CONTRARIAN CODEX

The biweekly newsletter for all the general and commodity market news and updates (26-06-2026)

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In this newsletter:

WEAKNESS CONTINUES ACROSS THE BOARD

Welcome back to another extensive newsletter and I hope you are all holding in there well amidst the volatility. With the market making a lower high and momentum fading, things are looking dicey as we see more potential macro headwinds ahead, which I will discuss in detail this week as well. Some of you have asked me whether or not this is a good time to start buying more (I have personally been nibbling a bit at a few names, but I am waiting to add more, in particular to some gold names at this time) or to sell some of their winners ahead of what could be a bigger correction ahead (which I will discuss the probability of and what is driving this current volatility over the coming few macro pages). Well, as I noted in the community channel as well, the answer to this requires an obligatory "that depends on your cash position" note. If I was personally running with a sub-10% cash position, yes I would consider scaling that up to the 15-20% range, even if you believe there is no more downside from here. More if you want to be conservative, because we don't know how ugly things will get of course. Get to that sleeping level, that's the most important advice I can give. Get to that cash position percentage where you can sleep well without worrying about "what if X goes wrong and the market goes down Y", which is different for everyone. Now, time for macro.

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MACRO ANALYSIS SUMMARY

As as tradition, let's begin with the macro summary and go from there. Starting where the whole backdrop hangs from, the Treasury market. It still rests on the same trick Yellen began and Bessent carried on, stuffing the borrowing into bills and the short end to keep a lid on long yields, and it holds right up until something forces short rates higher, at which point it turns on you fast. The deeper problem is who absorbs the paper now, because the marginal buyer has drifted from price-insensitive central banks toward leveraged basis-trade players, who behave very differently under stress. With roughly $8 trillion to roll over the coming year, that matters enormously, because the moment vol spikes and equities wobble, those levered holders dump Treasuries to meet margin, yields jump at the worst possible moment, that feeds back into more risk-off, and round it goes. A calm bond market can seize up in days, and since a financialized economy runs on asset prices, a hard enough drop in stocks widens the deficit and forces Washington to issue still more paper into a market already choking on it.

Here's the part the reflexive bearishness, of which there is plenty, misses. Rapidly rising real rates do something specific to a sovereign carrying debt north of 120% of GDP with receipts wired straight into the very asset prices that crater when rates rise, they force a decision that isn't really a decision. Letting yields blow out means swallowing a cascading crash across bonds, stocks and the real economy, and no administration picks that when the alternative is to cap yields with freshly printed liquidity. We've watched this reflex for seven years now, every bout of funding stress met with more liquidity, never less. So Treasury dysfunction is what triggers the next wave of money creation, and that wave is what carries nominal equities and hard assets higher. The only question is how much pain gets inflicted before they reach for the printer, never whether they do, because they will.

Which brings us to the dollar, the variable that decides, far more than the level of rates in my personal macro view, whether the fiscal position heals or unravels. Carry a debt load this size with a deficit well over 5% and a tax base wired to asset prices, and the rate decision stops being about inflation and becomes one about the currency, because the currency is the release valve on the whole contraption.

MACRO ANALYSIS SUMMARY

A softer dollar with higher inflation does 3 clear things for Washington, it inflates away the real debt, lifts nominal receipts as everything reprices higher, and counterintuitively pulls in more foreign Treasury demand by easing the roughly $14 trillion of dollar debt sitting offshore. Run a strong dollar instead and the machine grinds in reverse, foreigners scramble for dollars and dump Treasuries exactly when we need them buying, and you're in a spiral that breaks only when somebody opens the valve. Warsh can lean hawkish for a stretch, and right now he plainly is, but that's a phase, not a destination, the math underneath has one stable solution and it's a softer dollar. Just don't confuse direction with timing, being early while levered is the same as being wrong.

On valuations I land with a foot in each camp and I know that sounds like ‘sitting on the fence’, but a good macro analyst needs to understand both sides of the story instead of just hard bolting into one side without any regard for the other. The bulls' best card is the margin story, S&P net margins near 14.5% projected toward 16.7% by 2027, and that 220-odd basis points lets the index grow into its multiple rather than de-rate down to it, easily the most bullish chart in the market. The catch is that around 86% of that forward margin improvement traces to two sectors, semis and energy, so it's really a concentrated bet on the AI capex boom and the oil move, and the same chart doubles as a precise map of where it breaks. I'm not calling a top, the Fed isn't hiking, deficits are expanding pro-cyclically, estimates keep rising and recession odds are low, none of which flashes red before a floor gives way, but those are also the exact conditions late-cycle melt-ups are made of. So mind your risk rather than bolt for the exit, watch the leaders for the first real strain, and keep a little powder dry.

Semis earn their own flag, because they used to be the textbook cyclical where peak margins were a sell signal, and that relationship just broke. Margins north of 40%, an all-time high, yet the group trades at sixteen or seventeen times sales, with Nvidia alone now near 8% of the S&P. That's a double bet, that record margins hold and the record multiple holds, and if chips are still cyclical you get hit on both and the whole index comes down with them. And ignore the $8 trillion wall-of-money tale, buying stock is just a swap, those balances move on yields and bill supply rather than bravery, and they swelled right through 2008 and the pandemic. The bulls are front-running a disinflation that hasn't shown up and cuts the Fed just penciled out. The cracks are real and the setup is stretched, but the printer is always the endgame, and that's the line I keep circling back to.

MACRO ANALYSIS

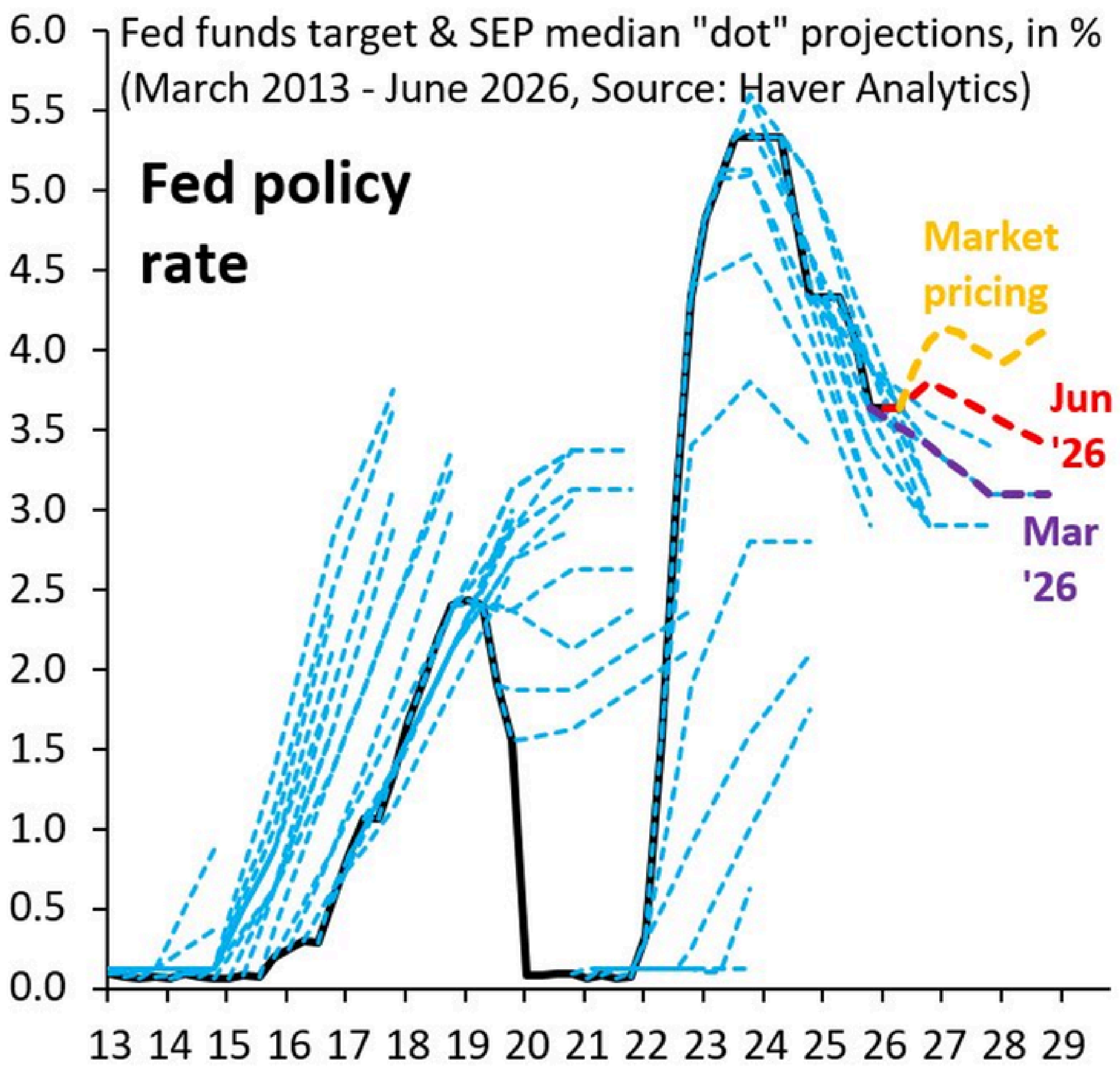
Given the UST market underpins large parts of the macro backdrop, let's spend some time on that to start. The Treasury spent the past two-plus years stuffing the bulk of its borrowing into bills and the short end as I have covered extensively over that period of time, a deliberate choice under Yellen and carried on by Bessent to keep a lid on long-term yields and buy a little time on financing costs, and that arrangement holds right up until something forces short rates higher, at which point it turns against you in a hurry. The deeper fragility comes in the form of who absorbs the paper now, because the marginal buyer of Treasuries has drifted away from price-insensitive central banks and toward leveraged players running the cash-futures basis trade, and those players behave very differently under stress. With the better part of $8 trillion to refinance over the coming year, that shift matters enormously, because the moment volatility spikes and equities wobble, those levered holders are forced to dump Treasuries to meet margin, which pushes yields up at the worst possible moment, and higher yields feed straight back into more risk-off, and round it goes.

That is why a bond market that looks perfectly calm can seize up in a matter of days and why the damage refuses to stay penned inside bonds. A financialized economy like ours runs on asset prices, so when equities fall hard enough for long enough, consumer spending and tax receipts follow them down, the deficit widens, and Washington has to issue still more paper into a market already choking on it. In the short run all of this is poison for the market, since traders carry decades of muscle memory telling them to sell hard assets and risk whenever real rates climb fast, and climb they have. But the reflexive bearishness misses what rapidly rising real rates actually do to a sovereign carrying a debt/GDP ratio that is by my count still north of 120%, with receipts held hostage to the very asset prices that crater when rates rise. They force a decision that is not really a decision at all, which is why my view of this monetary cycle has not changed.

Letting yields blow out means swallowing a cascading crash across bonds, stocks, and the real economy, and no administration chooses that when the alternative is to cap yields with freshly printed liquidity. We have watched this reflex play out again and again for the better part of like 7 years since it first started popping up and every bout of funding stress has been met with more liquidity, never less. So the way I see it, Treasury dysfunction is what triggers the next wave of money creation, and that wave is precisely what carries nominal equities and hard assets higher from here. The only open question is how much pain gets inflicted before they reach for the printer, and never whether they reach for it at all, because they will.

MACRO ANALYSIS

Oh and before I forget, regarding how this ties into Fed funds rate, some of you have asked me why I don't tend to put much value into the associated dot projections after Warsh noted he was not going to be participating in that either, the data set you can see below tells you exactly why. These dot projections are never that accurate and can change on a whim depending on prevailing circumstances. I don't see that being different this time either.



MACRO ANALYSIS

Alright so, how does this all tie into the USD? The dollar, far more than the level of rates itself, is the variable that decides whether the fiscal position heals or unravels from here, and that is the lens I run every Fed decision through. The conventional story, if you want to call it that, says the Fed lifts rates to cool inflation and trims them to support growth, and in a normally indebted country that is roughly how it goes. But once you are carrying a debt load north of 120% of GDP with a deficit running at well over 5% and a tax base wired straight into asset prices, the rate decision stops being about inflation and becomes a decision about the currency, because the currency is the release valve on the whole overstretched contraption.

From my perspective, a weaker dollar paired with higher inflation does 3 helpful things at once for Washington, and it does them whether anyone is willing to say the goal out loud or not. It inflates away the real value of the debt already on the books, it lifts nominal tax receipts as wages and revenues and asset prices all reprice higher in dollar terms, and counterintuitively it draws in more foreign demand for Treasuries rather than less, because a softer dollar means easier global financial conditions, more fiscal room abroad, and far less pressure on overseas borrowers who would otherwise be forced to raise dollars in a hurry.

A strong dollar runs that same machine hard in reverse and that is not a pleasant experience as you can imagine. There is something on the order of $14 trillion in dollar-denominated debt sitting on the books of borrowers outside the US and when the dollar rips higher every one of them has to scramble for dollars to service it and to defend their own sinking currencies, which means selling the most liquid thing they hold, namely Treasuries, at exactly the moment Washington needs them showing up as buyers. On top of that, the rising real rates that travel with a strong dollar knock down the very asset prices that US receipts now lean on so heavily, so revenue sags just as the bills for interest and entitlements and defense keep grinding higher. Receipts down, outlays up, foreigners selling, deficit widening and congrats you have walked yourself into a self-feeding spiral that does not resolve on its own, it resolves when somebody opens the valve. Also don’t get it twisted, this is not a US-only problem, which is what makes it so combustible, because Britain, Japan, and the eurozone are all running their own versions of the same arithmetic, so a strong dollar does not merely squeeze Washington, it exports the strain to every other indebted western government at once and shoves their long yields up in lockstep until one of them cracks first and we have seen upside breakouts almost across the board.

MACRO ANALYSIS

A strong dollar is, in plain terms, the thing that tightens every screw across the developed world simultaneously, which is precisely why it cannot be allowed to run for long because tightening screws screw (ha) with market functioning. So what does that make of the rate path? It makes the two directions two settings on the same valve, or a light switch if you want to call it that. Hikes that chase inflation strengthen the dollar and tighten the noose, and they are therefore self-limiting, because the strain they generate is the very strain that forces the eventual reversal. Cuts, especially once they are paired with the sort of bank deregulation that lets domestic banks soak up the Treasury supply foreigners no longer want, weaken the dollar and bleed the pressure back off. Warsh can lean hawkish for a stretch, and at the moment he plainly is, but hawkishness here is a phase and not a destination, because the math underneath has only one stable solution and it is a softer dollar.

I want to be careful not to oversell the timing either, because none of this means the dollar slides in a straight line from here like some USD bears would have you believe and a hawkish stretch can send it painfully higher for months before the valve ever gets pulled, which is the same trap that snares people who are right on direction and far too early on the path and if you are levered, being early means being wrong sadly. However, the direction itself is not really in question, at least the way I see it from my amateur economist eyes. No government can fight inflation, refinance a mountain of paper, keep a financialized economy aloft, and hold its currency strong all at the same time, and when those 4 goals collide, the one that gives way is always the currency, because letting it soften is the only option that does not detonate something else first. Something has to give and there is a big release valve with Benjamin Franklin’s face on it.

So when people ask what I am actually watching out of the Fed, it is certainly not the dots, it is what the decision does to the dollar, because the dollar is where this entire imbalance gets vented in the end. The relief valve has been bolted to the currency for years (as I have been describing over that timeframe as well), and every time the pressure has built toward a real breaking point the same thing has happened, the valve gives (amongst other things), the dollar eases, and the system buys itself a little more road. I see no reason this turn of the cycle is the one that finally breaks the pattern, and every reason to think the next serious bout of strain ends the way the last several have, with the dollar doing the bleeding while everyone acts surprised that it had to, followed by other asset classes rallying upwards.

MACRO ANALYSIS

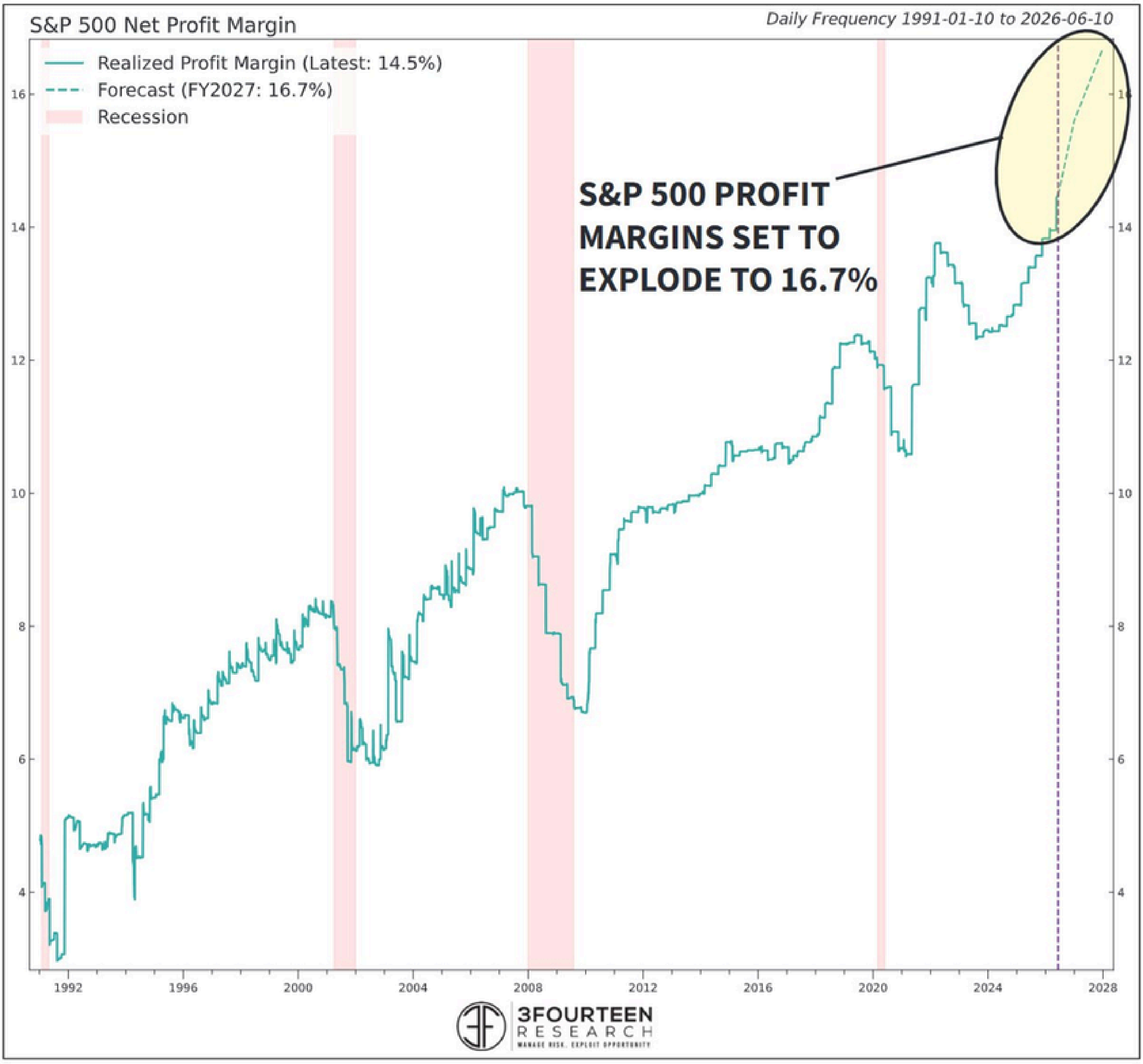
Alright, time to discuss valuations and for this one we are once again visiting some of Warren Pies excellent work. What does it come down to? Well, a price-to-sales ratio only looks dangerous if you assume margins stay put, and that is precisely the assumption the most aggressive forward estimates are now throwing out, with S&P 500 net profit margins sitting near 14.5% on a trailing basis and projected to push toward 16.7% by 2027. That roughly 220 basis point expansion is the single most powerful answer the bulls have to all the bearish price-to-sales work that has been piling up lately, because a revenue multiple divided by the net margin is really just the earnings multiple wearing a disguise, so if more of every dollar of sales is dropping to the bottom line, the same frightening price-to-sales resolves into a far more palatable price-to-earnings. Carry the math forward and it is not exactly subtle, since margins widening 220 basis points on roughly flat revenue lifts earnings on the order of 15%, which means the index can grow into its valuation rather than be forced to de-rate down to it, and that is the entire reason this gets called one of the most bullish charts in the market right now, as you can see on the next page.

The expansion is nowhere near as broad as that headline is pointing to though, because something like 86% of the improvement in forward margins over the past six months traces back to just two sectors, semiconductors and energy. So what is being sold as an index-wide earnings renaissance is really a very concentrated bet on a handful of names continuing to widen their own margins, and the other 490-odd companies are not the ones doing the heavy lifting.

That concentration is a risk, at least the way I see it, because the semiconductor piece is the AI capex boom and the energy piece is the oil move tied to the Mideast, and both are about as cyclically charged as any two sectors you could pick. The bull case is leaning hardest on exactly the part of the market that has to answer the sustainability question, which is how long the AI buildout runs and whether the returns ever justify the spend, and that is the same ROI argument now surfacing as the AI majors float price cuts to defend usage. Calling it a bubble in margins reads as a fair rejoinder in my view, but bubbles can expand and if the AI capex cycle (which has been keeping the market elevated throughout this geopolitical conflict window) delivers on its stated goals, the takeaway is that things will go higher.

MACRO ANALYSIS

None of which makes the bulls wrong on the arithmetic of course, because if index margins really do expand 220 basis points the S&P will be meaningfully higher in 2027 and that part is not in dispute. However, that if is carrying almost all of the weight, and it is concentrated in the two sectors most exposed to a capex slowdown and an oil reversal, so the same chart that is the most bullish picture in the market doubles as a fairly precise map of where it breaks. At these valuations the market is not allowed to have a lot of issues and will need to continue to 'promise the world' in terms of margin expansion. Keep dancing while the music is playing folks, but just make sure that you are aware of what is driving said music.



MACRO ANALYSIS

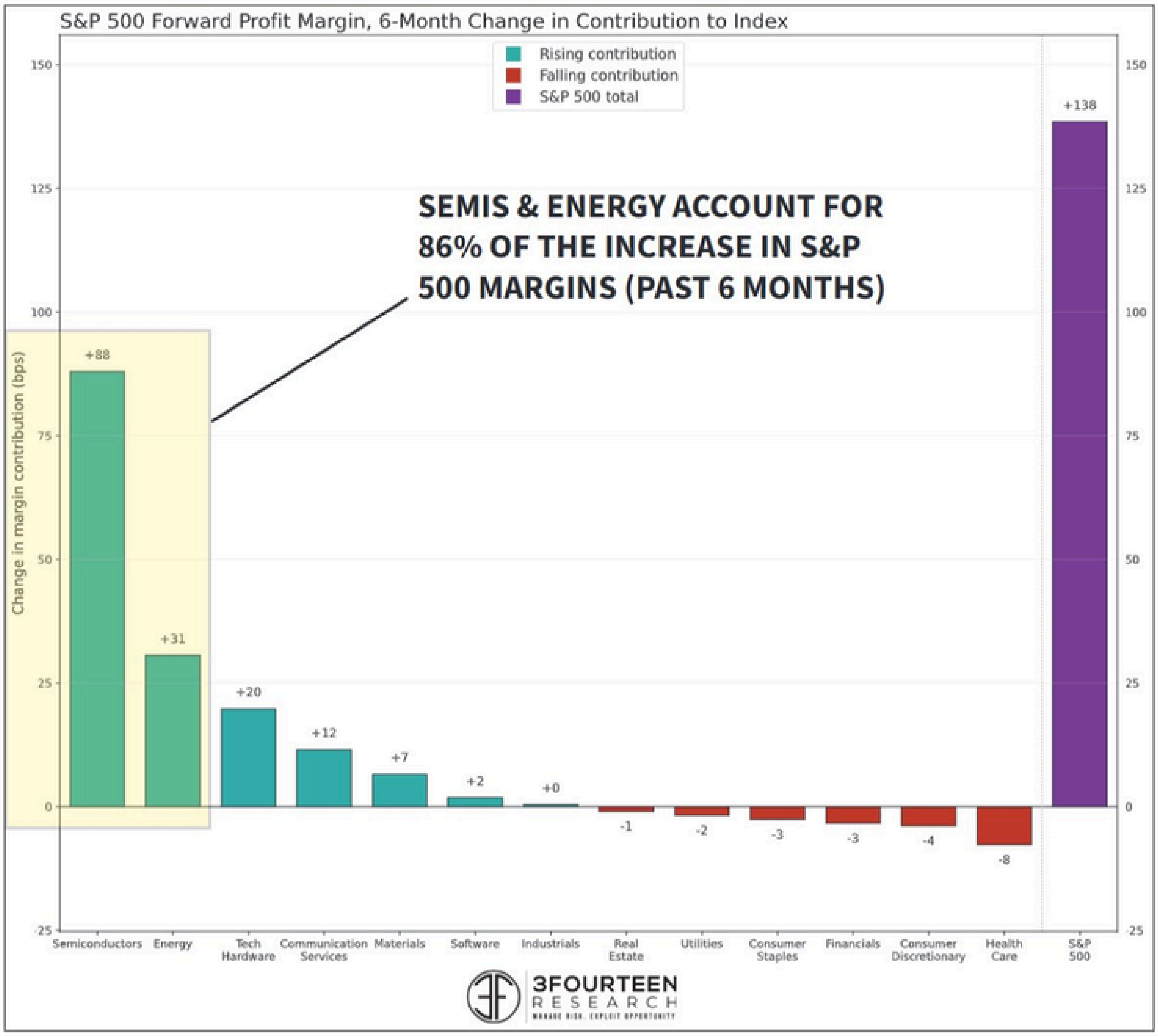
So if that is the chart the bulls are planting their flag on, the question hanging over it is the one I find far more interesting, namely whether all that weight resting on so few shoulders is the thing that finally tips the whole market over. The honest answer is that I do not know, and anyone telling you they do with a straight face is selling something. What I can tell you is that this exact call, the one where narrow leadership gets read as a flashing sell signal, has been an absolute graveyard for bears for a couple of years running. The top in the semis has been called and re-called and called again, and the thing has simply kept grinding higher and making fools of everyone who tried to front-run it. So whatever else I say below, I would be very wary of treating this setup as a timing tool, because as a timing tool it has cost people a fortune.

The more useful question, the way I see it, is whether this is even the kind of backdrop that tends to produce a major top in the first place, and on that score the bullish checklist is hard to wave away. The Fed is not hiking. Deficits are expanding pro-cyclically rather than tightening into the cycle. Earnings estimates are still being nudged higher rather than slashed. And recession odds remain low on most of the measures I watch. None of those is what you would expect to find flashing red in the weeks before the floor gives way, and that is precisely why the more constructive voices keep insisting this does not look like a top, and to their considerable credit they have been right for a good long while. Every day that grinds higher is, of course, one day closer to the eventual reckoning, but one day closer sits a very long way from here, and I have learned the hard way not to confuse the two and I am sure some of you have as well.

But, and you could probably see this coming from a mile off, here is where I end up with a foot planted firmly in each camp. Those same comforting ingredients, the easy Fed, the pro-cyclical deficits, the ramping estimates and the low recession odds, are also the exact conditions under which late-cycle melt-ups tend to happen, that euphoric final leg that feels absolutely wonderful right up until the precise moment it stops. Tops almost never announce themselves on the way in, they don’t ring a bell and by the time the bearish case is obviously the right one you are often staring at a market down 30% and wishing you had trimmed back when it felt premature and faintly silly to do so.

MACRO ANALYSIS

So where does all of that leave me in practical terms? Not calling a top, because I am nowhere near arrogant enough to think I can pinpoint the month it all rolls over, and the people who have tried have mostly been carried off on stretchers these past couple of years. But not lulled either, because a setup this narrow is a reason to mind your risk rather than a reason to bolt for the exit, the sort of thing that should have you weighing how much pain you could stomach if the leaders crack and how far this could fall, rather than how clever your exit is going to look as if you were starring some Hollywood action movie. Watch the leaders for the first real signs of strain, keep a little powder dry for the day that asymmetry flips, and hold whatever conviction you have got loosely, because if there is one stone-cold certainty in any of this, it is that the market will not hand you a polite warning on the way out, but I certainly will try to do so.



MACRO ANALYSIS

In that same vein, according to some analysts it seems like a wall of money finally breaking loose, with north of $8 trillion parked in money market funds supposedly poised to come pouring into stocks and Treasuries now that the geopolitical risk has cleared and a marquee IPO forced everyone to make room in their books. The reason I refer to it as ‘some analysts’, is because it is a tidy story with the added benefit of sounding bullish, but it leans on a mechanism that mostly does not exist. Buying stock is simply a swap, where your money goes to whoever sold you the shares and they walk away holding it, so the cash is never consumed by the market, it just passes from one set of hands to another and prices rise only when buyers bid more eagerly than sellers are willing to let go.

Money fund balances do move, and by trillions, but they move on short-term yields and the supply of bills rather than because investors collectively decided to feel brave, and the history here is unkind to the wall-of-money crowd, since those balances swelled all the way through both the 2008 collapse and the pandemic as frightened investors ran toward safety. A good chunk of the current pile is simply money that walked out of near-zero checking accounts to chase a 4% yield and risk afterwards depending on what the market does.

That is the whole game, because the two things that change the calculus are fresh issuance, of which we are seeing no shortage, and the level of cash yields, and the second matters far more as you can imagine. Here the story runs straight into a wall, since it assumes a friendly Fed willing to let the funds rate drift lower, and the new Chair's first meeting last week did the opposite as I noted at the time as well in that Monday update. The one development that could eventually flip this is the very thing that lit the fuse, because a reopened Hormuz and oil back down does ease the energy-driven piece of inflation, and if that bleeds into the prints over the back half of the year, the Fed gets room to cut and the cash gets its real reason to move. So the bulls have jumped the gun, front-running a disinflation that has not yet shown up in the data and an easing cycle the Fed just penciled out. A rally that needs an $8 trillion wall of money to explain itself, into increasingly stretched valuations, is leaning on a force that is half accounting illusion and half a wager on cuts that are not currently on the table.

MACRO ANALYSIS

That gets us to valuations and specifically that of semiconductors, which are a very important part of the broad equities market as you all know. Semiconductors used to be the textbook cyclical, the sort of business where investors paid less for each dollar of sales precisely as profit margins climbed toward a peak, because everyone understood that peak margins were a sell signal rather than a buy signal, with the inevitable down-cycle waiting on the other side. That relationship was pretty reliable, but given we are in unprecedented times, how fitting that this too recently broke over the past year. What happened? Well, semi profit margins have pushed north of 40%, an all-time high, and rather than compressing the way they always did before, the multiples investors will pay have exploded right alongside them, with the group now changing hands at something like sixteen or seventeen times sales. That leaves two readings and not much middle ground. Either the AI era has genuinely killed the cycle and turned chips into a secular growth business whose peak margins are the new baseline, or the market has simply forgotten this is the most boom-and-bust industry in the economy and is paying a record price for record earnings right at the top. I know which way I lean.

Semiconductors are no longer a corner of the market you can just put in its own little bracket. Nvidia alone now accounts for roughly 8% of the entire S&P 500, a single stock worth more than 7 of the index's 11 sectors and the most concentrated individual name since records began in the early 1980s. Add Broadcom, Micron, AMD and the rest and chips are somewhere in the neighborhood of 13 to 15% of the whole index, and that is before you count the hyperscalers whose own earnings increasingly rise and fall on the same AI buildout. The market's margin story is every bit as concentrated, since the bulk of the improvement in forward profit margins across the entire index over the past year has come from semis and energy rather than the other 490-odd companies.

Paying a record multiple on record margins is a double bet, that margins hold at the peak and that the multiple holds at the top, and if chips turn out to still be cyclical you get hit on both at once, with earnings falling as margins normalize and the multiple compressing as the market remembers what sort of business this is. Because the same few names carry the index's weight, its earnings, and its margins all at once, that double whammy would not stay politely inside the sector, it would pull the broad market down with it. The bulls will tell you it is different this time and the cycle is dead, and perhaps they are right, but that is the most expensive sentence in the business. Keep an eye on it, it may just be important.

URANIUM AND NUCLEAR POWER

Current sentiment reading: 25

Observation: The index keeps bleeding together with many other asset classes in the market and so does the sentiment reading. While we are, at the time of writing, stille above that June low in URNM, the same cannot be said for the associated sentiment data. This reading dropped from 29 to 22 as we make our way from caution to pessimism with another 7 point drop and it feels like things are moving fast now. While I do expect this sector to end the year (a lot) higher than where it is now, I cannot deny that the Summer doldrums can take its toll on the underlying equities. For now though, it remaisn of a case of sitting and waiting until risk assets catch a bid again and we can start moving up again off the back of all the positive news we have seen in the sector. Understandably some of you may get tired of me taking note of this, but in this sector it is well and truly a case of 'slowly, slowly, then all at once', where news doesn't seem to matter, until it all does at once. We are in the slow phase.

- 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

Starting with the summary and the headline as we slide into summer is a case of same old same old. Late May into this month saw just under 2 million pounds change hands across 20 transactions, and spot has thinned noticeably even as the price holds firm in the mid-$80s. To my eye this is the early innings of the summer lull, the kind of stretch that can drag into mid-August. The latest week makes the point, just 5 transactions for 500,000 pounds, and tellingly 300,000 of those crossed on a US market holiday, which tells me sellers are still happy to meet the market despite the geopolitical noise. Spot still ticked up 0.5% on the week, leaving it a shade under 5% higher YTD and nearly 11% above a year ago.

As for the term market, a couple of contracts averaging 2.1 million pounds apiece pushed us past 30 million locked up YTD, and while long-term activity has cooled, a few utilities are still chewing through RFPs with off-market chatter bubbling along. The long-term marker now reads $95, the highest since 2007, and the trajectory stays up and to the right. Remember, the existing fleet plus life extensions plus restarts plus what's already under construction leaves a gap, and that's before the financial, sovereign, military and SMR buyers queued up further down the pipe.

The big item is the DOE conditional commitment for up to $17.5 billion to help Westinghouse buy long-lead items for as many as 10 AP1000s, which is great for Cameco given its 49% stake. The idea is to break the chicken-and-egg standoff by financing the heavy forgings upfront, pulling timelines forward by up to 3 years. Keep the champagne on ice though, this is intent dressed up as a very large number, with each project vehicle needing roughly $1 billion of equity and a utility reaching FID before a dollar moves. Real pounds down the line, but loaded into the 2030s, so sentiment catalyst first.

Beyond that, a familiar parade all pointing the same way. Running my yardstick of ~500,000 pounds a year per gigawatt, Sizewell B's life extension preserves ~12 million pounds over twenty years, Hatch's renewals keep ~18 million on the books, and Studsvik and Poland's second plant add genuine new demand. Leave India's march to 100 gigawatts aside, given how extensively I have already covered that in past updates, and the firm end runs to a little under 4 million pounds a year added or preserved, with Italy and Switzerland able to push it north of 9 million if ambition turns to concrete. That low end alone is roughly one Etango. The high end is better than two. The renaissance, for anyone still insisting it stalled, rolls on.

URANIUM AND NUCLEAR POWER

Kicking off the uranium section, let me walk you through where the market is sort of situated as we slide into summer and guess what, it's a story of same old same old. The back end of May and the start of this month saw just under 2 million pounds change hands across 20 transactions, and spot activity has thinned out noticeably over the past few weeks, even as the price holds firm in the mid-$80s. To my eye this has all the hallmarks of the early innings of the summer lull, the sort of stretch that can drag on until the middle of August. Nothing is guaranteed in this game, but as far as the physical market goes, the contraction in volume is plain to see. The most recent week bears that out, with just 5 transactions for 500,000 pounds, and the curious part is that 300,000 of those pounds crossed on a US market holiday of all days, which tells me sellers are still willing to step up and meet the market even with a bit of geopolitical noise rattling around in the background. The spot price still managed to tick up 0.5% on the week, leaving it a shade under 5% higher year to date and nearly 11% above where it traded a year ago.

The term market is the slightly more interesting story. A couple of contracts got signed averaging 2.1 million pounds apiece, nudging us past 30 million pounds locked up year to date, and while long-term activity has cooled a touch, there are still a few utilities chewing through RFP offers and a handful of off-market conversations bubbling along. That said, unless a chunkier RFP lands soon, I would not be shocked to see the term market take its own brief summer breather (especially during this heatwave because this is getting ridiculous).

So what do I make of all this? Spot is dead quiet, but there is enough going on in the term market, and enough demand sitting behind it to keep things interesting and I expect the price to keep chopping sideways to slightly higher into that September window when the WNA gathering fires back up. And remember, the demand from the existing fleet plus life extensions plus restarts plus only what is under construction today already leaves a decent gap between supply and demand stretching out in front of us. I would be extremely surprised if that is where demand tops out, and frankly it won't, because the financial, sovereign, military and SMR buyers are all queued up further down the pipeline. The long-term price marker now reads $95 a pound, the highest it has been since 2007, and the trajectory will remain firmly up and to the right over longer periods of time.

URANIUM AND NUCLEAR POWER

Now for the biggest nuclear news, the US Department of Energy, through its Office of Energy Dominance Financing, has put out a conditional commitment for up to $17.5 billion in what it is calling the American Nuclear Supply Chain Loans, money earmarked to help Westinghouse buy the long-lead items for as many as 10 AP1000 reactors on US soil and since Cameco owns 49% of Westinghouse alongside Brookfield, this one is great for them as well.

As you are all probably painfully aware of, the hard part of building a big reactor is not the announcement, it is the heavy forgings and pressure vessels and steam generators that take years to fabricate and have to be ordered long before anyone breaks ground. Nobody wants to place those orders without certainty, and no utility wants to commit without a supply chain ready to deliver, so the whole thing tends to stall in a chicken-and-egg standoff. The loan facility is meant to break that logjam by financing the equipment upfront, which the DOE reckons could pull deployment timelines forward by as much as 3 years, with a stated aim of having 10 reactors under construction by 2030.

So far so good, but I would keep the champagne on ice for just a second there. This is a conditional commitment rather than a check, at least for now. The money flows through up to 5 project vehicles, each covering 2 reactors, and each one needs roughly $1 billion of equity committed upfront, split between Westinghouse and an approved utility partner, before a single dollar of DOE money moves. Which means the thing that actually matters here has not happened yet, namely utilities signing on the dotted line and reaching a final investment decision. Until those partners are named and committed, this is intent dressed up as a very large number, and the list of technical, legal, environmental and financial conditions to clear is not a short one.

As for the uranium thesis, which is what most of you will care about when it comes to news items like this, it is another demand signal stacked on the pile, and a meaningful one given 10 reactors is real pounds down the line, though the bulk of that demand loads through the 2030s rather than tomorrow. The way I see it, this is a sentiment catalyst first and foremost for now and the real fireworks come with the first investment decision, not this press release. Encouraging it certainly is, but decisive it is not, at least not yet (why did I feel like Yoda writing that sentence…).

URANIUM AND NUCLEAR POWER

The nuclear policy news doesn’t stop there though and all of it pulls in the same direction together with that aforementioned AP1000 news, as has become a bit of a tradition at this point even if it doesn’t always directly translate into positive price action, so allow me to walk through the entire batch of positive headlines and put some uranium pounds against the headlines wherever I feel like it makes sense. A quick word on the math first for the new people, as a working yardstick I am running roughly 500,000 pounds of uranium a year for every gigawatt of operating capacity, which sits toward the upper end of the usual range and gives me a clean number to scale across very different reactor sizes, and you can shade it down toward 400,000 if you want a more conservative fuel assumption.

The exact coefficient counts for less than the split between genuinely new capacity that piles fresh demand onto the deficit and life extensions that preserve demand which would otherwise have rolled off the back end of the market, at least the way I see it, and I will flag which is which as I go.

Starting in the UK, EDF and Centrica look close to committing around £800 million to keep Sizewell B operating for another twenty years out to 2055 rather than retiring the plant in 2035, with the two of them reportedly nearing a heads of terms framework with the UK government and a final investment decision said to be only weeks away. Sizewell B is the country's only pressurized water reactor and supplies a little under 1.2 gigawatts, roughly 3% of total UK electricity, and the draft terms being floated put the long term power price near £70 per megawatt hour through a contract for difference.

Run my yardstick across that 1.2 gigawatts and you get about 600,000 pounds of annual uranium demand, and because this is a life extension rather than a new build the right way to frame it is that those 600,000 pounds a year do not vanish in 2035, which over the full twenty year window adds up to roughly 12 million pounds of demand that stays on the books instead of disappearing. I would stress this is not yet signed and these things have a habit of slipping, but the direction of travel is unmistakable and it fits a pattern of utilities choosing to keep proven baseload alive rather than gamble on new build timelines.

URANIUM AND NUCLEAR POWER

Starting with beautiful Italy, which is the one I would be careful with, because the headline running around says the country has approved a law to bring back nuclear after 40 years and that overstates where things actually stand. What happened is that the lower house, the Chamber of Deputies, passed a delegation bill earlier this month by a margin of 155 to 86 with a handful of abstentions, and the measure still has to clear the Senate, which the government expects before the summer recess at the end of July. Even once it passes, this is an enabling law that hands the government a mandate to issue detailed decrees within 12 months rather than anything that authorizes a single reactor (man that was a mouthful), so yeah, Italy has taken a real and meaningful step back toward nuclear, 40 years after the 1987 referendum shut the door, but it has not yet flipped a switch on any capacity.

There is no defined gigawatt figure to run the pound math against as a result, even though for a rough sense of scale the government has talked about nuclear covering somewhere between 11% and 22% of the energy mix by 2050, and the upper end of that ambition would imply something on the order of 8 gigawatts and therefore around 4 million pounds of annual demand a quarter century out. A great goal, sure, but once I cannot stand behind yet until we see some real numbers come in for projects. A great first step though for the country.

Moving north and Sweden gave us the cleaner data point. Studsvik, the listed nuclear services firm, submitted an application to the Swedish government earlier this month seeking state support to develop up to 1,400 megawatts of new capacity using small modular reactors, and the company is calling it the first private gigawatt scale SMR application under Sweden's state financing framework. The application covers two candidate sites in the south of the country and Studsvik will pick one to carry forward, with first units targeted for some time in the 2030s. At 1.4 gigawatts my yardstick puts the annual fuel pull at roughly 700,000 pounds, but I am also aware that an application is not the same as poured concrete. This is the third such application the government has fielded, following one from a state backed venture aiming at the Ringhals site and another from a lead cooled SMR developer, all of it sitting under a state aid framework that covers up to 5,000 megawatts and a national ambition to add the equivalent of ten new reactors by 2045. So the Studsvik filing is best understood as one tile in a much larger mosaic, and if even half of that 5,000 megawatt envelope gets built down the line, you are talking about something north of 1.25 million pounds of annual demand.

URANIUM AND NUCLEAR POWER

Come to think of it, logistically it may have been easier to make a stop in Poland first before jumping from Italy to Sweden, but here we are. Poland tightened up its timeline in the same window, with the energy ministry presenting an updated roadmap that has the country selecting a partner for its second nuclear plant in 2027 and confirming the site in 2028. The first plant, the Westinghouse AP1000 project on the Baltic coast, is still slated to begin construction in 2028 and feed the grid around 2036, and the whole program targets 6 to 9 gigawatts of capacity to wean the country off a power fleet that still leans more than 60% on coal. The candidates for the second plant have narrowed to the US, France and Canada after South Korea dropped out of the conversation, and Warsaw wants this one structured to lean less on the taxpayer and more on partner financing.

Pinning a precise number on the second plant alone is tricky because the technology and the unit count are not settled, but the first plant runs to roughly 3.75 gigawatts across three AP1000 units, which leaves the second plant somewhere in the 3 gigawatt range as a reasonable placeholder, and that translates to around 1.5 million pounds of annual uranium demand. Take the full 6 to 9 gigawatt program at face value and you land between 3 and 4.5 million pounds a year at completion, which changes Poland into a structural buyer over the back half of the 2030s, assuming the schedule holds, and Polish nuclear schedules have not exactly been famous for holding.

Back in the US the NRC handed Southern Nuclear subsequent twenty year license renewals for both units at the Hatch plant in Georgia, pushing Unit 1 out to 2054 and Unit 2 to 2058 and clearing each reactor to run for up to 80 years. These are two boiling water reactors with combined output of roughly 1.8 gigawatts, and the renewal preserves that capacity rather than adding it, so on my yardstick the relevant figure is the roughly 900,000 pounds of annual demand that now stays in the system through the 2050s instead of retiring in the 2030s, which compounds to something like 18 million pounds across the extended window. What caught my eye was the speed, because the agency turned this around in under 12 months under a streamlined review process tied to a recent executive order, and it follows a similarly quick renewal at another plant just a month earlier. License extensions used to crawl through multiyear reviews, and the fact that they are now moving this fast tells you the American fleet is being set up to age in place rather than age out, which removes one of the few mechanisms that would have softened demand over the next two decades.

URANIUM AND NUCLEAR POWER

Moving on and India is where the numbers get genuinely large, as you can imagine if you have read any of my work on the nuclear power sector in the country. Prime Minister Modi and President Macron met in Nice earlier this month on the sidelines of the G7 and nuclear cooperation sat near the top of the agenda, with both sides talking up conventional reactors alongside small and advanced modular designs, and India's foreign secretary explicitly inviting French firms to participate directly in the Indian sector under the newly passed SHANTI Act, which opened the door to private and foreign capital that the old liability regime had effectively kept shut. India plans to take nuclear capacity from a little under 9 gigawatts today to 100 gigawatts by 2047, and there is no way to write that number down without it reshaping the demand picture.

Switzerland rounded out the run with its lower house, the National Council, backing the government's counterproposal to lift the ban on building new nuclear plants, following earlier approval from the upper house and the federal government. The vote amends the nuclear energy law to scrap the prohibition on general licenses that the country adopted in 2017 after Fukushima, and polling suggests close to 60% of Swiss voters are now onside, though the Greens have already promised a referendum so the final word rests with the public. There is no capacity to size here because nobody has proposed an actual plant, and the practical effect is simply that new build becomes legally possible again rather than imminent, with the existing roughly 3 gigawatt fleet the natural candidate for eventual replacement from around 2050. So I would file this one ‘great job guys, we will add that to the model later when there is a plan’.

Add it all up and leave India aside, since I covered that elsewhere, and the firm end of this run, meaning Sizewell B and Hatch staying on the books plus Studsvik and Poland's second plant coming through, runs to a little under 4 million pounds a year either added or preserved, with Italy's ambition and Switzerland's plans able to push the potential north of 9 million if they turn into steel and concrete. The low end alone is roughly one Etango, our beloved Namibian project due to pour first uranium in 2028 at about 3.5 million pounds a year, and the high end is better than two of them, with Etango already 60% spoken for by China before it produces a pound. So somebody has to find and build close to two top-class mines just to cover a few weeks of news if it turns into real demand, and the nuclear renaissance, for anyone still insisting it stalled, rolls on.

OIL

Welcome to the oil section of the newsletter folks and as a follow on from my oil and gas Gulf infrastructure damage report, I have spent the better part of this week buried in tanker tracking screens, force majeure notices and a small mountain of restart announcements coming out of the Gulf, and the picture that emerges is a good deal messier than me just being able to give you a straight number on this ongoing restart. The story everyone wants to tell right now is a simple one, the war is winding down, the strait is reopening, the oil is coming back, the price of oil is sliding back down towards the low $70s area as I am writing this and you can practically hear the collective exhale from every refiner and every airline and every fertilizer plant and every Fed employee and a whole lot of other folks that have spent the past few months staring at empty tanks and increasingly higher prices.

The relief is real enough, sure, but the restart of an entire region's worth of oil and gas infrastructure is not a light switch guys, and the gap between what the press releases promise and what the vessel data actually shows makes for that aforementioned messy picture. I wanted to say “allow me to elaborate”, but there is far more to do than just some elaboration, because there is a fair bit of ground to cover.

Start with the thing nobody putting out a triumphant production target wants to dwell on, which is that the first barrels coming out of Hormuz are not really fresh supply at all. I know this is kicking in an open door, but these barrels are a stockpile. For months the producers ringing the Gulf kept pumping into storage long after the export route slammed shut, and then they kept pumping until the tanks were full, and then they had nowhere left to put it and were forced into the shut-in, which is the painful part of this messy equation. So when the strait cracks open (which is still an uncertainty at this time, but I have made my thoughts clear on that situation in other reports) and the first laden supertankers start crawling out, what the market is getting is the drawdown of inventory that was already sitting there, the proverbial release valve, more akin to a strategic reserve release than to a true return of flow.

The actual flow problem, the 13 to 15 million barrels a day (depending on what numbers you run with) of regional production that got forcibly shut in when the storage ran out, only comes back once there is enough export capacity to justify reopening the wells, and that is a slower and far more delicate business than moving stranded cargoes. I have been banging on about this shut-in math for months and I am going to keep banging on about it, so let’s bring out the supply drums for some mor banging shall we?

OIL

In no particular order, let’s start with Kuwait, as it is the poster child for the fast-restart narrative, and it is worth looking at closely because the whiplash in its own guidance tells you a lot. Back in the early spring the Kuwait Petroleum managing director was saying it could take what? Like 3 to 4 months to get back to pre-war production once the strait reopened? Well, now the head of the same company is out telling everyone the country will top 2 million barrels a day within a week, with all the wartime force majeure notices lifted with immediate effect from what I was able to find. That is a remarkable acceleration of the timeline in the space of a few months, and the official explanation is that the critical repairs to damaged infrastructure are simply further along than anyone expected.

I want to believe it, and the directional story is plausible, but a couple of things temper my enthusiasm and I am not here to provide analysis on what I want to happen, but what is actually happening regardless of my own positioning. Kuwait was hit about as hard as anyone in the Gulf precisely because it has little to no traditional export outlet that bypasses Hormuz, so when the strait closed it had nowhere to send a barrel and its output collapsed from somewhere around 2.5 million barrels a day before the war to barely half a million by late spring. There is nothing gentle about that folks, that is a near total shut-in, and bringing fields back from that kind of depth is a situation where reservoir engineers start muttering about pressure stabilization and well integrity. No, I am not a petroleum engineer and so I am sure there are many others who could provide much better nuance to this particular issue than me, but from what I have been able to find it is an issue worth discussing.

On top of that, the country's refining backbone took real damage (for those who have not read my extensive Gulf O&G infrastructure damage report, I would recommend doing so on my platform Contrarian Codex), with the big Mina Al-Ahmadi refinery struck repeatedly by drones and set on fire across several units, and Mina Abdullah hit as well. The company line is that full refining capacity comes back within 2-3 weeks, while plenty of people who look at this for a living think a properly damaged refinery is a matter of months if not longer. So the crude target and the refining target are, in my reading, doing slightly different jobs, one is a clear ramp and the other is a confidence statement, and all that jazz. Still though, they appear to be on the right path and we can check in on the numbers soon to see if they meet their goals, but for now we move on.

OIL

Moving over to their northern neighbors now and if Kuwait is the optimistic case, Iraq is the cautionary one, and it has been the worst affected producer in the region from day one by some metrics. Iraq sends something like 93% of its crude out through Basra and the strait, with only a thin trickle able to escape north through the Turkey pipeline, so when the route shut the country had essentially no plan B. National output cratered, the southern fields fell by roughly 80% from a pre-war level north of 3 million barrels a day down to the 800,000 to 900,000 range, and the giant Rumaila field, which on its own is something like a third of Iraqi production and the second or third largest oil producing field on the planet (I believe when grabbing recent numbers, Burgan is close to slightly ahead), was suspended outright. Storage filled within days, because of course it did, and at that point the wells had to come down or you have to start releasing the oil and nobody wants that.

The recovery here is underway don’t get me wrong and that is the encouraging bit. Southern output has clawed back up toward the 1.75 million mark as tankers started arriving and freeing up tank space, and the oil ministry is talking about pushing past 2 million and then on toward 3 in fairly short order. However Iraq is also where I would put my money on the recovery taking longest, and the far smarter people than me who model this stuff for a living broadly agree, with the more sober estimates pointing to something like a year before the country is genuinely back to where it was.

The fields are harder, the shut-in was deeper, the southern reservoirs do not love being slammed shut and reopened and Iraq does not even own much of a tanker fleet, so it is dependent on international operators who will only show up once the war-risk premium comes down and they actually believe safe passage is real and durable. The country has spent years talking about alternative pipelines through Turkey or Jordan or Syria, and I have read some (not all, there are only so many hours in a day and this already took longer than I’d like to admit) the proposals, and from what I can tell they remain years and many billions of dollars away from doing anything useful, which is to say Iraq's structural exposure to this one chokepoint is exactly as bad today as it was before the war started.

OIL

Moving back South, let’s talk Saudi Arabia and the UAE. These two belong together because they are the ones that came through with the least damage to their export position, and the reason is simple, they are the only Gulf producers with serious pipeline routes that bypass Hormuz entirely. Saudi Arabia has the old East-West line running clear across the country from the eastern fields to the Red Sea coast, a piece of infrastructure built during the IRN-IRQ war for precisely this nightmare scenario, and early in the conflict the kingdom converted the parallel natural gas liquids line over to crude and pushed the system up toward seven million barrels a day of capacity. That gave the Saudis an escape hatch the others simply did not have, even if the escape hatch itself could have been a little bigger in the most ideal scenario.

It was not untouched, mind you. A drone strike on a pumping station knocked something like 700,000 barrels a day off the line at one point, though it was patched back to full capacity within days, and the kingdom took hits across a string of fields and refineries, the Manifa offshore field, the Khurais field, and export refineries at Jubail, Yanbu and elsewhere (if I am missing a few, please let me know). But the headline is that Saudi Arabia kept exporting through the worst of it and holds most of the world's spare capacity besides, which means the bulk of the planet's swing barrels were sitting stranded behind a closed strait, which is its own terrifying thought for anyone who assumed that spare capacity was a reliable backstop. Still though, the oil keeps flowing there, which is good.

The UAE is in a similar boat with its Habshan to Fujairah line, around a million and a half barrels a day of capacity running out to a port on the right side of the chokepoint, though Fujairah itself came under drone attack and the refined product side of the Emirati business still has to thread the strait. Both countries have come out of this absolutely determined never to be this exposed again, with the UAE fast-tracking a project to roughly double its Fujairah capacity and openly talking about routing around Hormuz permanently, and I suspect that scramble for redundancy is one of the more durable legacies of the whole affair. I thought about going into more detail regarding this future project, but then I realized it was already 2am and I should really be getting some sleep, so I will leave that for later.

OIL

Now to the part that worries me a bit more because I feel like I have been plenty optimistic so far, which is gas, and specifically Qatar. Crude can reroute, slowly and expensively and imperfectly, but it can reroute at least in part. Qatari LNG cannot do that to the same extend as far as I understand as every molecule of it leaves through Ras Laffan, the single largest LNG complex in the world, accounting for something like a fifth of all the liquefied gas traded on Earth, and every cargo has to sail through the strait because there is no pipeline, no alternative port, no plan B of any kind.

And then it got worse (and for those who have read that aforementioned extensive Gulf O&G infrastructure damage report, what I am about to write will sound familiar), because IRN missiles found Ras Laffan. Two of the big trains were knocked out, taking roughly 17% of Qatar's export capacity off the board, along with one of the trains at the Pearl gas-to-liquids plant. The company's own estimate for repairing that damage is 3 to 5 years, not weeks, not months, years, and the reason is that you cannot just order the specialized cryogenic kit at the heart of an LNG train off a shelf from Walmart, the replacement heat exchangers and turbines run lead times measured in years even in calm conditions, as many of you that also follow the nuclear power story closely. Long-term force majeure has gone out to buyers in China, South Korea, Italy and Belgium, the lost revenue is being put at something like $20 billion a year, and the big North Field expansion that was supposed to lift Qatar's capacity by half this decade has slipped as well. The operable trains, the ones that were not hit, can ramp back up reasonably fast once safe passage is real, with the company suggesting it can restore around half its capacity within a month and the more cautious outside read being something closer to 3 months to get the surviving trains fully back, but the destroyed capacity is gone for years, and that is a structural hole in the global gas market that no amount of ceasefire diplomacy fills.

The cruel little coda here landed just this week, when an explosion ripped through the Barzan gas plant inside the same Ras Laffan complex, killing more than a dozen workers in what was absolutely tragic. The Qatari authorities have been quick and, from what I can tell, credible in calling it a technical accident during a restart rather than any kind of sabotage (which of course doesn’t make it any less tragic, let me make that absolutely clear), and they have stressed that Barzan feeds domestic power and water rather than the export trains, so the LNG side is unaffected unlike what some analysts would have you believe with their knee-jerk reactions to his news.

OIL

On that front, I take them at their word on the cause and the potential consequences, because I am not at the ground with them. However, there is a lesson sitting in that accident that is bigger than one facility, which is that restarting heavy industrial plant that has been sitting idle and stressed for months is itself dangerous, and the plant had in fact only been brought back two days before it blew. The mental model of flipping everything back on understates how much can go wrong in the flipping and do not forget the second-order story, that the Gulf is also the source of a huge share of the world's urea and ammonia, the fertilizer that the rest of us turn into food, and a prolonged gas disruption here ripples out into planting seasons and grocery bills in places that have never heard of Ras Laffan. This is something that I have covered on my platform (Contrarian Codex) extensively as well over the past few months.

So where does the whole thing actually go? You could throw a whole bunch of conclusions out there and I am sure there will be plenty to disagree upon, but my read is that the recovery is real, it is underway and it is going to be slower, lumpier and more fragile than some people would like to admit. The best way to think about it is in waves of molecules. The first wave is the stranded stock, those few hundred commercial vessels and the several dozen loaded supertankers that have been sitting in the Gulf waiting for a way out, and that backlog clears over something like a couple of months once passage is genuinely safe, though even that initial clearing takes a week or two and depends entirely on the insurers reinstating war-risk cover, the navies certifying safe lanes, and somebody clearing whatever mines are still in the water, which on its own is a job people are measuring in months.

The second wave is the actual production restart, the wells coming back from the shut-in, and that is the multi-week grind for some and the multi-month grind for most that runs through the back half of this year, fastest for the Saudis and Emiratis, slower for Kuwait, slowest for Iraq in my view. As for that third wave, the genuinely destroyed capacity like Qatar's two trains, is not measured in waves at all, but rather the moving of tectonic plates. I would be happy to be positively surprised on that front and that they fix everything sooner, but we will see. On price, the market has already done a lot of the work, with crude sliding back from getting close to the mid-100s it touched at the worst of it, and the forward guidance from the big houses has been cut accordingly on the assumption that the supply comes back.

OIL

Of course price movement does justify the narrative and when price was going up, the associated price assumptions acted like we would never see another drop of oil come out of the Gulf and now that prices have dropped that narrative has shifted, but that’s what makes a market folks, I don’t make the rules. I do think that lower expectation is broadly right as a direction, but I would be wary of assuming a smooth glide lower, because the supply does not arrive all at once and the geopolitical risk premium does not vanish just because a memorandum got signed and some positive words were shared. It takes time and so does the refilling of inventories, which is likely to put a continued bid on the price of oil and act as something of a floor. Where that floor is situated remains to be seen, but it’s a dynamic to think about going forward.

I promise we are almost at the end of this and my apologies for all the coffee it cost you to get through it, but I do need to touch on some caveats before I finally close this out. The entire reopening rests on an interim understanding rather than a concluded peace, a 60-day arrangement to let the strait reopen without tolls, and the durable negotiations that are supposed to follow have already been postponed once and are now penciled in for a sit-down in Switzerland. A framework built on a 60-day promise is not the same thing as a settlement, and the price action is treating it as far more solid than it is for now. I really hope everything is resolved soon, but we simply have to also be prepared in case that does not happen.

Before this episode, the strait had never actually been closed, not once, and that fact was baked into how the entire region and the entire market priced risk, the closure was simply assumed to be too costly for anyone to ever attempt. That assumption is now gone and it becomes a thing that can be done again, which permanently re-rates the risk attached to the world's single most important piece of energy geography. Every producer in the Gulf now knows it, which is why they are all suddenly so keen on pipelines and bypass routes and never being this exposed again, and every buyer in Asia and Europe knows it too. The barrels will come back, don’t get it twisted, but the old assumption that they could never be cut off in the first place will not. So by all means take the restart announcements as the good news they genuinely are, because a Gulf that is pumping again beats the alternative by a country mile. However I would hold the celebrations to a dull roar until the vessel data, the insurance market and the durable deal all line up with the press releases, because right now, at least in my opinion, they do not just yet.

PRECIOUS METALS

To say that price movement has been tough for gold and silver would be an understatement and as I noted when this correction first began, we could see a backtest (or even a slight dip below) critical breakout levels for the precious metals and subsequently for the underlying equities as well. That means now that gold has touched the area below that $4000 level and silver dropped below $60, we are getting into very oversold territory according to DSI readings. Does that mean it's over? No it doesn't, because after the run we had over the past 1-2 years, the market will often first try to shake you out and then bore you out. I believe that first part is done, but the ‘bore out’ phase could be ~2 months of trading sideways to slightly down and that is something investors will need to prepare for as a possibility.

Now for the fundamentals, because the official sector trend continues of banks stopping the treating of gold as a relic it merely tolerates and now treating it as an asset the sector actively wants more of, and the latest reserve manager survey put hard numbers behind that, with a record 45% of the central banks polled expecting to add to their own gold over the coming year and a near-unanimous 89% expecting global official holdings to keep climbing, while not a single respondent signaled any intention to sell. The contrast with the dollar is the part that should grab you by the shirt for your attention, because 74% of those same managers see the greenback's share of global reserves lower five years from now, with gold rather than the euro or the renminbi expected to absorb most of what the dollar gives up, and these are the people who allocate trillions, not commentators with a thesis. Most of the responses came in after the Mideast conflict began, so the survey captures how reserve managers think about gold precisely as geopolitics turned hot, and the answer they gave was to lean further in.

The reasoning behind the buying is what makes it durable rather than faddish thankfully, since a record 90% now point to gold's behavior during crises as a reason to hold it, with its role as a long-term store of value and a diversifier filling out the top three, while the share citing plain historical habit has fallen toward 46% from well above 60% a year earlier. That change in motive is the entire story compressed into one data point, because an institution holding gold out of tradition lets the position drift, but an institution holding it as deliberate protection against having its reserves frozen or sanctioned by somebody else's government will keep buying through almost any price, and from what I can tell that is the transition underway. The proportion actively managing their gold rather than letting it sit has jumped, and the motive that ranked highest among emerging market respondents was gold as a hedge against geopolitical risk, which is the diplomatic way of saying they watched what happened to reserves that got frozen after 2022 and drew the obvious lesson.

PRECIOUS METALS

How they intend to fund the buying tells you it is not going away either, because roughly half plan to purchase through domestic programs in their own currency, which lets them keep accumulating without first liquidating other reserves, while another large slice intend to fund purchases by selling existing reserve assets, which in practice means rotating out of dollars and into bullion. Both routes point the same way. The official sector has been absorbing on the order of a 1000 tonnes a year over the past four years, roughly double the pace of the prior decade, and even the slower 863 tonnes of 2025 sat far above the long-run average, so the demand underneath this market is not a trade that just flips like some day-trader trying to scalp a few bucks, but rather it is reserve policy, and reserve policy is slow to turn as we are all probably painfully aware of.

It connects to the bigger machine through the dollar's own arithmetic, with its reserve share already down to its lowest reading on record, and the reason that decline keeps feeding on itself is the corner the US has worked itself into, because a sovereign that needs to refinance enormous sums into rising short-term rates while signaling it will use its own financial system as leverage against rivals is handing every foreign holder a reason to hold fewer dollars and to keep the surplus in something no other government can touch. Gold is the only reserve asset that satisfies that description to my knowledge, which is why central bank holdings have already climbed past the euro to sit second only to the dollar, a sentence that would have read as fantasy a decade ago. When the next bout of funding stress arrives and the authorities respond the way they always have, by supplying liquidity into a backdrop where inflation is already sticky, the central banks now telling us they want more gold are not going to suddenly want less.

None of this makes gold a one-way bet over the next few months, and I would not pretend otherwise, because positioning gets crowded, a sharp move up in real rates can flush out the leveraged crowd, and gold can correct hard inside a secular bull just as it has more than once over the years given how it can service as a point to draw liquidity from when needed. What the survey changes is the floor rather than the path, since it tells you the largest and least price-sensitive buyers on the planet intend to keep buying almost regardless of the price, and to fund part of it by selling the very dollars whose reserve share they expect to keep shrinking. That is about as supportive a structural setup as this metal has had in my time watching it, and it argues for treating gold weakness as something to accumulate into rather than flee. The way I see it, the official sector just laid out its plan, and the plan is more gold and fewer dollars. Let’s roll.

COPPER

There wasn't much to discuss on the copper front that I have not already covered in recent weeks and months, all while the copper price has been taking a hit together with the rest of the market, so let's discuss some holdings shall we? While most of the copper related focus goes to our holding Aldebaran, most of you know what it is not the only copper name that I personally have exposure to, with the other name being Surge Copper. For those who recall, we bought it first a few years ago following an interview I conducted and uploaded with the CEO at CAD 0.10 and sold it after over a 150% run. We then bought back into it when it dropped back down to that low CAD 0.10’s range and now it is up over 6x at the time of writing. Well, it’s time to discuss some significant news for the company, as I am sure some of you will still be shareholders as well given past coverage on the name. Surge finally put a pre-feasibility study in front of us on Berg, and from an amateur engineering chair the first number I went looking for was the strip ratio. A 2.0 to 1 waste to ore ratio on a 120,000 tonne per day open pit is pretty low for a deposit of this scale, and that single figure does more for the economics than I have seen people give it credit for, because it keeps the largest variable cost in any big porphyry, which is moving dirt, firmly in check. Mining comes in around C$6.86 per tonne milled and total operating cost lands near C$17.84 per tonne milled, which is respectable for a project sitting in the mountains of central British Columbia rather than the flatter ground of a Chilean altiplano.

As for grade, at 0.22% copper this is unambiguously a low grade deposit and I will not pretend otherwise, because the skeptics have a fair point when they say Berg is good rather than great on copper alone. The way I see it though, that framing misses what kind of animal this is. Berg is a copper-molybdenum-silver system, and the molybdenum is doing roughly 30% of revenue while copper does about 57%, so judging it on copper head grade is a bit like judging a polymetallic system on one metal and walking away. The proof shows up in the cash cost line, where co-product C1 sits at US$1.95 per pound of copper equivalent, but the by-product number runs to minus US$0.17 per pound of copper. Sounds odd right? Allow me to translate that, because once you credit the moly, silver and gold against costs, the copper is effectively coming out of the ground at less than free, which is about as close to a multi-decade copper stream as a hard rock open pit gets. The metallurgy supports the story as well, which is not always the case at this stage. Locked cycle testing returned up to 90.7% copper recovery and 93% molybdenum recovery into a clean bulk concentrate grading 29.7% copper, with copper-moly separation producing marketable products and no dependence on exotic reagents with questionable global supply chains.

COPPER

Life of mine blended recoveries of 84% copper and 88% moly are the numbers carried into the model, and I would rather a study underwrite the blended average than the best locked cycle result, so that sits well with me. Then there is the infrastructure, which is where an actual mining engineer may start nodding. The plant sits roughly 400 meters below the pit, so ore travels down to the mill by overland conveyor using gravity rather than a fleet of diesel trucks grinding uphill, and the whole operation is designed to run on BC Hydro power through a new 230 kV line. Lower energy intensity, lower carbon concentrate, lower long run operating risk, and existing forest service roads out of Houston handle most of the access. None of this is glamorous, but it is the sort of thing that separates a buildable mine from a paper one and we already got plenty of the latter in this sector.

So where is the catch, because there always is one. It is the C$4.7 billion initial capital bill, set against a company carrying a market capitalization of what? C$200-300 million? Capital intensity works out near US$24,400 per annual tonne of copper equivalent, and the estimate is an AACE Class 4 figure with a plus or minus 30% accuracy band and 19% contingency, so the real number could move meaningfully before a shovel touches dirt. Surge is never building this alone, that’s just a fact, and the argument runs that a Tier 1 major is the only realistic builder while majors prefer top quartile grade, which leaves Berg in a kind of no man's land.

I am not sure that bind is as tight as it sounds though. The scarce thing here is not grade, it is a scaled, long life, first world copper project that could actually reach production this decade, and that list gets short fast once you screen out the jurisdictions boards will not touch. At spot the study throws off a C$9.4 billion NPV, a 36% IRR and a 1.8 year payback, and if you believe copper spends the next five to ten years around or above current levels, which is the only reason anyone owns the major producers at 8 to 12 times earnings today, then Berg screens as exactly the kind of incremental tonne the majors eventually have to chase. The risks are permitting as well of course, which in British Columbia is a multi-year affair now formally beginning with the environmental assessment, the funding gap between here and a construction decision, and the dilution or partnership that closes it. From what I can tell the PFS did its job, it turned a concept into a reserve backed development pathway and left the optionality, the inferred tonnes set to waste and the district ground, sitting in the back pocket for later. Correct me if I'm wrong, but that is a good problem to have and I am a happy shareholder.

CANNABIS & TIN

So I went digging through the federal cannabis flow for the back half of June, not my favorite hobby I will admit, and for once there was plenty to chew on, which makes a nice change from the usual nothing-burger weeks. The big one landed mid-month when the DEA published its roster of approved participants for the rescheduling hearing, and all seven invited parties oppose reform. We are talking the prohibitionist crowd, a few state attorneys general, a couple of anti-cannabis physicians, and the drug-screening types, while groups like NORML, the Drug Policy Alliance, and the cannabis trade association were all rejected on the logic that supporters of rescheduling cannot be adversely affected by a rule they happen to support. So the hearing meant to build the record for moving all marijuana to Schedule III will, from what I can tell, consist entirely of people arguing against it, with the DEA itself left to defend its own rule. Make of that what you will.

On tin I have less to give you sadly. The supply-demand flow over this same stretch was thin, with no fresh catalyst out of Indonesia, Myanmar, or the DRC that I could find, all while tin has taken a hit together with its commodity cousins.

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%

I will keep this one fairly tight, because as most of you will recall we worked through the bulk of Denison's quarter in real time as the individual releases came in and the Q1 report mostly just gathers all of it into one document for the record. So bear with me while I run through the highlights, for those of you who still want to read that. The biggest part of said highlights is of course that Phoenix is now a mine under construction rather than a mine on paper. The CNSC handed over the environmental assessment approval and the construction licence early in the year, which made Phoenix the first large-scale Canadian uranium project to clear that bar in over 20 years, and the board followed with its final investment decision almost straight away. By quarter-end the integrated Denison-Wood team had mobilized to Wheeler River and started turning dirt, and in under two months they cleared the primary mine site ahead of migratory bird season, stood up the construction facilities, finished the helipad, poured the pad for the concrete batch plant, and got aggregate going at a nearby quarry. Management reckons full-scale construction by the end of the second quarter, then roughly two years of build, with first uranium still pegged for mid-2028 (I think this will be 2029 for the record). On the commercial side the sales book keeps filling, which is what actually funds Phoenix given the physical pounds they bought back in 2021. Denison now holds firm commitments for nearly 8 million pounds and is in advanced talks for another 8 million or so, with customers that between them run more than 50 reactors. The near-term deals signed during the quarter carry an average realized price north of $99/lb, and management flagged base-escalated pricing above what the publications print, which fits everything we have been saying about the term market. McClean Lake was quiet, with SABRE mining minimal and the focus on confirmation drilling before active mining resumes later in the second quarter. Capital still sits near $600 million post-FID, Wood holds the construction management contract, and the AGM passed without drama. Nothing here moves the thesis, etc etc you get the idea.

Energy Fuels, NYSE: UUUU - Cost basis: $1.47 - Percentage allocated: 80%

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 earlier this week, 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%
There was no news to report on.

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.

Devex Resources - ASX: DEV - Cost basis: $0.159 - Percentage allocated: 65%
A shoutout to our explorer DevEx here mostly because it has earned its way into the Sprott Junior Uranium Miners ETF, the URNJ basket. The stock has had a frankly silly run lately and while passive flows are not a thesis, they do not hurt in a good flow environment, and they tell you the market has noticed. Onto the actual news that I can report on and DevEx is about to kick off its 2026 campaign at the Nabarlek Uranium Project in the NT, with the first rig landing in the second week of July and roughly 17,000 meters of RC and diamond drilling to follow across Big Radon, KP, Sandfire and Nabarlek North. This is the proper swing at the targets they have been lining up, and it runs through the dry season, so we should get a steady drip of results rather than one big lump.

Alongside the drilling they picked up another NT Government grant, AUS$150,000 toward an airborne hyperspectral survey over the expanded project, which takes their combined support under the Resourcing the Territory program to AUS$285,000. The survey covers roughly 1,700 square kilometers and maps clay alteration in the sandstones sitting above the unconformity. Quick words on the geology, because it is the same vectoring trick that works in the Athabasca, where illite haloes form above and beside the actual mineralization. Earlier work around the old Nabarlek mine already lit up illite and pyrophyllite at Big Radon and Leatherhead, and Deep Yellow has reported comparable signatures over its Angularli deposit just to the north, so the approach is not theoretical here.

The other moving piece is the Alligator Energy tenement acquisition, which has cleared its conditions and should complete this month, finally stitching the ground into one consolidated package right as the survey goes up. This is still pure exploration though, with no JORC resource at these priority targets yet, and they sit on something like AUS$36.7 million in cash, so the drilling is funded and dilution is not an immediate worry. Plenty to watch over the back half of the year and I continue to hold.

CODEX URANIUM

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

Three releases landed from enCore in quick succession and they split neatly into the two things I actually care about with this name, namely keeping the Texas plant fed and getting the second leg standing. Start with Alta Mesa East where the headline hole came back with 8.5 feet at 0.199% uranium for a grade-thickness of 1.69, and to make sense of that you need the bar enCore uses, because anything above a GT of 0.3 is good enough to drop into a wellfield if I recall correctly, so a 1.69 clears that threshold several times over and tells you these are robust, wellfield-grade pounds (although they need volume of course). For a producer the whole game is feed, and an ISR plant is only ever as good as the wellfields you can keep plumbing into it. Alta Mesa East sits immediately next door to the existing wellfields and the operational Central Processing Plant, which makes these roll fronts about the cheapest pounds enCore will add, no new plant, no new plant permit, just step out, install, and pipe it in. With the CPP licensed for 1.5 million pounds a year and the operation still working toward filling that (with plenty of hurdles already experienced along the way to be fair), confirming the productive trends carry eastward is the difference between a plant that ramps and one that idles, and they are drilling it hard with 6 rigs across 7 fences to map the whole thing.

Then Dewey Burdock, which is the growth story as two federal decisions inside a week, the BLM clearing construction of initial infrastructure on the 240 acres of public land inside the project, and the NRC issuing an environmental assessment and a finding of no significant impact in support of renewing the 20-year source materials license, with only the safety evaluation left to run. Dewey Burdock has held an NRC license since 2014 and spent most of the decade since stuck, largely on cultural-resources and tribal objections tied to land the Oglala Sioux hold sacred. Those are real concerns about ancestral ground and they deserved to be worked through properly, and the NRC handling them through a phased Section 106 agreement is what finally lets the project move, with the Fast-41 designation as the political wind at its back. What it brings is roughly 17 million pounds of measured and indicated at a respectable ISR grade for enCore (although I get how the words ‘enCore’ and ‘ISR’ in the same sentence causes some cautionary feelings to surface), in a second state, on a clear path to construction. Two very different assets, both pointing the right way, but they still need to deliver.

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.

CONTRARIAN CODEX

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%

Right then, Abra, and I will admit this is one I have been itching to get to, because the Diablillos definitive feasibility study has finally landed for one of our longest PM holdings. The base case runs on $50 silver and $3,650 gold, and on those assumptions Diablillos kicks out an after-tax NPV at a 5% discount of $3.0 billion, or CAD$4.2 billion once you convert it, with a 42% IRR and the initial spend paid back in about 1.7 years, which is quick by any standard. Run the same model at the spot prices the study used, somewhere around $71 silver and $4,340 gold, and that NPV climbs to $4.8 billion, or CAD$6.7 billion, with the IRR pushing 57% and payback inside a year and a half. The operating shape behind those figures is what I keep coming back to, because you have roughly 20 million silver-equivalent ounces a year in the first 5 years, easing to about 10 million across a 25-year life, all of it at an all-in sustaining cost near $20 an ounce, which sits the project right down at the bottom of the cost curve for primary silver. Initial capital comes in at $722 million with contingency baked in, and the NPV-to-capex ratio of 4.2x gives you a feel for how much value is stacked on a fairly modest build, at least in my opinion.

What reassures me more than the topline is how conservatively the reserve under it was drawn, at $29.50 silver and $2,800 gold, miles below the base case and frankly miles below where the metals trade today, so the 366 million silver-equivalent ounces in the proven and probable column are not being propped up by a generous price deck and there is a good chunk more outside the current mine plan once you look at the broader measured and indicated oxide resource, closer to 454 million ounces, plus a heap leach study due any day now, a possible plant expansion later, and a 15,000 meter drill program the DFS does not count at all, etc etc you get the idea. The base case is a floor with a few ways up from here. The permitting is the bit that takes real risk off the table. The Catamarca environmental approval was the last major provincial permit outstanding, and with Salta already secured earlier in the spring, Diablillos is now fully permitted environmentally. On top of that, both provincial legislatures signed a cooperation agreement that finally sorts how royalties, taxes and the day-to-day admin get split across the old Salta-Catamarca boundary dispute the deposit happens to straddle and that hopefully now clears a properly awkward overhang that has dogged the asset for years and mattered as much to the communities on both sides of that line as it did to shareholders.

CODEX PRECIOUS METALS

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

Layer on the 30-year RIGI stability deal from a couple of months back, with its 25% income tax, zero export duties and no currency restrictions, and a lot of the reflexive Argentina discount people slap on these things starts to look lazy, the way I see it. So what does all of this actually do for the value? Well, on a CAD$2.1 billion market cap, AbraSilver is changing hands at something like half its base case NPV and nearer a third of the spot-case NPV, and for a developer that has not yet poured concrete that is roughly where the market parks these names, call it 0.4x to 0.7x of net asset value, before they get the proverbial shovels in the ground and re-rate up toward and past 1.0x as production comes into view.

Abra has now lined up, inside a few weeks, a bankable study, a full set of permits, a tax regime locked for three decades, and a tidy run of catalysts ahead, namely financing targeted for later this year, a construction decision in Q2 2027 and first metal before the end of 2029, and each of those tends to narrow the gap between price and NPV. I have run a few of these developer re-rates in my own notes over the years and the pattern is fairly consistent. None of the upside levers are in that NPV either, so the discount is being applied to an already cautious number. If silver merely holds, a move from half NPV to two-thirds asks very little of the metal, and if it stays near today's levels the aforementioned CAD$6.7 billion spot NPV is north of three times the whole market cap, which puts the leverage rather starkly.

None of this comes free, of course. It is a single asset in Argentina, so country and execution risk are real even with RIGI signed, the $722 million build will need financing that almost certainly carries some equity and therefore some dilution, and the whole story is geared to silver staying firm, so a nasty pullback would knock the gloss off fast. Mine builds also tend to run over budget more often than not, and the capex already crept up from the prefeasibility study to this one, if they are of course not taken out by a major beforehand. But weighing it all, you have a fully permitted, low-cost, quick-payback silver project trading at a real discount to a conservatively built NPV, with 18 months of exactly the catalysts that close that kind of gap ahead of it, and that is a setup I am more than happy to keep a close eye on.

CODEX PRECIOUS METALS

Andean PM - CVE: APM - Cost basis: C$0.64 - Percentage allocated: 75%

Andean put out a a bit of a terse statement swatting down Silver Elephant's lawsuit, and the claim is worth understanding a bit more before deciding how much to care. Silver Elephant, through its Apogee subsidiary, filed a civil claim in BC accusing Andean and three of its executives of leaning on COMIBOL, Bolivia's state miner, to tear up Apogee's mining production contract over the Pulacayo-Paca ground in late 2024, so Andean could swoop in. Andean did sign its own deal with COMIBOL in early 2025 and has since pulled roughly 250,000 tonnes of oxide material, worth around $100 million, off those concessions, and Silver Elephant wants damages it pegs at some multiple of that, plus punitive on top.

Is it really an issue? Contrary to popular belief, I am not an expert on Bolivian law, but on balance I do not think so, no, at least not as a near-term financial matter. It is a money claim in a Canadian court built on the tort of interfering with a contract, which is a hard thing to prove, and the awkward fact for Silver Elephant is that COMIBOL, a sovereign entity, made its own call to terminate, so Andean can simply say it induced nothing. These things grind on for years too. The piece I would keep half an eye on is not the damages claim but the parallel push to get the Bolivian contract reinstated, because that Pulacayo oxide is feed for San Bartolomé, and feed security is the one place this could eventually bite. For now I file it under overhang rather than thesis-breaker, and the recently announced exit of the president adds a little to that pile without changing the operations.

Onto the numbers. Run their 2026 guidance of roughly 50,000 ounces of gold and 4.85 million ounces of silver at $4,000 gold and $50 silver and you get about $200 million of gold revenue and $242 million of silver, so call it $440 million of revenue. Apply their cost guidance and a blended margin around 43% and you land north of $200 million of EBITDA, and the first quarter alone printed $71 million at lower prices, so $220 million to $250 million for the full year is hardly heroic. Knock off capital of roughly $45 million and cash tax and free cash flow lands comfortably over $130 million. Against a market cap beaten back to around CAD$800 million, with maybe $150 million of net cash, the enterprise value is somewhere near $600 million. That is a low-single-digit multiple of EBITDA, around 2x on these numbers, and a free cash flow yield north of 20%, which is dirt cheap for a two-asset, two-country producer, even with the Bolivia overhang and the lawsuit. Cheap for a reason, but cheap all the same, and firmly one I want to keep watching.

CODEX PRECIOUS METALS

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

Rio2 is a different animal than it was a year ago, two mines now rather than one under construction, so both the Condestable update and the Fenix gold side are worth a look. Start with Condestable, the Peruvian copper mine they bought in January. The updated SLR report stretches the life to 14 years and pins an after-tax NPV at 8% of $710 million, on a deck of roughly $5 copper, $3,884 gold (awfully specific, but sure) and $55 silver, with copper C1 costs of just a dollar a pound after by-product credits, which is low by any standard. Gold and silver ride along as credits rather than the main event, so $4,000 gold barely nudges it, but they flag a sensitivity at $6 copper that lifts the after-tax NPV to about $900 million. On top of that, an EIA modification due in Q3 should take throughput from 8,400 to 10,000 tonnes a day, with further expansion being studied.

Now Fenix, where the gold price matters a whole lot more. Phase 1 is a 20,000 tonne a day heap leach averaging around 85,000 ounces a year over a 16-year life, with AISC realistically near $1,300 once you account for the diesel spike and the altitude. At $4,000 gold that is a margin around $2,700 an ounce, and on roughly 1.35 million ounces of life-of-mine production you are looking at an after-tax NPV in the region of $1.3 billion, give or take, even after the Wheaton stream takes its cut. That alone is more than 5 times what they spent building the thing.

The bigger prize is the expansion and I have covered that before as well. The Copiapo water pipeline would let them run up to 80,000 tonnes a day, four times Phase 1, and the 4.8 million ounce resource can feed a 250,000 to 300,000 ounce a year operation. At $4,000 gold my back of the envelope on that case lands somewhere in the $3 to $4 billion range of after-tax NPV, though that is optionality rather than money in hand, since it needs the study, the pipeline, the reserve conversion and a fat slug of capital.

So let's stack all of this stuff up shall we? The two producing mines are worth maybe $2 billion between them at these prices, and an expanded Fenix is a multiple of that again on top. Against a market cap near CAD$1.3 billion, or under $1 billion, Rio2 trades at under half its in-hand value and a fraction of its expanded potential, which is about as cheap as a two-mine producer gets. One I am watching closely.

CODEX PRECIOUS METALS

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

Over to Integra Resources, one I have been holding through gritted teeth recently as I have been dissapointed since their great initial performance when gold first started running, and the new Florida Canyon feasibility study is a near-perfect illustration of why. The headline is everything you would want, a 74% jump in reserves, mine life pushed out to 2033 after loads of critique regarding the fact that Florida Canyon was running out of time, annual production up 17%, and roughly $0.8 billion of life-of-mine after-tax free cash flow against an after-tax NPV of about $600 million. Read only the top line and you would think this thing is minting money.

The catch, and it is a big one otherwise I wouldn't be writing all this, sits further down in the operational update. The company has raised its 2026 cost guidance again, lifting site-level AISC from the $2,750 to $2,950 range it set barely 4 months ago to $3,300 to $3,500 now. That is a near-20% jump in the space of a single quarter, on production guidance that did not move an inch. So the real news here is yet another cost blowout, dressed up underneath a glossy life-of-mine story, which is becoming a frustratingly familiar move.

And the familiar refrain comes attached as well folks. Higher production, lower costs and better economics are all coming, just not this year, always parked a year or two out in the future while the present serves up another overrun. I have seen some analysts jab that you can trust management or the numbers but not both and honeslty that lands harder than I would like, because I have sat through the better-days-ahead pitch from this team before. Two things stop me from writing it off. The asset is bigger than when they bought it for $68 million, they have grown it while self-funding and carrying no debt, and at today's gold price even a $3,500 AISC still leaves a real margin.

However strip away the gold price holding the study up, where the base case runs from roughly $4,300 down to $3,600 an ounce, and what is left is a low-grade heap leach mine processing ore around 0.3 grams a tonne, a high-cost operation whose shiny economics live and die on gold doing well. Why do I keep holding? Because I believe that gold will recover in due course, but that does not mean that I am going to ignore them failing to deliver on several fronts, I will be keeping a close eye on the company to see how things develop and on DeLamar as well, which is the kicker that the company needs to actually see the biggest part of the re-rating I expect.

CODEX PRECIOUS METALS

Minera Alamos - 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, 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 Coppertstone 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 '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%
When it comes to ASPI I have always felt like they are just trying their best juggling clown impression and taking on more than they can chew until of the balls drop, an isotope enrichment outfit with fingers in everything from semiconductor and medical isotopes to a nuclear fuel spin-off, a bunch of other nuts and bolts and of course the helium asset, which it picked up by swallowing the South African producer Renergen at the start of the year. The news is that Renergen's Virginia Gas Project has signed its first proper helium offtake, a 5-year take-or-pay deal with an Asian industrial gases buyer priced north of $600 per MCF on an all-in plant-gate basis.

Take-or-pay is the phrase doing the heavy lifting in that sentence here, because it means the buyer pays for the volume whether they lift it or not, so what was until now a development story with a lot of promises attached suddenly has a slice of bankable, contracted cash flow sitting underneath it if everything goes through according to plan. The contract only covers around 15% of the project's first phase if I recall correctly, so I would not get carried away, but as a proof point it does a lot of work, showing both that the helium can be sold and that it fetches a strong price. Refined helium has traded in the $300 to $500 range in calmer times, so a deal above $600 says the buyer is paying up, and with the uncontracted 85% of Phase 1 free to chase spot, which runs at a premium to contract, the pricing leverage is real if we see continued high prices for helium.

For those of you who may have missed my thoughts on helium that I shared before when this whole Hormuz thing kicked off, the helium market is a corner of the commodity world almost nobody thinks about until it breaks, and break it has. Supply is absurdly concentrated, with the US, Qatar and Russia making up the bulk of it, and two of those three legs are now wobbling. Qatar's Ras Laffan, which I have spent plenty of ink on lately, took the same drone and missile damage that hammered its LNG trains, and since the helium comes off the very same plants, a chunk supply went offline overnight.

CODEX 'OTHER'

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

Russia then piled on with its own helium export controls earlier this year, the effects of which should bite through the back half of 2026. Stack that on demand that does not quit, with chipmaking alone swallowing about a quarter of the world's helium and climbing as AI fabs multiply, no real substitute anywhere it is used, and the stuff floating off into space for good once spent, and you have about the tightest setup a new producer could dream of. A neutral supplier flipping on fresh volume into that, with the US government's development finance arm behind it, is close to perfectly timed and especially because South-Africa is very strategically located when it comes to global helium distribution.

The project itself looks like a good asset, at least in my view, even though it’s obviously not the reason why we are invested in the company. The Virginia field carries helium concentrations more than 10 times the global average, which is the whole reason it works at all, since helium is normally a trace afterthought in natural gas. Phase 1 comes online around the third quarter at modest helium volumes alongside some LNG, and the drilling there wrapped up about 4 months early with the new wells flowing at up to 16 times the rate of the first ones, so the remaining work is plumbing rather than wildcatting, which takes a good deal of risk off the table. The real prize is Phase 2, something like 13 times the size and aiming at roughly 900 MCF a day, a volume that would make this a globally significant producer, funded largely by up to $750 million of mostly government-backed debt, which for a still cash-burning small cap is no trivial thing.

So what is it all worth? The way I see it, the helium business is the most tangible and de-risked thing ASP Isotopes owns at the moment and this contract is the first hard evidence that it can actually print money, which counts for a lot when the market has been treating the stock as a bundle of moonshots, the shares well off their highs with a heavy short position betting it never delivers. But I would keep the enthusiasm on a leash, because one contract for 15% of a small first phase is a toe in the water, the company-making Phase 2 is years out and only conditionally financed, and a fair slice of today's spectacular pricing leans on a Gulf disruption that, as I have argued elsewhere, is already busy easing. The structural helium story is real and durable, the asset looks the part and the timing is frankly a gift, but ASP is still a sprawling, loss-making bet asking you to trust it can execute on a half-dozen things at once. I would want Phase 2 financed and a few more of these contracts on the board before calling it anything more than a very promising start and attaching a model to it.

CODEX 'OTHER'

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

Well I was finally done with this section of the report and then the company decided to throw some more news our way, so time for a quick follow-up to the helium piece above. Shortly after the take-or-pay contract I walked you through, the company announced it is hiving off the helium asset I called the most tangible thing it owns into its own Nasdaq-listed vehicle. The mechanics are a touch convoluted, but the gist is that Renergen's Virginia project gets rolled into a new entity called Noble Africa, listed through a reverse merger with a small medical-device outfit called ENDRA, with a $50 million private placement running alongside it. ASP keeps about 89% of the new company, the old ENDRA holders are left with 3%, and the rest sits with the placement investors. The market's verdict was swift and unkind, marking ASP down some 11% on the news.

So is this shrewd, or is it financial engineering? Because when it comes to this company, it could just as easily be the second as it could be first sadly. There is a real case for it though. Sprawling conglomerates trade at a discount, and burying a rare, fundable helium asset inside a grab-bag of isotopes and nuclear fuel that has so far failed to deliver almost guarantees it never earns the multiple a pure-play would (whatever that may be for an isotopes business, because it's not super common). A dedicated ticker lets helium-focused investors buy the thing directly, gives it its own balance sheet to fund the expensive Phase 1 and Phase 2 build without further bleeding the parent, and still lets ASP holders keep the lion's share of the upside. For a company I described as stretched thin across too many fronts, ring-fencing the helium funding is arguably a feature rather than a bug.

But I understand the selling too. Spinning an asset back out less than a year after buying it, through a back-door reverse merger rather than a straightforward listing, invites awkward questions about what the parent really added in the meantime and keeping 89% means the free float is a sliver, so you do not get a proper, independent helium valuation, you get a thinly traded subsidiary that ASP still consolidates anyway, with its stake set to drip lower as more money goes in. The execution risk I flagged does not vanish either, itt just gets its own stock symbol. The way I see it, this changes the wrapper, not the underlying quality of the asset. The take-or-pay, the need for helium supply with less exposure to Gulf nations and the Phase 2 prize sit exactly where I left them, and whether splitting helium out adds value or merely adds complexity comes down to whether the asset delivers from here. The market is voting no today, and I would reserve judgment until there is a good deal more helium flowing so we can value the asset better.

CODEX 'OTHER'

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

Time to talk Comstock and strap in, because there is a lot to discuss. They arrived at the Vegas presentation with its first industry-scale recycling facility nearing commissioning, and between the formal session, the CFO's remarks, and a write-up from a fellow investor by the name of Traveler who toured the plant and spoke to management directly, we got a very detailed look at where this stands. His read on the facility was that the line and its four ovens are being readied for trial runs that should begin around July, and that the philosophy from the team is to treat this as a first-of-a-kind build where one-time tweaks are expected and getting it right matters considerably more than getting it fast. He spent time with Fortunato Villamagna, who of course runs the metals business, and came away with the impression that the single concern Villamagna is actually carrying is staffing the plant, something on the order of 50 people by year end, with nothing flagged on the line running properly, on financing, on offtake, or on feedstock. He also noted that the original lot is now full of panels with new storage being prepared to take more, and that he was asked not to photograph anything, which tells you something about how protective the company is of the process at this stage. I take management confidence with the usual grain of salt, but the absence of a financing or offtake worry sits comfortably alongside a balance sheet that still held tens of millions in cash through the spring.

Another detail that was mentioned was the eddy-current separator, which some observers had written off as a waste of money and which the investor who toured the site instead described as a great asset to have (remember what I wrote about Comstock having a lot of customers for the glass they get from recycling the panels? Yeah, that is this). Having gone and looked into how these units actually function, I land much closer to the view of those who have seen it and spoken to management about it than to the skeptics'. An eddy-current separator sits downstream of the shredding step and uses a fast-rotating magnetic field to induce currents in the non-ferrous metals moving through it, which generates a repulsive force that physically ejects the aluminum and copper out of the crushed stream. It does two valuable things at the same time, recovering clean aluminum and copper as saleable products while stripping metallic contamination out of the glass fraction so that what remains is a higher-specification glass with real downstream markets rather than low-value cullet headed for a landfill. Given that Comstock has been explicit about upgrading its lines specifically for high-specification glass (and silver down the line), a single unit that lifts recovery and glass quality can improve the per-ton economics of what is already likely to be a very profitable industrial endeavor.

CODEX 'OTHER'

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

The feedstock question, which has dogged every solar recycling story since the sector existed, got addressed from the finance seat, with the CFO putting full utilization of that first plant at roughly the middle of next year and noting that the company already holds master service agreements with various utilities to keep it fed. One plant ramping does not settle the volumes debate forever, but contracted utility supply for the anchor facility is the right way to begin answering the bears who insist the panels will never show up in the quantities the models assume.

This is where the economics start to matter, and the conference sharpened them. Management has guided to something in the range $75 million of cash profit per 100,000 ton facility, with part of that value sitting in the silver-rich tailings rather than the aluminum or the glass, and the refining of those tailings penciling out near $500 a ton on the company's own math. An in-house refinery to further improve this math is still a few years aways as it is still at the bench and pilot stage with partners rather than running commercially, so I am filing it under developing rather than done, but if it works the sensitivity of the whole business to the silver price becomes the entire story, and on the framing that came out of the conference each plant carries something close to a million ounces of annual silver recovery. With silver where it is, that is an enormous amount of operating leverage to a metal I am already bullish on, and the in-house piece is exactly what the investor who visited flagged as the big deal, which I think is the correct instinct.

Allow me to show my hand on valuation, because the way I see it, if silver and the other metals are anywhere near current levels by the time that first plant is running flat out and the economics land remotely in line with guidance, the single facility on its own ought to support something like 2x the current market capitalization, and that is before assigning a dollar to the land, to the strategic investments, to Bioleum, or to facilities two through seven. That rests on two things going right, the plant performing at guided economics and silver cooperating, neither of which is a given, but the gap between what one working facility could be worth and where the equity trades today is the whole reason this sits where it does in the portfolio and why I have been holding, buying those call options and spending so much time on the company.

CONTRARIAN CODEX

CODEX 'OTHER'

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

The land got its own moment as well during the presentation, with what was described as the first public acknowledgement of a conservative valuation around $300 million on the Sierra Springs real estate (calculated by using $1 million per MW in value), which Comstock has built into a roughly 2,200 acre, datacenter-centric position with senior water rights and on which it has secured power on the order of 300 MWs pointed at hyper-scale data center development. I have already extensively covered this before, but it’s so significant that I thought it would be good to touch on it again quickly. Microsoft is of course building a campus there with regional substations already working through county approvals, a master-planned data center developer assembled roughly 1,060 acres just up the road entitled for as much as 1.6 gigawatts, and the greater Reno market now ranks among the very top emerging data center markets globally with vacancy under 2%. Power is so constrained that developers in the corridor are going behind the meter with their own gas generation because the utility cannot serve them for years, which is precisely the playbook that makes a parcel with secured power and water very valuable.

So the demand is real and it is on Comstock's doorstep. Where I would still draw the line is between the company's conservative (yes, conservative, how wild is that given it covers almost the entire current market cap) $300 million mark, which I am comfortable relaying, and the billion-dollar tier-one extrapolations circulating in the community, which depend on a chain of additional capital and power commitments that has not happened yet, but what they are working on (again, see my previous extensive analysis on the company that I uploaded recently).

Pulling it together, what came out of Vegas, and out of that site visit in particular, is Comstock crossing from the development phase into the operating phase, with the anchor facility commissioning now almost ready to rumble, full utilization guided for the middle of next year and a land-power-data position that seems to just be getting more valuable. The perennial knock has been that this is forever a story and that we have been bitten a few times before about what comes next rather than what is happening now, and that knock has not been unfair let me get that straight. But the next two quarters, with the plant hopefully clicking into gear, are exactly the window in which a story stock either starts becoming an operating company or it does not. If it does, we have a lot higher to go in my view.

CODEX 'OTHER'

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

Which then brings me to my finals notes on the company as barely a week on from Vegas, the news I had been waiting for landed, and Comstock has agreed to sell the entirety of its legacy mining business, all four of the mineral and processing and associated district real estate entities, to Mackay Precious Metals for an aggregate value north of $45 million. The headline number is one thing, but the cash mechanics are another, because on closing the company picks up $20 million in cash plus roughly $3.5 million in Mackay shares, with a secured second tranche of $7 million due inside eighteen months, and on top of that they keep a 1.5% royalty on whatever silver and gold eventually comes out of those properties and a $10 million contingent payment that triggers if Mackay either builds a mine or gets taken out at half a billion or more. So they are getting paid now, getting paid later, and keeping a free option on the district they spent years assembling, which is about as clean an exit as I could have drawn up and certainly more cash upfront than I expected, which is a happy surprise.

It's not just that though, as for as long as I can remember Comstock has carried the proverbial junior-miner tax, lumped in with the hard-rock names that perpetually dilute just to keep the drill bits turning and that label has weighed on people just glancing at the name no matter how far the recycling business has come. Stripping the mining entities out, along with the reclamation liabilities and surety bonds that travel with them and the roughly $1.5 million a year it cost simply to carry them, does two useful things at once. It drops non-dilutive cash onto the balance sheet, which management was refreshingly explicit about, and it lets the company finally present itself as the US renewable-metals industrial it has been turning into rather than the Nevada gold-and-silver explorer it started life as. That reframing is not happening in a vacuum either, because from what I can tell the holder base has already shifted hard in the same direction, with something like 70 to 75% of the register now sitting with institutions and a good slice of the biggest funds in the space already aboard, which is decidedly not the shareholder profile of a junior miner. Correct me if I am wrong here, but selling the mine that gave the company its very name, doing it for cash, and keeping the upside anyway might be the cleanest way imaginable to shut the gap between what Comstock now is versus what it used to be. Now they just need to complete said transformation by showing the facility can work at scale.

Honestly, I thought that about covered enough Comstock related news flow for the coming few months, but there is one more piece that needs discussing it appears. Let's flip a page.

CODEX 'OTHER'

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

The company has picked Cambridge, in Guernsey County, eastern Ohio, for its next industrial-scale recycling and logistics hub, a roughly 21,570 square foot facility with an adjacent laydown yard, supported by a JobsOhio grant and expected to create around 20 jobs. The grant itself is a rounding error at $75,000, nice to have but nothing groundbreaking, and neither is the headcount. What the Ohio site does is push the network east, putting capacity and storage right on top of the Midwest and eastern customer base the metals team has been building relationships across.

The logic is transportation, plain and simple, because management has been candid that long-distance hauling can eat into total recycling costs, and panels are bulky, heavy, and classified as hazardous until processed, so the economics live and die on how far you truck them. A South-West-only footprint was always going to bleed margin moving eastern panels across the country and frankly it was never going to happen because of that and a central-Ohio node sitting on the interstate network fixes it for that part of the country. But, why there though? Well, Ohio already runs something like 4.9 gigawatts of operating utility-scale solar, with another 800 megawatt project in Oak Run on the way, and it has ranked among the top handful of states for new installations for a couple of years running now. None of that is hitting the waste stream tomorrow, because panels generally run 25-30 years, but a meaningful slice of the country's early build sits in this region, damaged modules and warranty replacements and repowering pulls generate volume long before mass end-of-life arrives, and the wider Midwest and Northeast collectively represent a very large installed base feeding into one facility. Add the well-documented coming wave, with the US heading toward something like 770 gigawatts of cumulative solar by the mid-2030s, and the question stops being whether the panels show up and becomes who is standing there with permitted capacity when they do.

That is the first-mover angle and that stuff matters more than the modest size of this particular building. There is no real incumbent in industrial-scale, zero-landfill panel recycling east of the Mississippi, 100% landfill free certified recyclers are scarce and landfill bans and decommissioning rules are tightening across these states it seems, so being early with a logistics-and-processing node in a logistics-friendly county lets Comstock lock in O&M groups, developers, and manufacturers as repeat suppliers before anyone else builds the relationships. It is a relatively small step on its own, but it is the right step, and it is exactly the kind of unglamorous network-building that, if the Silver Springs plant proves the model, can turn into a moat for the company.

CODEX 'OTHER'

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

LibertyStream also presented at the micro-cap conference in Las Vegas and there was plenty to be excited about when it comes to them, particularly when the recently announced off-take was further discussed. Same deal as with Comstock, strap in because I have demolished yet another keyboard trying to get all this into the report. I already extensively covered part of this last time, but the company is still very cheap if they achieve anywhere close to what they are aiming for, so I will keep banging on the table as long as that remains the case. The fixed-price window is interesting, because at first glance locking in two years of pricing right as lithium is ripping higher looks like leaving money on the table, but the way I see it the choice is almost certainly financing-driven, since a contracted, fixed revenue stream aligned with the capex payback period is exactly what you hand a project financier to underwrite a build, and management has every incentive to trade a slice of near-term upside for a cheaper cost of capital. What caught my attention more than the headline number was the mention of term sheets, plural, for additional customers, against again a stated demand pipeline north of 10,000 tonnes per annum through 2029 that I noted last time as well, which suggests the commercial relationships run deeper than the sampling stage I described when the Select deal first broke.

I need to discuss the economics again for a bit more context and the company put some more numbers on the table, although things are likely to change, as I will get into more later. A 1,000 tonne per annum site runs to roughly $37 million all-in, of which about $14.5 million is the DLE equipment, around $8.5 million is the refining unit, and roughly $5 million is the ion-exchange media, which they manufacture in-house and which forms the core of the intellectual property, with the balance being construction and ancillary equipment. Against that, management is guiding to all-in operating costs of approximately $6,200 per tonne at steady-state commercial scale, royalties to Select included, and expects each 1,000 tonne facility to throw off standalone positive operating cash flow. Equipment payback in the 18 to 24 month range falls straight out of that math, and from what I can tell the figures are internally consistent, which is not something I can say about every junior pitching modular lithium economics.

Now to another part of the Vegas presentation that I think is genuinely the most important thing they said, and it concerns reagents. The current process leans on two purchased chemicals, caustic soda and hydrochloric acid, and caustic soda has historically been a large line in the operating cost stack, so anything that attacks it attacks opex very nicely.

CODEX 'OTHER'

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

Management indicated that as they move forward they intend to manufacture their own reagents on-site using a process called bipolar electrodialysis, which splits a salt stream into its corresponding acid and base using bipolar membranes and an electric current. I am not a chemist, let me just throw that out there, but it appears to be a real and well-documented technology, and it has been applied specifically to lithium reagent loops in the literature, where the hydrochloric acid byproduct gets recycled back into the lithium desorption step in a closed loop that minimizes purchased chemicals. By the company's own telling, for every tonne of lithium they produce they generate something on the order of 32 tonnes of hydrochloric acid, which is more than the process consumes, so they reuse the caustic and acid internally and sell the excess hydrochloric acid as a byproduct, and none of it is sourced from China or anywhere offshore, it comes off their own site fed by the oil fields. I hope that I got that correctly, because if I did, it’s absolutely massive.

I would temper the excitement with a few honest caveats though, because this is forward-looking language rather than something running at the commercial site today, and bipolar electrodialysis carries real scale-up, energy-consumption, and membrane-durability challenges that the academic work is candid about, so I am treating it as a credible lever rather than a banked result. But if caustic was the biggest cost line and they can replace a purchased reagent with electricity plus a byproduct credit, then the $6,200 figure may well prove conservative, which honestly echoes what I flagged at the time when the redesigned extraction vessel first pointed toward lower reagent consumption. This is the same thread, now pulled considerably further.

As I noted in my last extensive analysis on the company, when I ran the numbers on this name earlier in the year, $25,000 per tonne was the bullish scenario in the model, the one you reach for to show what the upside looks like, and it is now simply the prevailing price. At that revenue against roughly $6,200 of opex you are looking at a gross margin per tonne that does not require any heroic assumptions to be attractive, and a $37 million site that pays itself in no time, which makes for a very attractive business model if they can secure debt financing. On feedstock and scale, the constraint is decidedly not the brine. Select brings 26 sites and around 2.5 million barrels a day, the company is in discussions with another water handler moving on the order of 10 million barrels a day, and more than 20 million barrels a day of produced water moves across the Permian in total, so the limiting factor is processing capacity and capital, not access to lithium-bearing water.

CODEX 'OTHER'

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

A few remaining threads worth tracking from the conference, starting with the re-domiciliation to Texas completed in April, which clears the path toward a US exchange uplisting that management is targeting for late this year or early next, with the tone at the conference leaning toward the back half, and an uplisting onto a senior US venue would meaningfully broaden the investor base for what is today still a micro-cap company trading on the OTC and CVE with the attendant thin liquidity. Sell-side coverage has begun, with a Buy initiation in place. The byproduct picture extends beyond hydrochloric acid, since the brine carries magnesium, calcium, boron and other constituents that the company has flagged as future streams, though I would file those under "later" rather than model them. And the competitive framing management offered, that the nearest comparable group is some three years behind, is amazing to hear as a shareholder and it does appears to be the case from my own research as well.

Having said all that, the jump from a field unit processing a few thousand barrels a day today, scaling toward roughly 7,000 by the end of this month, to a commercial facility designed for something closer to 120,000 barrels a day by year-end is a genuine step-change in scale and the commissioning timeline carries execution risk, as is always the case with first-of-a-kind industrial plays. Financing the multi-facility rollout is the real swing factor for a company this size, and the capital need over the next year is substantial relative to the market cap, which is precisely why the fixed-price offtake and the consulting-plus-equity tie-up with the customer read to me as deliberate de-risking of that financing rather than incidental terms. The bipolar electrodialysis opex breakthrough is unproven at their scale, the offtake still needs more details to be shared about it and lithium remains lithium, which is to say violently cyclical, all things to consider for those who see me being bullish on the company and expect it to be smooth sailing ahead.

Pulling it together, the way I see it LibertyStream has spent the last two years doing the unglamorous work that lets a company stop being a science project, and it is now arriving at commercialization into a lithium price that has done it the favor of tripling off the lows. We are now here, so it’s time to deliver, which they have been doing to be fair. The next two catalysts I am watching are the conversion of that term sheet into a definitive agreement and the commissioning and further economic details of Facility 1, and if both land on schedule, the gap between how this is priced and what it is becoming should start to close.

CODEX 'OTHER'

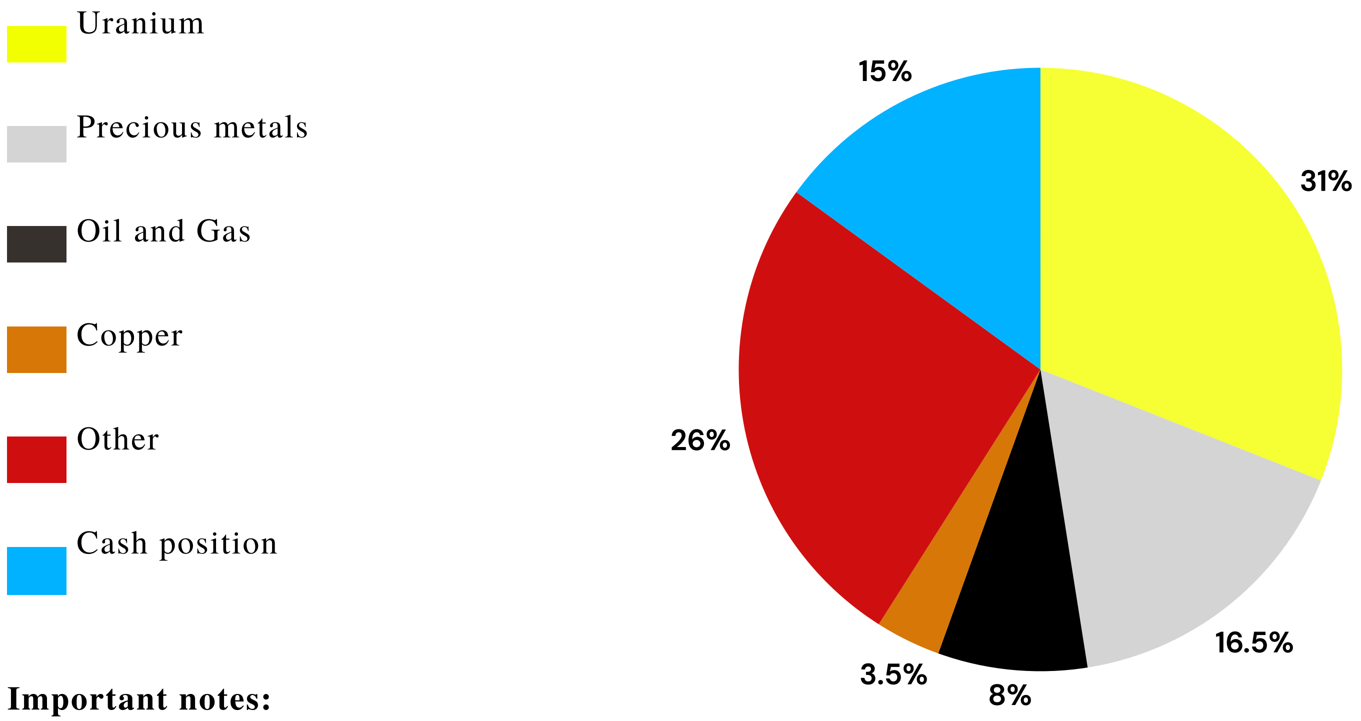
Merlin Labs - NASDAQ: MRLN - Cost basis $6.05 - Percentage allocated: 90%

While there was no news to report on, the company is making its way to a new low together with various other asset classes across the market and this $5 handle is where I would argue it is a good time to start buying more if you don't have a position yet and it fits your risk tolerance and portfolio strategy. The full deep dive published covers the thesis in detail, so I am not going to repeat all of it here, but I do want to lay out why this earned a spot and what I am watching going forward. The catalyst calendar is what makes this worth covering on a recurring basis, especially given that it pushed the share price up over 30% when it was first released and that, in my opinion, should tell you something about what the market thinks of it in terms of magnitude.

That C-130J Critical Design Review is expected in the second half of this year. Q2 earnings should be interesting. Additional sell-side coverage is likely coming. NZ CAA SOI-3 certification progress and KC-135 program expansion are both on the horizon. There are aslo absolutely risks involved for this new post-SPAC entity, so please keep that in mind as I extensively covered those in the seperate analysis piece. My numbers from the deep dive real quick: Bear case roughly $16 (or $0 if they don't deliver anything, which is always possible and when I say $0 I really do mean $0), Base case roughly $77, Bull case roughly $216. Always do your own due diligence, because while the upside may sound amazing, the downside and associated risks are very real.

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 the cash position sitting at 15%, it's right in the range where I am comfortable waiting and seeing what the market will bring in terms of price action. Sleeping level.
- The PHYS reserves will be kept in place as I believe that over the longer term, despite the recent volatility, the gold price will be going a lot higher over the coming years.

That marks the end of this week's report and once again I hope it proved to be informative, because there was a lot to go through and in particular on the company analysis front. There is more content on the way, 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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