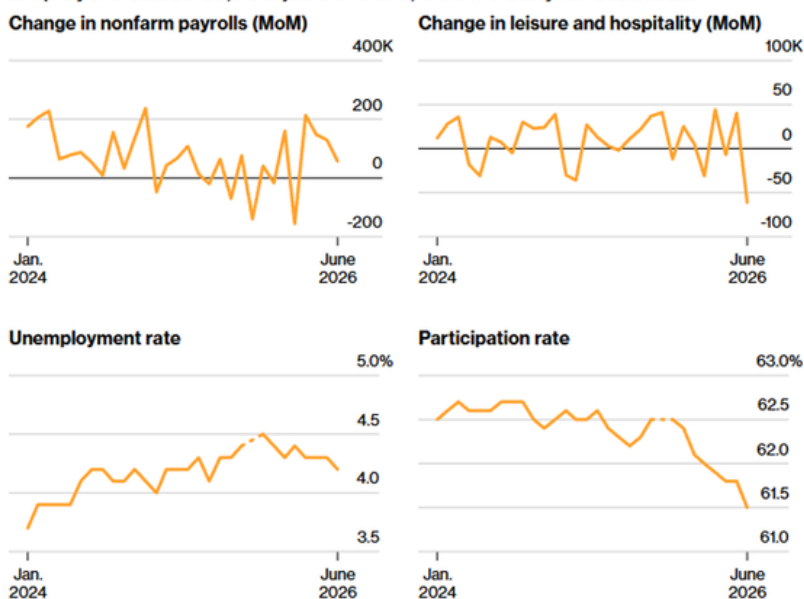
## MACRO ANALYSIS

As for some more relevant economic data, the June payrolls print landed soft, 57,000 jobs against a consensus near 115,000, with April and May revised down a combined 74,000 for good measure, walking back much of the spring's momentum and the unemployment rate fell to 4.2%. Reads like good news right? Well, not really, as it dropped because the better part of three-quarters of a million people walked out of the labor force, not because anyone put them to work. The household survey shed north of half a million jobs, participation sank to 61.5%, the lowest in five years and that falling jobless rate is flattering a labor market going slack underneath it. A lower unemployment number built on people giving up is not a certificate of things going well folks.

Layer that onto inflation still running north of 3% and wages up 3.5% that prices are busy eating alive and you land in sort of like a stagflation-lite box. A cooling jobs market is the growth-side excuse the Fed needs to keep real rates pinned below inflation and it shows up right as Waller floats that inflation range idea that hands them the inflation-side excuse. Every fresh print, hot inflation or soft labor, nudges them the same direction, toward tolerating the debasement. The release valve runs on cover and the data keeps supplying that it appears. The white-collar fingerprints are on this one as well, information payrolls down yet again and the big tech names trimming staff to feed their compute bills, which sits neatly with the capex handoff I keep banging on about over my last few macro deep dives. Underneath the lot of it is the domestic worker, nominally earning a little more and really earning a little less, treading water in the current. It will be interesting to see what the data will bring over the coming months.

### US Hiring Slows

Employers added 57,000 jobs in June, below nearly all estimates



Note: October 2025 data not available due to US government shutdown.  
Source: Bureau of Labor Statistics

## MACRO ANALYSIS

Time to talk seasonality for those that need a bit more information from the bullish side of the equation. The setup is simple enough as the S&P closed the second quarter up roughly 15%, the 5<sup>th</sup> best Q2 since 1950. Nine other times the index gained double digits in a second quarter, and the back half finished higher 8 times out of 9, averaging 11.7%. In an ordinary year the final 6 months average 4.9% and close green 72.4% of the time, so the condition roughly doubles both the expected return and the hit rate. Run that 11.7% off where we sit now and you land near 8,400. Momentum is real, and all that jazz, you know the drill. This was the strongest second quarter any midterm year has ever printed, that's right, the strongest. The average midterm Q2 runs around -2.8% and finishes higher less than half the time, which makes it the single worst of the 16 quarters in the presidential cycle.

How does the drawdown math stack up against all this? Peak-to-trough declines in midterm years since 1950 have averaged 17.3%, typically beginning in late April and finding a floor by mid-August. This year took its pain early, roughly 9% top to bottom, with the index down 4.3% in Q1 on the Hormuz closure and the oil spike. So either the market served its version of a lighter drawdown sentence in the first quarter and pulled the seasonal drawdown forward, or it is simply deferred into the August through October window where midterm bottoms usually form. I lean toward the former, though not with much more conviction.

What makes the momentum stat work is earnings, as consensus has 2026 EPS growth near 24% and another 17% for 2027, on an index that entered the year at a forward multiple of 22. That is the whole trade, if you will. The Q2 melt-up was carried by memory and semis rather than anything I would call broad participation and a Fed that may have to hike, even if it likely won't, into an oil-led inflation impulse is not the tailwind being penciled in. Sell-side median year-end target sits near 7,850, about 7% below what the seasonality implies. Somebody is wrong here folks. Q4 of midterm years has been higher 86% of the time since 1940, and the index has been higher 12 months after every midterm election since 1950, so from what I can tell the resolution is a better bet than the summer and I would expect us to end the year higher than where we are now.

## MACRO ANALYSIS

Lastly, some geopolitical notes I had stored on my desk. I discussed most of what has been happening on that front over the past week in yesterday's note already (attached to this message), but of course this story never stops developing and there are a few more things to touch on before moving onto the uranium section. Overnight, Iranian state media put US strikes on Bushehr around midday local time, hitting the perimeter of the nuclear power plant along with a pier used by fishing boats and that came hours after CENTCOM had already announced its strikes were finished. Washington has not claimed them. There were more reported hits at Chabahar, Bandar Abbas and Jask, which takes the running count to roughly 170 US strikes inside 2 days. That northeastern strike I flagged turns out to have been a railway bridge, with the Revolutionary Guard claiming 2 more bridges on the road to Mashhad and the Tehran to Mashhad line suspended. Critical infrastructure being hit again is not a great sign folks.

Iran put 10 ballistic missiles into Jordan's Azraq base and 8 were intercepted, with no casualties and no damage, while Kuwait knocked down 3 ballistic missiles, a cruise missile and 10 drones (and according to one source they carried out strikes against Iran themselves as well), with falling debris wounding 1 person. Qatar has been added to the list alongside Bahrain and Kuwait. Jordan getting pulled in is new though. So with everybody firing at each other again, what about the shipping lanes? Tracking data shows around 13 commercial vessels through Hormuz over the last 24 hours, 7 in and 6 out, against something like 110 a day before the war and 25 to 40 a day as recently as last week and that is the number I watch. Visible traffic more or less stopped yesterday, though transponders are being switched off and GPS spoofing has returned around the strait, so the true figure sits somewhere north of that and nobody can tell you exactly where. War risk cover runs 2% to 6% of hull value per transit now, which is up to \$6 million on a \$100 million tanker, against under 2% before the tankers were hit and 10% at the worst of it. Around 80 mines are still sitting in the central lanes and brokers say the quote requests have dried up. This too, is not great.

So, what now? Trump says Tehran called wanting a deal and that he is unsure whether they are worthy of one, while a US official describes a rhythm of striking and then pausing so negotiators can work behind the scenes. Ghalibaf says the strait reopens under Iranian arrangements and not under American threats, and Araqchi has been working the phones to Pakistan, Turkey and Oman. Which sounds less like a negotiation and more like 2 parties agreeing to disagree over who administers a waterway. Oil prices have not really reacted much yet, but something resembling a cooling down needs to arrive soon, or price will react.

# URANIUM AND NUCLEAR POWER

Current sentiment reading: 19

Observation: To the surprise of absolutely nobody, this week's reading saw another gut punch being delivered to investor sentiment in this sector. Sentiment on my gauge fell about 6 points over the past 2 weeks, out of caution and down into pessimism, while URNM lost all of \*checks notes\* 1.5% across the same stretch. That gap should tell you a lot about what is driving sentiment right now. A 6 point move on a price that barely budged on a relative basis tells you people are not selling so much as giving up. Financial capitulation shows up in the price action and we have seen some higher volume selling into weakness recently, so I do believe it is bleeding. Emotional capitulation shows up in inboxes, on social media and timelines while the price action chops sideways to slightly down. Meanwhile the term price printed a nominal record and there is plenty to be enthusiastic about. If you are not yet invested in the sector or looking to scale in more, I would argue now is a good time to start.

- 0-10: Depression – Represents extreme negative sentiment, possibly due to adverse events or very poor market conditions. Usually indicative of a major bottom/capitulation.
- 10-20: Pessimism – Indicates generally negative sentiment with widespread concerns and low confidence. Usually seen at intermediate bottoms.
- 20-30: Caution – Reflects a cautious outlook with lingering uncertainties and hesitations.
- 30-40: Doubt – Shows a sentiment leaning towards the negative side but with some mixed feelings. If the trend is down, doubt usually shifts quickly to caution and pessimism.
- 40-50: Neutral – Represents a balanced sentiment, neither particularly negative nor positive. Where it goes after this (up or down) is very dependent on price behavior (i.e. are buyers stepping in on dips, or are they selling on intermediate rallies?)
- 50-60: Hope – Suggests a slight positive sentiment, with some optimism and positive outlook starting to form. This often provides the basis for another strong rally.
- 60-70: Optimism – Reflects positive sentiment with growing belief the rally can hold.
- 70-80: Confidence – Indicates strong positive sentiment with very apparent confidence.
- 80-90: Excitement – Shows very strong positive sentiment with high enthusiasm and expectations, most moves either turn around here to cool off or go absolutely parabolic.
- 90-100: Euphoria – Represents extreme positive sentiment, indicating the trade is getting very overcrowded with high retail participation and broad media coverage, which often leads to a market peak. This is what we only ever really see at the end of major moves.



## URANIUM AND NUCLEAR POWER SUMMARY

Allow me to just repeat that sentence for the folks in the back, if you are not yet invested in the sector or looking to scale in more, I would argue now is a good time to start. Why? Because sentiment is getting bad (but not fully washed out) yet, all while the term price keeps showing strength. At some point this will snap in one of two directions, either with term dropping and confirming the need for weakness in the equities, or by the equities rising to meet the upward trajectory of the term price. Given what is happening in the term market, I would argue that second option is a lot more likely to take place.

Now, as for that summary. The TradeTech long-term indicator printed at \$97 a pound, a nominal all time high and 2 dollars above the 2007 peak, though inflation adjust that old number and we remain well below it. This is a grind rather than a melt up folks, with the term price climbing on moderate contracting because there is so little on offer, sellers have worked out that patience pays, and utilities are careful about the volumes they show. Summer activity is meant to thin out and it has not. The buy-side tell is that utilities are circling back to offers they turned down 6 or 12 months ago, which is not how a buyer behaves when it holds the cards. Spot ran 26 transactions in the mid \$80s, down from 35 in May and a silent spot market also means no motivated selling to push prices lower.

Then the DOE's conditional commitment of up to \$17.5 billion for long-lead items across 5 sites of 2 AP1000 units each, with Westinghouse holding letters of intent from 7 partners chasing 5 slots. Ten reactors could run toward \$200 billion all in and none of it is a firm build agreement just yet, but the direction is solid. There is also a massive amount of data on SMRs in this week's update, because I received some very interesting notes from the recent conference and tmarket treats SMRs as a rounding error, with the IEA at roughly 10 to 25 gigawatts, call it 1% to 3% of world nuclear capacity. The dispersion afterward is what should trouble people. IEA base case near 40 gigawatts by 2050, up to 120 with policy support, as high as 190 at cost parity with large reactors, and the NEA sketching build rates touching 375. A massive range by any standard. Layer that on the AP1000 program, the restarts, the life extensions and a term market already stair stepping to records on thin volume, and the optimistic forecast need not come true. The market only has to start pricing the possibility that it might.

## URANIUM AND NUCLEAR POWER

Alright, let's talk price action, because the latest long-term indicator from TradeTech printed at \$97 a pound, a fresh all time high and two dollars above the 2007 peak of \$95. On a nominal basis that is as high as the term price has ever been, and if you inflation adjust the 2007 number it would sit well above where we are today, so nobody should mistake this for a runaway just yet. The more interesting thing to discuss though is how we got to this price, because this was not a melt up on heavy volume (in fact, over the past 3 weeks, we saw just 1 transaction for 300,000 pounds, bringing the YTD volume to 21 transactions and just over 32 million pounds). The term price is grinding higher on relatively moderate contracting, and a market that keeps repricing on modest flow is telling you how little material is sitting on offer. When I sat down with a fuel buyer I have known for a while, who I consider a friend in the industry and someone who is about as plugged into the contracting side as they come, he made a point that has aged well since I shared parts of the conversation with you guys a few months ago. Utilities are being deliberate about the volumes they show, because nobody on the buy side wants to be the one who spooks the market and hands producers a reason to reprice the whole book higher. He said he would not be surprised to see the term price keep stair stepping upward rather than spike in one move, and that is more or less exactly what has played out over the following months.

It should also be noted though that the term market itself is more active than the calendar would suggest. There are a decent number of RFPs live, some off-market negotiation running alongside them that is expected to increase materially over the coming months and one contact described the market as robust, which is not the word you normally reach for in the summer. Activity usually thins out this time of year, but this time it has not. What could be driving it? Well, part of the reason is that after several years in which producers sold forward a great deal of their production, there is now finally a shared recognition on the sell side that patience pays. A lot of them have pulled back and are effectively saying they want more for their pounds because this is a seller's market, and that discipline is a large part of what keeps grinding the price higher. Push it far enough and you reach a point where the demand coming to the table simply overwhelms what sellers are willing to part with, and price is the only release valve left. The tell for me is on the buy side.

## URANIUM AND NUCLEAR POWER

I am hearing that some utilities are coming back to the market on offers they had previously waved off as not good enough. When a buyer reopens a deal it walked away from six or twelve months ago, that is not the behavior of a market that thinks it has the upper hand. That is a buyer that has done the math on replacement and concluded the offer it rejected looks reasonable now. Worth keeping in perspective, the reported numbers understate what is happening underneath. Mike has made the sharper point that the reported spot and contract figures capture only the small fixed-price slice of the market. A lot of the real volume trades on market-related structures and I recall that Mike has pegged the settlement on some of Cameco's collars toward \$160 to \$175 a pound, which if anywhere close to right tells you the headline term print is a floor on the economics rather than the whole story.

Moving on, spot was close to a library recently, but that picked up a bit more with 26 transactions taking place and it continuing to hover around that mid \$80s range. That was down from 35 transactions in May though and ordinarily that is a summer feature and not a bug. The quiet cuts both ways though, because a silent spot market also means there is no motivated selling to knock the price back down the way you sometimes see in the slow months. Nothing is forcing anyone's hand lower. On the equity side the seasonal low tends to arrive around the end of Q3, so if you are watching the miners we are getting closer to the part of the year where a bottom usually forms rather than further from it.

There is a reason Jonathan Hinze of UxC has been pointing at the mined front end of the fuel cycle as the piece he believes will see the most action in the years ahead, as I reported in the last newsletter as well. Enrichment and conversion have had their turns in the spotlight over the past few years as the bottlenecks du jour, but the conversation is rotating back to the pounds themselves, and it is doing so because of what is stacking up on the demand side. You know the drill by now, life extensions on the existing fleet, restarts of shuttered plants, and the prospect of a genuine new build cycle in the West are all landing at once. That combination is what makes uranium the part of the cycle likely to hold the attention over the coming years.

## URANIUM AND NUCLEAR POWER

The clearest expression of that came late last month, when the US Department of Energy issued a conditional commitment of up to \$17.5 billion in loans through its Office of Energy Dominance Financing to fund the purchase of long-lead items for a new wave of large reactors. I have written about the mechanics before but it is worth just mentioning again as I really do believe this is incredibly significant, because this is a big deal and it is easy to let the number wash over you. The loans back up to five projects, each consisting of two Westinghouse AP1000 units at a single site, which is where the ten reactors under construction by 2030 goal comes from. That maps precisely onto what one contact described to me, five sites with two reactors each, and Westinghouse has now confirmed it has signed letters of intent with seven potential partners that already have sites identified. Seven applicants chasing five slots. That is not a program struggling to find takers.

Long-lead items are the heavy forgings and castings, the pressure vessels, the steam turbines and generators, the pieces that take years to manufacture and that historically wreck reactor schedules when they are ordered late. By financing them up front and buying them in bulk at fixed prices, standardized to the point where components are interchangeable between projects, the DOE reckons it can pull deployment timelines forward by as much as three years while grinding down cost. Westinghouse and each utility partner have to put up \$500 million in equity apiece, a billion per project, before they touch a dollar of federal money, so there is real skin in the game rather than a pure giveaway.

I would not oversell it either though, even if I am enthusiastic about this development. This is a conditional commitment, not a construction contract, and the skeptics have a fair point when they note that ten AP1000 units could run toward \$200 billion all in and that none of these projects is backed by a firm build agreement yet. The last two AP1000s at Vogtle came in years late and billions over, but the direction of travel is unambiguous, and for uranium the relevant fact is simple. Every one of these units, if built, needs fuel for 60 to 80 years, and utilities do not start reactors on spot purchases.

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Now, as for the piece I think the market is still underpricing and one that I spent a lot of time on these past few weeks post some additional WNFC notes, is what small modular reactors do to the demand curve in the 2030s. I still see a lot of people treat SMRs as a rounding error for uranium, a technology perpetually 10 years away, and there is enough history of missed timelines to make that a defensible starting point. I think it is wrong, or at least too cautious, and the reason has less to do with any single reactor and more to do with who is now standing at the front of the queue with a checkbook.

Do we know exactly how much uranium any given SMR design will consume on an annual basis and how large and the front loading will be and how long that fuel bundle will run for? No, no we don't, which makes it impossible to fully model at this time, but the sheer potential is undeniable in my opinion. There is a fork in the road on fuel type that matters enormously here, and it separates the credible near-term names from the speculative ones. Most of the operating fleet runs on low enriched uranium below 5% U-235, the same fuel the industry has made for decades. Somewhere north of half the SMR designs in development, by the WNA's count closer to two thirds, instead need high assay low enriched uranium, enriched between 5% and 20%. HALEU barely exists as a commercial product outside Russia and China.

Centrus has produced only demonstration-scale quantities in the US, and the industry has been warning that some advanced designs could slip by years purely on the fuel supply chain. So when you are ranking SMR players on likelihood of running in the early 2030s, the first filter is brutally simple. Does it run on fuel you can buy today, or on fuel that does not yet exist at scale. Run that filter along with a bunch of other yard sticks and GE Vernova Hitachi's BWRX-300 comes out ahead of the field, and I think it is the most likely big winner of this first wave, both in the US and abroad. It is a 300 megawatt boiling water reactor, roughly 870 megawatts thermal, and it runs on conventional low enriched uranium if I recall correctly. No HALEU dependency, no waiting on a fuel supply chain that has to be built from scratch. It is a tenth generation design that leans on decades of operating boiling water reactor experience rather than a from-scratch physics package, which is a part of the reason why it is further along than anything flashier (and trust me, there is plenty of flashy SMR designs out there right now).

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And it is not a paper reactor either, again like so many other designs in the sector. This is the part I would double-check anyone who tells you SMRs are all still slideware, because construction is already underway. Ontario Power Generation is building the first unit at the Darlington site east of Toronto, the only site in Canada cleared by the regulator for new construction. The Canadian Nuclear Safety Commission granted the construction license in April 2025, full-scale construction of the first unit began that May, and the reactor pressure vessel and other major components are in manufacturing. OPG has committed to four units at Darlington, with the fleet targeted for completion by around 2035, and the first unit is expected online by roughly the end of the decade, which would make it the first SMR in the Western world. They are running daily tours of the site, which tells you something about the sheer amount of interest in the schedule.

The pipeline behind Darlington is where we get a bit more context as in the US, the Tennessee Valley Authority has an application in front of the Nuclear Regulatory Commission to build the first BWRX-300 at its Clinch River site in Oak Ridge, Tennessee, and the DOE has put a \$400 million grant behind accelerating it. In Poland, Orlen Synthos Green Energy signed a generic design agreement in February to develop a Polish reference design, the foundation for a fleet. There is a Southeast Asia deployment MoU with Hitachi signed in March, an early works agreement with Fortum covering Finland and Sweden, a services agreement with Sweden's AFRY, and a strategic alliance with Samsung C&T for markets outside North America. My contact's framing was that once the operational flow and the supply chain were fully in place, the orders started lining up in oil tanker sized batches and that there are hundreds of MOUs and LOIs in various stages behind the announced deals.

Quick word on how the supply chain runs together with this, because it is GE Vernova's real edge and it ties back to something happening in the gas turbine business. GE Vernova has been booking more data-center power orders in a single quarter than in all of the prior year, and its gas turbines are reportedly sold out to 2029. That is the same company, the same heavy manufacturing base, the same relationships with the buyers now scrambling for firm power. When the people who need the electricity are already lined up for your turbines, extending that conversation to your reactors is not a cold call. GE Vernova and Westinghouse representatives are, by several accounts, in conversation with hyperscalers on a daily basis, and the sentiment coming out of those rooms is that we could see a lot more SMRs built than the current consensus assumes. If that is even directionally right, it means a lot more uranium demand coming down the pipe than the term market and the supply side is prepared for.

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The BWRX-300 is not alone, because oh boy there are a lot of other folks in this industry. The most instructive contrast is with the reactors the hyperscalers have already publicly backed, because almost none of those are the BWRX-300. Google went with Kairos Power's fluoride-salt-cooled KP-FHR. Amazon backed X-energy's Xe-100 high temperature gas reactor and anchored a partnership with Korea Hydro & Nuclear Power and Doosan aimed at raising up to \$50 billion for deployment. Meta signed with TerraPower's sodium-cooled Natrium and with Oklo's fast microreactor, and NVIDIA's venture arm has taken a position in TerraPower. These are the marquee names, and they are almost all Generation IV designs that need HALEU from what I can tell.

The designs with the splashiest tech-sector validation are, for the most part, the ones carrying the fuel supply risk and the first-of-a-kind execution risk, while the design furthest along in actual construction has drawn less of the hyperscaler headline flow so far. I read that as a gap that closes in the BWRX-300's favor rather than against it, because a hyperscaler that needs firm power this decade cannot wait on a HALEU supply chain that is still being stood up. The light water names, the BWRX-300 first among them but also NuScale's VOYGR, Holtec's SMR-300, Westinghouse's AP300 and Rolls-Royce's roughly 470 megawatt design in the UK, are the ones that can be fueled with what the industry already makes if those designs ever make it from the design floor to the power grid connection. Rolls-Royce is worth a footnote of its own given its backers, a joint venture that includes Qatar's sovereign wealth fund, Constellation and the Czech utility CEZ, which is a preview of the kind of consortium ownership I think becomes normal. Rolls-Royce very much remains 'the one that got away' for the portfolio.

This route from power point to power provider is filled with cautionary tales though, for example with NuScale's Utah project, the CFPP, which was the canonical first-of-a-kind cost blowup, with the target offtake price escalating from the high fifties to \$89 per megawatt hour before the customers walked and the project died. That is the risk that has not gone away. First units cost more than the brochure, timelines slip, and a design certificate is not a running plant. China and Russia, meanwhile, are the only players with SMRs running at commercial or near-commercial scale in some form or another, China with the land-based Linglong One and Russia with a floating unit, although they too are still years away from major commercial scale rollouts. The more interesting question than which reactor wins is who ends up owning the demand, because that determines how aggressively this gets funded. Three buyers are converging on the same firm-power problem from different directions.

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The utilities are the traditional buyer and they are not going anywhere. They own the sites, the operating licenses and 50 fifty-year contracting habits, and the AP1000 program is fundamentally a utility program with federal financing bolted on. The hyperscalers are that new buyer, and the scale of what they are looking to commit is the part that could reframe the demand outlook. The running tally of announced nuclear deals for data centers is now well north of 9 gigawatts across the four largest tech companies, a mix of restarts, life extensions and new SMR commitments. Microsoft anchored the Three Mile Island restart, Amazon is converting the Susquehanna campus and has a 1,920 megawatt PPA running to 2042, Meta has committed the largest total capacity though on the longest timeline into the 2032 to 2035 window, and Google is building toward a first SMR fleet with Kairos. Wedbush's Dan Ives has said he would be shocked if every large tech company did not make some nuclear play, whether a partnership or an outright acquisition, and I think that is the right read. These are companies deciding that power is the binding constraint on their build-out, and they are treating it that way with the balance sheet.

Then there is the financial layer, the sovereign wealth funds and infrastructure capital already showing up inside the reactor ventures, Qatar inside Rolls-Royce SMR being the clearest example, alongside the private credit and project finance that has to fund a build cycle this size. A program that could run toward \$900 billion of cumulative SMR investment globally by 2050 on the IEA's own numbers is not getting financed out of utility balance sheets alone.

The speculation I find most interesting, and the one with the most direct read-through to the miners, is that the hyperscalers do not stop at buying power. They move upstream and take stakes in the fuel cycle itself, or finance uranium projects directly to lock in supply security. This is not hypothetical either, as I discussed before as well with NexGen having noted it is in talks with data-center providers about a deal to help finance its Rook I project in Saskatchewan, and Leigh Curyer has drawn the analogy I keep returning to, that this is what the automakers did with lithium a few years back when they signed long contracts and took positions to secure battery supply ahead of the EV ramp. Amazon's partnership structure with KHNP and Doosan already reaches toward the fuel and construction side rather than just the electrons. If a company is putting hundreds of billions into data centers whose economics depend on firm power, spending a rounding error of that to secure the fuel supply is close to a rational obligation. NexGen has said this before, and from what I am hearing there is more of it coming than the market assumes.

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Could utilities take the same route, moving beyond offtake to actual stakes and investments in parts of the fuel cycle. One supply side contact who has been at that negotiation table with utilities a lot over the past few years thinks they could over the coming years, and I would not bet against it. Once one buyer vertically integrates to protect supply, the others have to weigh whether they can afford not to. Here is where I want to be careful however, because this is the part where the bulls and the bears both cherry-pick and I am not here to do that. Things could go hard and fast in the SMR space, but we have to take it one step at a time. It could be massive, but it could also disappoint.

For 2035, the IEA puts installed SMR capacity at roughly 10 to 25 gigawatts globally, which is only about 1% to 3% of world nuclear capacity. The Nuclear Energy Agency's older figure lands near 21 gigawatts by the same point. Those are real, sure, but not market-moving on their own (although one could argue the market is looking so tight into the 2030s that even a single digit percentage move would make a major difference, which is a fair statement to make). The dispersion opens up after that though, as the IEA's base case is around 40 gigawatts of SMRs by 2050, rising to roughly 120 gigawatts with strong policy support and a five-fold jump in investment by 2030, and as high as 190 gigawatts in a scenario where SMR construction costs fall to parity with well-run large reactors. The NEA has sketched build rates that reach up to 375 gigawatts of installed SMR capacity by mid-century. On the aggressive end you will see forecasts like ABI's, which has floated 41 gigawatts and 100s of units as soon as 2030, and I would treat that as an outlier unless something massively shifts.

So the range for 2050 runs from something like 40 gigawatts to nearly 400, which is not a rounding error, it is the difference between SMRs being a footnote and SMRs being a second nuclear industry layered on top of the first. My own read is that the truth is back-loaded and lumpier than any smooth forecast you may see being thrown around. The first units are late and expensive, the way first units always are. Then a small number of designs clear licensing, a supply chain stands up around them, the hyperscaler balance sheets absorb the first-of-a-kind premium that killed some sub-optimal projects and the build rate inflects sometime in the early-to-mid 2030s. It would make a massive difference, but we are not at that point just yet.

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For uranium the takeaway is not that SMRs triple the demand side by themselves this decade. They do not, not at 10 to 25 gigawatts by 2035. The takeaway is that the market is treating a credible SMR ramp as a tail scenario when the buyers with the deepest pockets in the world are behaving as though it is the base case, and are starting to reach upstream toward the pounds to prove it. Layer the first-core front-loading on top of the AP1000 program and other new builds around the world, the restarts, the life extensions and a term market already stair stepping to record highs on thin volume, and you do not need the optimistic SMR forecast to come true. You just need the market to start to slowly but surely take it into account, which realistically it should as I am already hearing noises that demand is creeping in from that part of the sector.

Speaking of investments from large entities into the nuclear power space that could drive more demand (that was a mouthful), as ExxonMobil, Shell, Chevron, ConocoPhillips, Rio Tinto, Freeport-McMoRan and Nucor sitting inside one nuclear demand consortium would have been unthinkable a few years ago and the capital behind those logos is absolutely massive. Big Oil alone runs well over \$100 billion a year in combined capex, and these are firms that routinely sanction single projects, an LNG train, a deepwater development, a tier-one mine, at \$10 to \$30 billion apiece with payback horizons measured in decades. That is the exact risk tolerance the reactor build cycle has been missing.

For now it is a requirements-definition exercise, a white paper aggregating what industrial end users need from nuclear rather than a check being written. Exxon's own framing, making nuclear a viable option for industrial projects by 2030, is a target for the requirements and not a construction commitment, and the next steps are defining technical architectures and commercial models, which comes in a long way short of a final investment decision. I would not price the near term off this news that these companies are interesting in nuclear, but it is still very interesting. Why? Because the demand it opens is process heat as much as power, for refining, petrochemicals, LNG, steel and aluminum smelting, the hard-to-abate loads that gas currently supplies and that renewables cannot reach. If SMRs and microreactors start displacing gas cogeneration and boilers across that footprint, you get a structurally new source of reactor demand, and therefore uranium demand. An interesting little report I thought, as it shows you where the puck is going when it comes to nuclear power.

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Moving on to other nuclear related news flow, Ottawa released its Nuclear Energy Strategy in late June, and stripped of the renaissance language it is a blueprint for up to 10 new large-scale reactors over the next 15 years, with two under construction by 2035 and five more in development by 2040, all of it sitting underneath a broader plan to double the grid by 2050 as EVs, industry and data centres pull on it. The four pillars are build reactors, export CANDU expertise, mine and process more uranium, and keep pushing next-gen designs.

There is no money attached to any of this yet, unsurprisingly. Ottawa says a financing policy arrives by April 2027, and the reactor build alone is pegged at north of CAD\$100 billion, with the Canada Infrastructure Bank and Canada Growth Fund floated as maybe-sources. A strategy without a cheque is a statement of intent, and I have watched enough of those to hold the applause until the financing shows up, even though I am happy to see a move in the right direction. Canada runs 17 reactors for about 13% of its power today, the CAD\$12.8 billion Darlington refurbishment just pushed that plant out to at least 2055, and the four BWRX-300 units going in beside it are on track to be the first SMRs on a G7 grid by 2030. This time it is not only Ontario either, with the plan calling for at least one of the first reactors outside the province while Alberta and Saskatchewan move on their own nuclear ambitions. Layer up to 10 large reactors on top over 15 years, plus an export pillar chasing four new CANDU markets by 2040, and you are contracting fuel for all of it years ahead of first power, so when this becomes more concrete it will have an impact. It won't be easy, but we are moving in the right direction and that 0 above the construction tab should change sooner rather than later.

And last, but not least, Sizewell B, which started operating in 1995 and was due to reach the end of its life in 2035, will now continue operating until 2055 That is 20 extra years of green and reliable power generation and 20 extra years of uranium demand, adding 9-10 million pounds of demand. Responsible for like 3% of the energy production in the country, I would say this is a good move and I wouldn't be surprised if come the 2050's, we will hear about another 20 year life extension as most reactors operating today are likely to keep operating to at least 80 years and perhaps even 100+ years if possible, at least that is the confidence of various utilities. Let's hope it happens.

# OIL

And on this week's episode of 'mom, why is the oil price going up, down and in circles again', here are a few pages of data that I think you will all find very interesting. Let's start with a data set provided by Jeffrey Currie, who pointed out that the oil market so many investors are staring at is telling them the wrong story. Quick background check for those who have not heard his name before, he ran commodities research at Goldman Sachs for the better part of two decades and now advises Carlyle and co-chairs Abaxx Markets, so when he calls the surplus in front of us a mirage I lean in. His argument runs that the crude which had been stranded behind the Strait, unable to move while the blockade held and the missiles flew, has been getting pushed out into the market over the past three to four weeks, and that release is why the front of the curve rolled over and with it price as well. A pile of trapped inventory clearing is a different animal from the underlying balance loosening, and he thinks the selloff has run too far on the back of it. I have time for that read, though it only covers one half of why the price has behaved the way it has, and the other half is the one the loudest voices in this market have been getting badly wrong in my opinion.

There is a number that has been screamed across every oil account on X for months now, which is that global inventories must have cratered by something like a billion barrels, because the world lost 12 to 14 million barrels a day of supply for roughly 100 days and that arithmetic spits out 1.2 to 1.4 billion barrels of missing crude, and from there the conclusion writes itself, load the boat and wait for the moonshot and I have seen so many analysts and investors get their face ripped off in recent weeks running that playbook. Well, Kepler Cheuvreux ran the reality check on that, and it does not hold, and I found their work a good deal more useful to overlay with my own analysis than the victory laps running on my timeline. Start with where we began. Global inventories stood at a comfortable 8.2 billion barrels at the end of 2025, up around 430 million over the year, with the build driven by China stocking roughly 150 million and oil on water adding about 200 million, sanctioned Russian, Iranian and Venezuelan cargoes included. The world walked into this war holding its highest inventory cushion since early 2021, not a bare cupboard of empty barrels.

# OIL

A supply loss is not an inventory draw, I want to make that very clear, and the two only match each other if nothing else in the system moves, which is almost never how it works. The IEA had the market in deficit by 5.6 million barrels a day in March and 3.3 million in April, a long way short of the implied 12 to 14 million, and observed inventories fell by only about 250 million barrels across those two months. The hole is real, but it is a fraction of the one the naive math promised. This is why I have spent so much time on the damage, restart and oil flow reporting in the newsletters over the past few months since this conflict kicked off and why I didn't go 50/50 oil exposure in the portfolio like I saw some other analysts do. This is not to gloat in any way, it's just to show that it's important to do the work and not listen to who yells the loudest.

Where did the rest of the shortfall go? It got absorbed, from every direction at once it seems. Demand took a moderate beating, with Kepler putting Q2 destruction at 3 to 4 million barrels a day including 1.6 million in China alone, and another slug came from unwinding the roughly 3 million a day of oversupply the market was already carrying. Producers outside the Gulf cranked hard, IEA members opened their emergency reserves, and Gulf exports rerouted around Hormuz through Saudi west coast terminals, Fujairah and the Iraq to Ceyhan pipeline. China, sitting on the tanks it had spent the prior year filling, simply leaned on them and pulled its seaborne imports down hard, which reads as a demand loss to the rest of the market even though the barrels were already home.

Kepler's sharpest observation, and the one that best explains why the tightness kept underdelivering, is what they call the "dark" transits. Non-Iranian barrels hugging the Oman coast under a tolling arrangement ran an estimated 90 million barrels, or 3 million a day, through Hormuz in May, enough to more than offset the collapse in Iran's own exports, which fell to something like 300,000 barrels a day against a normal rate near 1.5 million as the US blockade bit. I would flag that this last piece is an inference rather than hard data, and Kepler says as much, noting no explicit figures were available for the month. It fits everything else, though. They had penciled in a May draw of around 200 million barrels and instead think it came in under 100 million, and the barrels that failed to leave the system had to be routing through somewhere.

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The market never lost the billion barrels of physical inventory the headline supply number implied, at least not what my work and the work of some others is pointing out, because the plumbing rerouted, demand buckled, stockpiles got tapped and China absorbed its own share at home, and that makes a pretty compelling case to explain why oil prices have been dropping steadily. Price, sometimes, can act as a truth serum, and it has spent weeks telling anyone willing to listen that the realized tightness fell well short of the advertised tightness. North Sea Dated went from a high up near \$144 to below \$100 and kept sliding, and the war did not stop mattering, the barrels simply found their way around the chokepoint faster than the doomsayers modeled.

None of which makes the market loose, and here I circle back to Currie, because both things are true at once. The crude panic was overdone, yet the buffers are thin now and thinning, with inventories grinding toward multi-year lows and OECD cover on track for the fewest days since the early 2000s. The tightness that is real has migrated into refined product, where middle distillate cracks have printed record highs and refining margins sit at crisis levels, and margins that wide do not sit still. When a refiner can buy soft crude and sell diesel and jet into a starved market at a fat crack, it runs harder, and every extra barrel of throughput pulls crude back out of the surplus everyone is now relaxed about and turns it into the product the world is short of. That is the mechanism that flips a comfortable crude balance back to tight in a hurry, which is a risk we need to take into account.

I come out contrarian on both sides here (Yes, that's possible. No, I didn't know that either), which I suppose is the job. The oil bulls oversold the inventory story and are only now finding that out, and that repricing is most of the move lower. Anyone reading the drop as proof the market is comfortable is about to make the same mistake in reverse, because thin buffers and a starved product complex are how you get violent snapbacks on any hint the Strait stays messy or the ceasefire cracks, and it has been tested once already. Further out the picture flips again, with the IEA's first look at 2027 showing a real overhang building as Gulf supply normalizes and non-OPEC growth stacks on top. Near term it stays twitchy and skewed to sharp moves both ways, medium term it loosens, and that is the shape of it, at least the way I see it. That's about enough oil talk for this week I think, let's move on to the more shiny stuff.

# OIL

So how big is the Chinese draw, roughly? Well I am left doing that math myself since Beijing does not report inventories. This is going to be a back-of-the-napkin exercise folks, keep that in mind. Take refinery runs near 13.5 million barrels a day, subtract domestic output around 4.2 million and imports that have sagged to roughly 6.4 million, and close to 3 million barrels a day is coming straight out of storage at the current pace. Even at a more conservative two million or so average across the war, that stacks to somewhere around 250 to 300 million barrels drawn from Chinese tanks since late February. Set the March and April slice of that against the 250 million the entire world drew over those same two months, and China on its own accounts for something close to half of the global figure, which leaves barely a hundred million barrels for the rest of the planet across those two months, through a shock that was supposed to drain everyone's tanks.

Turn that same 3 million a day of drawing into rebuilding, which I will use for the sake of this exercise, and the swing lands on both sides of the ledger at once. Imports climbing back toward the 11 million they ran before the war is 4 to 5 million barrels a day of seaborne demand walking back into the market, and if Beijing rebuilds at the roughly 1 million a day pace it set in 2025, you are looking at a swing near 5 million a day against buffers already thinner. The supply shock had China's tanks to lean on, which is exactly what a demand surge would not, because a wave of restocking into an empty cushion has nothing to absorb it. Refilling 250 to 300 million barrels over six to twelve months is close to a million a day of extra pull on its own, a decent but not massive tailwind that runs for the better part of a year.

We have watched this movie before, just with a different lead actor. Washington released 180 million barrels into the 2022 Ukraine spike, drained the SPR to a 40-year low, then spent 2023 and 2024 buying it back in the mid-70s. That refill put a soft floor under crude, because the market knew the government was a standing bid down there, though the impact stayed modest since the volumes were small and the world was comfortably supplied at the time. China's restock would run several times that size, but I doubt China will take this route and light a fire under the market, though it will likely have that same 'soft floor' effect on price.

## OIL

And just when I thought I could finally close the book on my oil research for the week, yet another Chinese led oil headline was dumped on my desk that was causing a whole lot of work up amongst oil bulls and I had to figure out whether they had a point to get all worked up. China has lifted refined fuel export restrictions for the rest of the month and permitted Zhejiang Petrochemical, majority owned by Rongsheng, to resume shipments after a four-month halt. Through the war only state-owned refiners were allowed to move gasoline, diesel and jet out of the country. Beijing approved around 1.3 million tons of product exports for the month against the 2.5 million tons that shipped in February before the fighting started, which converts to something near 335,000 barrels a day going out the door versus roughly 715,000 pre-war. That is under half a normalization, and nobody is repricing crude on 300,000 barrels a day of product. The volume is not what has anyone animated.

I'm not an oil market expert, but I believe ZPC runs 800,000 barrels a day of nameplate capacity across four crude units at Zhoushan, drew 75 to 80% of its feedstock from the Middle East before the war and holds a 20-year term deal with Aramco for 480,000 barrels a day. It is one of the few large Chinese refiners that has stayed away from sanctioned barrels, so it cannot lean on the discounted cargoes that keep the teapots fed. It cut runs 20% and pulled maintenance forward when the Strait shut. For that plant to be exporting, it has to be running, and for it to be running, Gulf barrels have to be arriving at Zhoushan. Beijing does not hand export permits to a private refiner while it still fears for domestic supply and it certainly does not do so for a plant whose feedstock has to transit Hormuz. The buying strike ends when the tanks run dry or the confidence returns, and this looks like confidence returning early, well ahead of the late summer timing most desks had penciled in.

ZPC is also one of China's largest buyers of Canadian crude, so it has non-Hormuz options and may be running on those plus inventory, which makes the Gulf inference softer than the bulls would like and the aforementioned tightness in refined product is the leg of this market that has been doing the heavy lifting and Chinese barrels flowing back into Asia hit it directly. Asian gasoline cracks against Dubai already sagged toward their weakest since March on the news. So the same headline pulls the Chinese crude bid forward and starts deflating the record margins holding up the entire complex. Conclusion? Bullish crude, bearish cracks because China's fuel-making factories have to buy more oil so they can cook up the fuel they're finally allowed to sell to other countries, which makes oil more wanted and pricier, but all that extra fuel showing up means fuel is no longer scarce, so the profit from turning oil into fuel gets smaller.

## PRECIOUS METALS

You know what, I am re-using that line from the oil section. And on this week's episode of 'mom, why is the gold price going up, down and in circles again', it's actually good to see gold and silver back above that critical \$4000 and \$60 level respectively, but it's been very volatile and I wouldn't be surprised if we see one more dip. Whether we get that or not though, I remain very bullish on the prospects of gold in particular and I have started buying.

Time to see what the banks are doing and notably a net 30% of central banks told OMFIF they plan to add gold over the next one to two years, and 82% now hold physical gold at all, up from 71% a year ago. The motivation has shifted underneath that number. Protection against geopolitical risk is the top reason for 51% of them, up 11 points since 2024, which means reserve managers are treating gold as insurance against a financial system that can be weaponized against them, not as a trade they expect to mark higher (something that I have talked about as the primary driver for years now since the Ukraine conflict kicked off). Gold is having its worst stretch in years in the meantime though, likely because Warsh has the market going 'coin flip' on the odds of a rate hike in September, as real yields have climbed and the dollar caught a bid as the debasement trade unwound, but you are all very aware of that after I covered these dynamics extensively over the past few months of course.

The central bank bid is something like a slow clock, a floor under the market rather than a fuse under the price (for now though, as buying continues and some reports indicate that central banks have been buying around 15 times more than officially reported, as you can see on the next page). It is funded out of reserve rotation and domestic purchase programs, it is strategic, and it does not chase price tomorrow, but it is absolutely there. Rates and the dollar set the marginal price day to day, and both are pointed the wrong way for bullion right now. The official bid is not infinite either as 28% of respondents said current prices already discourage further buying, though that read was taken when gold was much higher, and it cuts in gold's favor today. A slide back to \$4,000 hands the strategic buyer who balked at \$5,600 a cheaper entry, and this is a cohort that like to accumulate into weakness rather than strength in my view. The dollar money leaving reserves also has nowhere obvious to land. The euro lacks a single deep safe asset to absorb it, and the renminbi still runs capital controls, so neither one fixes the problem reserve managers have. Gold does, and it carries no counterparty attached. My read is that this survey does not call a bottom, but rather shows where the path ahead is in the mid and long term. It tells you who is standing under the market when the rate cycle finally turns. 61% of these same managers see \$5,000 to \$6,000 by June 2027, and they are a meaningful buyer. I have said it before and I will say it again, I am happy with solid gold exposure even through near term volatility.

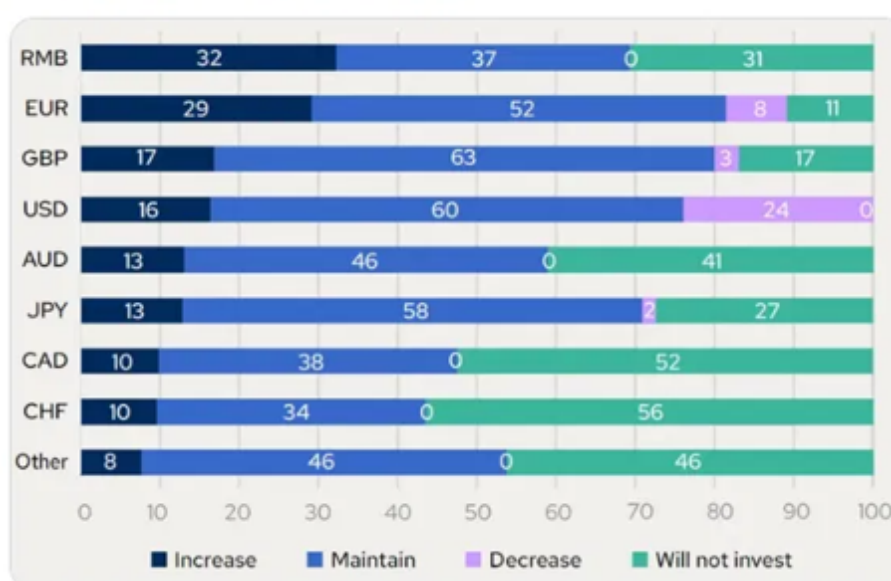
# PRECIOUS METALS

## CENTRAL BANKS BOOST GOLD, REDUCE DOLLAR EXPOSURE

More central banks now plan to reduce U.S. dollar holdings over the next decade while increasing allocations to gold and the euro.

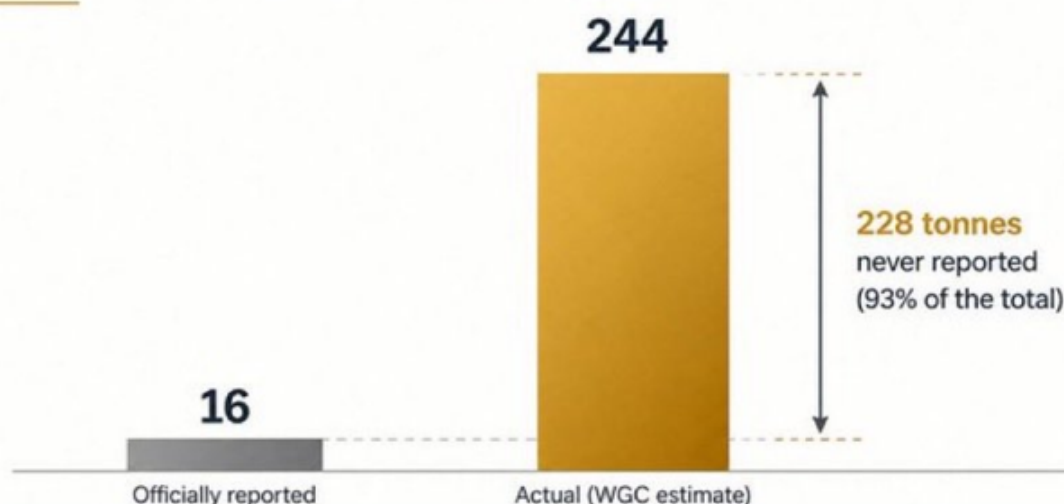
A net 30% expect to raise gold holdings, driven increasingly by geopolitical risks.

Meanwhile, demand for euro assets is rising, and AI adoption is accelerating among central banks, with the U.S. and China seen as the most attractive investment markets.



## Central banks bought roughly 15 times more gold than they officially reported

Net central bank gold purchases, first quarter 2026 (tonnes)



Source: World Gold Council estimate of actual buying; IMF-reported official figure. Q1 2026.

## COPPER

Copper spent the past 2 weeks chopping around together with the rest of the commodities complex rather than on its own fundamentals. LME spot sat around \$13,335 a tonne in the first week of July, with COMEX holding above \$6.15 a pound before slipping toward \$6.00 as fresh strikes on Iran firmed the dollar and knocked the manufacturing outlook. Nothing in that move came from the copper balance itself to be fair though.

The one piece of substance I did find in terms of sector related news flow is BHP finally getting its first environmental approval for the Escondida expansion, granted by Chile's Antofagasta Environmental Assessment Commission in early July. The clearance covers early works on sulfide leaching and electricity infrastructure at around \$1.3 billion, and it unlocks a program that BHP has sized at \$10.7 billion to \$14.7 billion across its Chilean operations over the coming decade. BHP holds 57.5% of Escondida with Rio Tinto on 30% and a Japanese consortium taking the rest. The company is targeting more than 2 million tonnes of annual copper by the mid-2030s. A separate application to restart and expand Cerro Colorado, roughly \$1.5 billion, went in days earlier, and the \$5.9 billion new concentrator at Escondida is still sitting in the queue from March.

I would be careful reading this as new supply though. Escondida's grades are falling and the bulk of that capital exists to hold output where it is, not to add tonnes. Chilean production fell 5.8% year over year in the first quarter across El Teniente, El Abra, Spence and Escondida, and the approval does nothing for any of that this decade. On the acid front there is a small piece of relief, with Canadian exports of non-metallic minerals, sulphur led, up around 50% month over month in May. That takes a little pressure off the shortage the Hormuz disruption created, though it hardly resolves it. Something to keep a watchful eye on.

## CANNABIS & TIN

Kicking things off with cannabis and the DEA opened its administrative hearing on marijuana rescheduling at Arlington on 29 June, with Chief Administrative Law Judge Derek Julius presiding and a hard deadline of 15 July to conclude. The government carries the burden of proof as proponent of the rule, and DEA counsel framed that burden narrowly, arguing it needs to establish a single currently accepted medical use to keep marijuana off Schedule I. The judge has ruled he cannot entertain challenges to whether the HHS two-part test for that determination is even legally permissible. Scope is the piece most people are getting wrong. FDA-approved products and marijuana under a state medical license already moved to Schedule III back in April, and the ALJ has explicitly excluded them from the record. The only question in front of him is whether the remainder of marijuana, which is to say everything adult-use and everything unlicensed, comes off Schedule I. That is where the Section 280E burden still comes in for the multi-state operators.

The structure of the proceeding is odd and I do not think the market has priced it. Seven parties were designated to participate and every one of them opposes rescheduling. Nobody on the reform side was admitted. The government's first witness, an FDA controlled-substances director, faced cross-examination from three of the seven on day one, with Smart Approaches to Marijuana presenting on 6 July, DUID Victim Voices on 7 July and a physician witness on 8 July. Nebraska, Idaho, Indiana and Louisiana close the run in the middle of the month. A record built entirely from one side is a record that looks thin on judicial review, and prohibitionist groups already have suits pending to overturn the April order, consolidated before a federal appeals court. Post-hearing briefs follow, with no closing arguments. A final rule could publish as early as late July and would sit for 30 days or more before taking effect.

Regarding tin, nothing on the supply or demand side moved lately. Tin fell to roughly \$50,550 a tonne, its lowest in over 7 weeks, and the entire move came from a bearish turn in AI infrastructure sentiment as chip, general commodities weakness and data-center equities sold off in Asia and the US on doubts about hyperscaler capex. That is a demand-narrative repricing I believe. Prices are now some way below the intraday record near \$59,000 set in the first days of June. The physical backdrop is unchanged. Indonesian export licences remain bottlenecked, Jakarta is still pursuing unlicensed producers and Man Maw in Wa State is still running below capacity. None of that is new information folks, let's move on.

## CODEX URANIUM

### **Cameco, NYSE: CCJ**

For Cameco related newsflow, please check out the part related to the AP1000 news in the uranium and nuclear power section of the newsletter.

### **Denison Mines, NYSE: DNN - Cost basis: \$0.35 - Percentage allocated: 80%**

Denison put out a short release just last week and the substance is that the Peter Ballantyne Cree Nation has withdrawn the judicial review application it filed back in early November against both the Government of Saskatchewan and Denison. The application had asked the Court of King's Bench to set aside the provincial ministerial approval granted under Saskatchewan's Environmental Assessment Act and remit the decision back to the Minister of Environment for reconsideration, arguing the province had breached its duty to consult. Denison denied the claims at the time and said it would defend vigorously, which is what everyone says. What it did instead was keep talking, and PBCN has now formally consented to and stated its support for the development and operation of Wheeler River.

Management took the final investment decision on Phoenix and began site preparation in March with the litigation still live, so they had evidently priced this as a manageable risk rather than a binary one. An unresolved duty-to-consult challenge is the sort of thing that sort of lurks in the background and Canadian courts have set aside approvals on precisely that ground before, so I would not pretend the overhang was nothing even if it wasn't a major issue in my view. Denison had even signed an environmental monitoring and capacity agreement with PBCN shortly before the filing landed, which tells you how little warning they had. Phoenix now has provincial and federal environmental approvals, a CNSC construction license, early works underway, and consent or benefit agreements with what appears to be every rights-holder in the vicinity. The 2028-2029 first production target is still in play and they need small wins like these to keep it on track.

### **Energy Fuels, NYSE: UUUU - Cost basis: \$1.47 - Percentage allocated: 90%**

There was a significant amount of news flow surrounding the recent acquisition and government backing for the company, but that was all covered in the associated analysis report in late June, so check that out if you have not read it already.

## CODEx URANIUM

**Bannerman Energy, ASX: BMN - Cost basis: AUD\$0.79 - Percentage allocated: 100%**

Despite the recent price action, this company just keeps rolling onwards and Bannerman executed the definitive permanent water supply agreement with NamWater in early June, and a definitive power supply agreement with NamPower has now also been signed. Both are conditions precedent to the CNNC Overseas transaction and that transaction is pretty important for the company because Etango's final investment decision is gated on it and management has indicated as such. CNOL puts up to \$321.5 million into Bannerman, the vehicle holding 95% of Etango, taking 45% and leaving Bannerman at 52.25% underlying economic ownership with the One Economy Foundation keeping its 5% loan-carried slice. Debt-free construction, no bank syndicate, and CNOL takes 60% of life-of-mine production on arm's-length pricing reviewed every 5 years while Bannerman markets the residual 40%. Completion was targeted for mid-2026 against a long stop of 30 September.

Chamberlain has said that if the close drifts too far past mid-year there may be one or two delays to a schedule pointing at September 2028 commissioning, and I would take him at his word on that rather than assume slack. The physical work is impressive and I say that as someone who has watched several of developers announce first concrete and then go quiet for two years. Bulk earthworks at approximately 92% on a 24-month contract, up from 66.5% at the end of March. 10,800 cubic meters of concrete cast, around 60% of the Phase 1 and 2A packages. The fine ore silo now stands 36 meters above the ground. 560 people on site across four Namibian contractors, 1.1 million hours without a lost-time injury, extending a 17-year record, which is great to see.

Two things I am watching right now in relation to that recent update. Dry plant civil and mechanical design sits at 94% complete while the wet plant detailed engineering is at 28%, and the wet plant is where leach, solvent extraction and precipitation come in, so that is where the schedule tightens from here and the acid storage facility design at Walvis Bay is at 69%, in a country where, as I reported at the time, sulphuric acid availability has become a tax on every heap leach and ISR operation on the continent. Keep on keeping on Bannerman and get this over the line.

**Global Atomic, TSE: GLO - Cost basis: C\$1.86 - Allocated: 100%**

The latest release from Global is essentially a political support update and so is the border news surrounding Niger, which is all nice and well, but a financing update would be more welcome. Beyond that, which I covered in the last report as well, there was no news.

## CODEX URANIUM

**Devex Resources - ASX: DEV - Cost basis: \$0.159 - Percentage allocated: 65%**

Well then, \$7.5 million Australian dollaridoos. DevEx closed the Alligator Energy transaction at the end of June and walked away with roughly 9,200 km<sup>2</sup> of contiguous ground wrapped around Nabarlek, which is still the highest grade uranium mine Australia has ever operated at 1.84% across 24 million pounds of historical production. DevEx elected to settle in cash rather than paper, even though the original agreement allowed up to AUS\$2 million in DevEx shares. Of the AUS\$7.4 million remaining, AUS\$5.48 million went to Alligator, AUS\$170,000 was withheld against security obligations under existing exploration agreements, and AUS\$1.75 million went into escrow pending restatement of the exploration access agreement over two of the Tin Camp Creek licences.

Nearly a quarter of the purchase price is therefore contingent on the Northern Land Council and Traditional Owners renewing an access agreement that expires in the first half of 2027. Both companies say discussions are well advanced and expect the process to finalize within the calendar year, and I have no reason to doubt them, but the structure tells you exactly what DevEx's lawyers thought the real risk was. Ground held on Aboriginal freehold without a current access agreement is a map. Consent is the scarce input in this province, you need to it continue.

The prospectivity is not in dispute either in my opinion. Unconformity-related mineralization on a plateau that geologists have been comparing to the Athabasca for 40 years, with Angularli sitting next door at 32.9 million pounds and 1.09%, and Caramal now inside DevEx's package carrying a historical inferred resource of around 6.5 million pounds at 0.31%. Nabarlek North hands DevEx more than 50 km of strike along the U40 and Angularli fault corridors, most of which nobody has followed up on in over a decade. Add the Rio Tinto exploration licence applications DevEx bought separately for AUS\$500,000 upfront and the same again contingent, and the largest land position in the Alligator Rivers province has been assembled for roughly the cost of a mid-sized drilling program.

Alligator, for its part, wanted the liquidity for Samphire in South Australia and treated the NT as non-core, which is its own kind of verdict. DevEx's ground sits in Arnhem Land rather than inside Kakadu, different Traditional Owners, different history, so the Mirarr precedent does not carry across. The way I see it, this province asks you to underwrite consent before you underwrite rock. Drill results over the next 12 months will settle whether the option premium was fair. Until then it is 9,200 km<sup>2</sup> of acreage.

## CODEx URANIUM

**enCore Energy - NYSE: EU - Cost basis: C\$2.81 - Percentage allocated: 100%**

The NRC issued a 20-year renewal of the Source Materials License for Dewey Burdock, running to June 2046, and now enCore now holds every federal permit the project requires. The Safety Evaluation Report was the last piece, arriving about a week after the EA, the Finding of No Significant Impact and the PA. The Bureau of Land Management separately authorized construction on the 240 acres of public land sitting inside the project boundary.

Time for a short trip down memory lane, as SUA-1600 was first granted all the way back in 2014. The Oglala Sioux Tribe challenged it, the DC Circuit ruled for the NRC at the end of 2022, and the tribe declined to take the matter to the Supreme Court in early 2023. The EPA's Class III and Class V injection permits and the associated aquifer exemption, issued in late 2020, went through the Environmental Appeals Board twice before the final denial came last September. Powertech told the NRC in a filing a couple of years ago that the license had never been used and the site remained unchanged since initial approval. So a 12-year-old license that never turned a shovel has now been renewed for 20 more years and it took the project's admission into the FAST-41 fast-track program to compress the final leg into roughly 10 months. Federal is done, but Pierre is not. Dewey Burdock still needs its South Dakota permits, and enCore has said its state applications were deemed complete and recommended for conditional approval by DANR staff, held in abeyance pending the outcome of the federal appeals. That ought to make the state leg faster than the federal one, though I have learned to be careful with the word "faster" in this industry.

The economics come from the January 2025 PEA, which carries capital costs of \$264.2 million for a 1 million pound per year central processing plant, operating costs of \$23.81 per pound (which will likely always end up higher), and total recovery of a bit over 14 million pounds drawn from 17.1 million pounds of measured and indicated. After-tax NPV of \$133.6 million at an 8% discount rate, 33% IRR, no inferred material included. Against that, enCore reported liquidity of roughly \$85 million in early May and that number counts 23.8 million Ur-Energy shares and other marketable securities rather than cash alone if I recall correctly. Reclamation bonding with the EPA and NRC runs another \$15 million or so. The PEA assumed permitting completion in the third quarter of this year with plant and wellfield construction starting early in 2027, so the schedule holds and is arguably running ahead of it. The funding is a different conversation. enCore delivered 270,000 pounds at an average realized price of \$67.78 in the first quarter, well under both spot and term sadly, so the South Texas operations are not going to build South Dakota on their own. Let's see how they do it.

## CODEx URANIUM

**Cosa Resources, TSX: COSA - Cost basis: C\$0.31 - Percentage allocated: 80%**

As for Cosa, we got two releases, one operational and one financial, and together they tell you the company is funded and pointed squarely at the most interesting thing on its books. Cosa has kicked off the largest campaign in its history at Murphy Lake North, roughly 6,000 meters across 15 holes, chasing the uranium it hit over the winter on the Cyclone trend. For context on why I care, MLN sits about 3 kilometers east of IsoEnergy's Hurricane deposit (which Cosa's team is incredibly familiar with), which is the highest-grade indicated uranium resource in the world, and the winter hole came back with 5 meters of 0.55% uranium including a half-meter of 1.7%, sitting only 265 meters below surface and open along strike for 600 meters in both directions. That is relatively shallow, it is high grade for a first pass, and it carries the same nickel and cobalt fingerprint as Hurricane, so my amateur geologist read is that they may have clipped the edge of a second mineralized system rather than a one-off. The fact that the team running this is largely the same crew that found Hurricane in the first place, and had hands on Gryphon, NexGen and IsoEnergy, is not nothing when you are trying to judge whether a junior knows what it is looking at.

Then there is Denison. They are of course Cosa's largest shareholder and hold 30% of the MLN joint venture, they are funding their share of the 2026 program, and they topped up in this raise to keep their stake around 17%, which is about as strong an endorsement as a junior explorer gets in this market. On to the money. Cosa closed an upsized bought deal for roughly CAD\$12 million, a mix of regular shares at CAD\$0.60 and various flavors of flow-through priced up to CAD\$0.99, led by Velocity with Haywood and Canaccord in the syndicate. The flow-through dollars have to be spent on Saskatchewan exploration, which is exactly where the drilling is going, so the practical effect is that the summer program at MLN and the follow-up at Darby are fully funded into results, and Denison's participation means the placement did not blow out their ownership the way a normal raise would. Some dilution, sure, but tax-advantaged dilution aimed squarely at the drill and no financing overhang to fret about as the next assays roll in. The way I see it, you have a funded explorer drilling a shallow, high-grade target next to one of the best deposits in the basin, with a credible major backing it, and that is a setup I am happy to watch closely as a shareholder.

## **CODEX OIL AND GAS**

**Valaris - NYSE: VAL - Cost basis: \$36.34 - Percentage allocated: 75%**

There was no news to report on.

**Petrotal Corp - TSE: TAL - Cost basis: C\$0.52- Percentage allocated: 100%**

There was no news to report on.

## CODEX PRECIOUS METALS

**AbraSilver - CVE: ABRA - Cost basis: C\$0.33 - Percentage allocated: 50%**

There was no news to report on. Please check the last newsletter for more information on the recently updated NPV numbers.

**Rio2 - CVE: RIO - Cost basis: C\$0.55- Percentage allocated: 50%**

There was no news to report on.

**Integra Resources - NYSE: ITRG - Cost basis: \$0.79 - Percentage allocated: 75%**

There was no news to report on.

**Mining Americas - CVE: MAI - Cost basis: C\$3.50- Percentage allocated: 100%**

While there was no news to report on, I thought it would be good to repeat what I noted in the last 2 newsletters as well around Copperstone (especially because I bought more Minera, which is now called Mining Americas of course), just to put into perspective the upside potential that is still very much in place for this name, as we are not invested in Minera for just the Pan mine), the pre-feasibility study on Copperstone in Arizona. At a base case gold price of \$3,500 the project throws off an after-tax NPV of around \$374 million, an internal rate of return of 108%, and payback in just over a year, and if you run it near recent spot pricing, call it \$4,500, the NPV jumps to roughly \$537 million with an IRR above 150% and payback under ten months. That is great by any standard and that only covers around 68% of the current market cap of the company, meaning that if you value them at 1x NPV at \$4500 gold (which I believe we will get back to in due course over the coming 6-12 months), you get almost a third of Copperstone and the rest for free on paper. The mine plan is modest, and that is rather the point, an initial life of around six years producing some 290,000 ounces, averaging roughly 46,000 ounces a year at all-in costs near \$1,300, which is a far fatter margin than Pan earns today. Initial capital is only about \$58 million against sustaining capital of roughly \$77 million, so the NPV-to-capex ratio sits somewhere between 6 and 9 times depending on which gold price you trust, the project is fully permitted, and the board has already made the formal call to build, with first gold targeted around the middle of next year. Once it ramps, Copperstone more than doubles the company's annual output. Minera remains a firm part of the gold portfolio.

**Outcrop Silver - CVE: OCG - Cost basis: C\$0.17 - Percentage allocated: 75%**

There was no news to report on.

## CODEx PRECIOUS METALS

**Andean PM - CVE: APM - Cost basis: C\$0.64 - Percentage allocated: 90%**

There was not a lot of news, but still something to cover and another look at their assets given how much the stock has dropped. Andean has TSX approval to repurchase up to 4 million shares over 12 months, about 2.65% of the 151 million outstanding, with Desjardins as designated broker and an automatic purchase plan attached so the bid keeps working through blackouts. The exchange would have allowed 5%. Management asked for barely half of that and the stated reason is that the market price may not fully reflect the underlying value of the business. The company has done this before and to good effect, so I see this as a positive.

So what is the underlying business earning? Get ready for a tsunami of numbers. At \$4,000 gold and \$60 silver, which is roughly where both metals sit as I write this, quite a lot. Take the guidance midpoint of 107,000 gold-equivalent ounces and split it the way Q1 came in, around 45,000 at Golden Queen and 62,000 at San Bartolomé. Golden Queen's Q1 operating cash cost of \$1,596 per ounce was net of a silver byproduct credit worth roughly \$572, so gross costs run near \$2,168. Reprice that silver at \$60 and the credit drops to \$431, giving a net cash cost around \$1,736. On 41,400 ounces of gold at \$4,000, that is about \$94 million of cash margin. San Bartolomé earned \$36.17 per silver-equivalent ounce in Q1 against \$79.49 silver, implying costs near \$44. Ore purchases scale with the metal price and the fixed side does not, so at \$60 silver I get costs around \$37 and a margin of roughly \$23, sitting mid-band of the guided \$20 to \$35. Across 5.3 million silver-equivalent ounces that is about \$121 million. Consolidated cash margin of roughly \$215 million, less around \$48 million of corporate overhead and exploration, gives adjusted EBITDA near \$167 million. Strip out \$37 million of cash taxes, \$46 million of total capital spending and a few million of interest and free cash flow lands close to \$79 million, or nearer \$105 million if you exclude growth capital.

Converting at 1.42, EBITDA of roughly C\$237 million against a market capitalization of C\$830 million at the time I am writing this. Back out C\$289 million of liquid assets, ignoring whatever sits drawn on the revolver, and enterprise value is near C\$640 million. That is 2.7x EBITDA if my math isn't off. For a two-asset producer with 58% of its ounces coming out of a purchased-ore plant in Bolivia, I would argue 4-5x is defensible even with the Bolivian country risk, which puts enterprise value at \$950 million to \$1.2 billion and market cap between CAD\$1.2 and CAD\$1.5 billion. Roughly CAD\$8 to CAD\$10 a share and that is without accounting for gold and silver showing strength again.

## CODEx 'OTHER'

**Westwater Resources - NYSE: WWR - Cost basis: \$0.69 - Percentage allocated: 70%**

There was no news to report on.

**Aldebaran Resources - CVE: ALDE - Cost basis: C\$0.79 - Percentage allocated 80%**

There was no news to report on.

**ASP Isotopes - Nasdaq: ASPI - Cost basis: \$3.84 - Percentage allocated: 100%**

There was no news to report on.

**Comstock - NYSE: LODE - Cost basis: \$2.36 - Percentage allocated: 100%**

The Lyon County commissioners voted in favor of the North Lyon County Power GID last week, the district built to furnish power to the Northern Nevada Industrial Center in Silver Springs, and while none of that touches Comstock's parcels directly, it matters a great deal for what SSOF is sitting on. Why is that? Well, because NV Energy has been telling anyone who asks that it cannot energize that stretch of the corridor until somewhere around 2032, which is the sort of timeline that really hurts a potential data center deal before it starts, and the GID exists precisely to route around that by letting a behind-the-meter gas microgrid bring immediate capacity online while the grid catches up. The county just blessed the mechanism, and the playbook is now, well, in play.

Why does that move the needle for Comstock? Because power, clear title and water are the three gates a hyperscaler checks before it writes a nine-figure check for land, and power has always been the binding constraint out here given what Comstock already has. SSOF holds something like 2,200 acres of datacenter-centric ground in Silver Springs, Comstock lifted its stake to roughly over 51% over the course of this year and management wants to monetize the whole lot in 2026. A prospective buyer no longer has to imagine how powered land here comes together on a workable timeline, because the county has shown it can approve the district structure that lets you skip the better part of a decade in the interconnection queue. That de-risks the hardest part of the pitch, and de-risked land is worth more than optionality on land. The macro-grid side is arriving too it seems as NV Energy's Greenlink West should come online around mid-2027, terminating at the new Walker River substation near Yerington with 345-kV lines feeding the region, which hands an eventual utility-backed, dual-feed redundancy that a Tier-1 site wants alongside its on-site gas. Immediate bridge power first, utility backbone behind it.

## CODEx 'OTHER'

### **Comstock - NYSE: LODE - Cost basis: \$2.36 - Percentage allocated: 100%**

Am I getting ahead of the actual transaction? Sure, and I'd caution that a precedent for one district is not a signed contract for another, and I'd want Comstock's exact overlap with the NNIC footprint nailed down before I got too excited, but the direction of travel is hard to argue with and with Microsoft already getting very active in the area with the Nighthawk project and the "powered land in Silver Springs keeps appreciating" thesis just picked up a concrete data point after it was already clear that this land is being viewed as a tier 1 or borderline tier 1 US data center location.

### **LibertyStream - CVE: LIB - Cost basis: \$0.45 - Percentage allocated: 100%**

I have covered this company to an unhealthy extent over the past few months and I still believe that if they can execute on their goals, the sky is the limit. Two releases landed within days of each other and they need reading together. LibertyStream commissioned its fully automated Gen 6 extraction system at Freedom Launchpad in early July, and the system is running, producing lithium carbonate, training operators and turning out customer samples. The number to hold onto is that Gen 6 is designed around a 5,000 barrel-per-day processing basis.

The Gen 5 unit before it was designed for up to 10,000 barrels a day, so the automated platform is deliberately the smaller machine, because Freedom Launchpad is a training and sampling site rather than a commercial plant. Freedom 1, the first commercial installation at Select Water Solutions' Howard County site, is designed for 1,000 tons per annum of lithium carbonate and targeted for commissioning by the end of December. LibertyStream disclosed in the spring that the integrated extraction and refining system behind that tonnage is built for up to 120,000 barrels of brine a day, roughly 24 times what just came online. The process is not being changed for scale-up. Commercial-scale design uses the same core architecture with larger carousels holding additional extraction modules, so the chemistry stays put while the hardware grows and multiplies.

## CODEx 'OTHER'

**LibertyStream - CVE: LIB - Cost basis: \$0.45 - Percentage allocated: 100%**

From my amateur viewpoint that is the correct answer to the thing that has killed some other ventures, namely chemistry that stops behaving when the vessel gets bigger. It is not a claim that scale-up comes for free. Cycle time has fallen to roughly 20 minutes from about 60 under Gen 5, and management frames the gain as reagent consumption, energy and labor per ton rather than as capital savings. The 400,000 barrels of processed brine and 2,500 operating tests across 21 months belong to the Gen 5 program, with Gen 6 carrying around 200 field trials over 8 months on top of that. Still a large operating dataset for DLE, and management just keeps delivering on their promises.

Which brings me to the definitive offtake, signed with the same US industrial customer roughly a month after the term sheet. As you all know from the term sheet itself, which I covered when it was first announced, it comes in at 600 tons a year beginning in 2027, delivered in quarterly shipments of 150 tons, pricing fixed for the first 2 years, and 60% of Freedom 1's design basis committed with the remaining 40% left open. The price is undisclosed and I would like to know it, given how far lithium carbonate has run this year. Management guides all-in operating costs near \$6,200 per ton at steady state, royalties to Select included (this can drop due to a variety of factors, keep that in mind), so the margin should be substantial regardless.

Two things I take from the agreement. Wylie's own framing points at capital partners rather than customers, and a contracted delivery schedule with fixed pricing is precisely what a lender or strategic wants to see before funding a first-of-a-kind plant that still may be missing some numbers that said lender would want to see. It does clear the path for financing though and we should hopefully get more news on that front sooner rather than later. All eyes now move to that year-end commissioning timeline, with the installation area cleared and leveled, concrete work being prepared, and commercial-scale equipment expected in late Q3 and early Q4.

## CODEx 'OTHER'

**Merlin Labs - NASDAQ: MRLN - Cost basis \$6.05 - Percentage allocated: 100%**

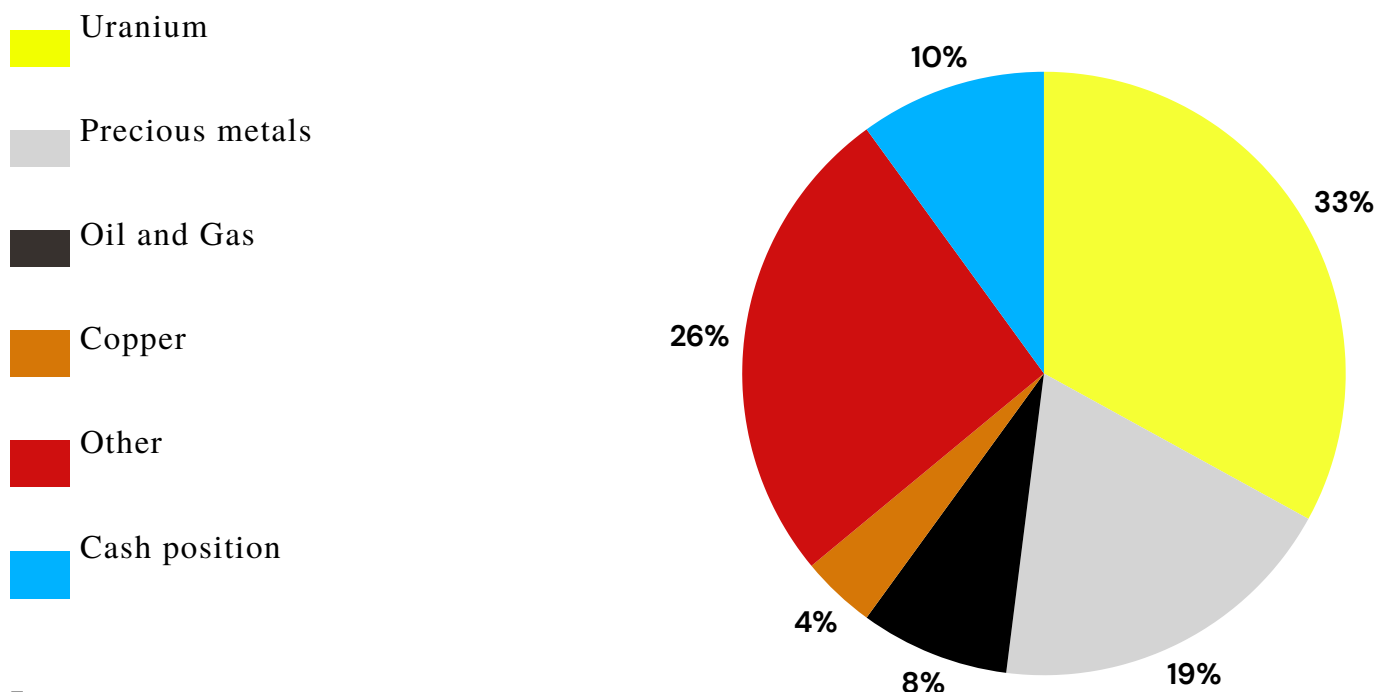
Buying while holding a bloody nose yesterday, Merlin printed a new low at \$4.20, over 30% under where we opened at \$6 and even worse all the way from that CDR spike near \$9.50 on massive volume. Nothing fundamentally broke as I went looking for the thing that usually explains a drawdown of this size in a small cap, like a short report or the lost contract or the pulled guidance or the resignation, and there is nothing there. When rates back up and crowded positioning unwinds, money does not exit the speculative growth bucket in an orderly fashion, and a company that screens as \$1 million of quarterly revenue trading at more than 50 times sales on a relatively tight share float is about as far out on that curve as you can stand. Merlin was not sold for anything Merlin did, it was sold for what Merlin still is, which is an idea on the verge of implementation, and ideas trade badly when money gets expensive and risk flips off.

The stock ran hard on the CDR headline and handed it all back. That move was never the market revaluing the business, and mechanical moves reverse. Over the same stretch the Critical Design Review passed, which retired the largest design risk in the early stages of this thesis and moved the program out of architecture and moving towards physical integration. Both analysts previously covering the name still carry Buy ratings against a consensus target of \$13, with Cantor Fitzgerald initiating their own price target of \$11 just yesterday. Management spent June in front of institutional capital with CDR as a finished item rather than a pending one. Two of four certification stages remain in New Zealand. None of that was undone by the price action folks, I am still bullish on their developments.

The thesis was never about this quarter, you all know that, especially as even my bear case at \$16 still requires the flight demonstration to work and the production task orders to follow, and that remains the whole trade to begin with and the platform from which we build this thesis. What the price action has done is hand you the same asymmetry at a lower price with the biggest design risk already removed. If I liked it at \$6, I am not going to talk myself out of it at \$4.40 because 8 ugly weeks happened to sit in between, which is why I made it a full position down here. Yes there are still several risks that need to be taken into account, as I extensively described in the associated research report on the company, but the reward is incredible if they deliver. How incredible? The bull case in my model is a 48x from here, a friendly reminder of their potential.

# CODEX PORTFOLIO ALLOCATION

## Total portfolio allocation per sector



### Important notes:

- 'Percentage allocated' points to how much room I am leaving to add to any particular position. This could be either due to the position already being de-risked, waiting on specific catalysts to materialize, not having gotten another buy opportunity yet etc
- Just because a position is still underweight or not fully positioned, does not mean I don't have conviction in the company, as per the point above. Please keep in mind that the allocations include more than just the portfolio holdings themselves, which can shift depending on buying and sales and I try to reflect my personal portfolio as well. It's not a perfect calculation, rather just an overview to reflect the allocation generally.

### Priority for the coming months:

- With sentiment getting bad for commodity/material related equities, now is a good time to start putting some cash to use. I have put a third of said cash position to work in order to bolster several positions (as per yesterday's update). For now, that 10% cash position is adequate to achieve that sleeping level for me personally.
- The PHYS reserves will be kept in place as I remain very bullish on gold.

That's a wrap for this week's newsletter. While I will be away from the desk next week, there is more content on the way afterwards, so stay tuned for that and in the meantime I hope that you have a good and healthy rest of your day and weekend, cheers! ~Mart

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