

► **SmithWeekly:** Welcome to SmithWeekly Discussions, an occasional program we put on for our readers and followers of SmithWeekly Research. Please note this program is a private discussion and everything contained herein is for entertainment and educational purposes only. With that, we hope you enjoy the show and are in a comfortable position to enjoy the discussion. We have on Walter Coles, Jr., Executive Vice President at Virginia Energy Resources. Virginia Energy is listed on the Toronto Venture Exchange under the symbol VUI. Walter, thanks for joining us.

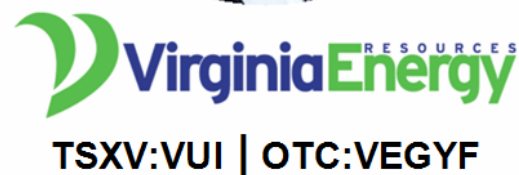
► **Walter:** Thank you very much. Thanks for the invite.

► **SmithWeekly:** First off, Walter, tell us what your background is, your past experience, and tell us how you came into and became involved with Virginia Energy along with your father, Walter Coles, Sr.?

► **Walter:** Yeah, I guess I would start by saying I never in my wildest dreams imagined that I would be working in the mining industry. I went to University of Richmond, I was an economics major and after college I went to work for a bank in New York. Right around the period of 2006-2007, I was approached by a prominent natural resource investment banker in Toronto with an idea of trying to create a company around a mineral deposit that had been discovered on family lands down in Virginia. Certainly we knew that the deposit was there but we never really thought that as a family with farm land, we would ever consider developing a project ourselves but you know back in that time period, 2007, the price of uranium was skyrocketing. It was between a hundred-thirty, hundred-forty dollars a pound. With the backing of what was at the time called Spratt Securities, an investment banking firm owned by Eric Spratt, we created a company to try to develop the uranium deposit on my parents farm land. So that's how I ended up leaving finance in New York and creating what is called Virginia Energy Resources and the operating company called Virginia Uranium.

► **SmithWeekly:** Okay so with that, you know, obviously there's been some downtime, the sector's fallen on hard times for quite some time since Fukushima and of course the company has wound up in some legal issues with things there in Virginia. So with that you were involved with, just recently I think in the last couple of years, another junior natural resource business, tell us about Skeena Resources?

**Walter Coles, Jr.**  
**Executive Vice President**



► **Walter:** So as you as you mentioned we ran into a problem in the State of Virginia, when a Democrat was elected governor. Within about a week after he was elected, he announced that he would not allow our uranium project in Virginia to go forward as long as he was governor. So at that point, we stopped trying to work with the state and we switched to the courts to sue for basically our rights to develop a mineral deposit on our own land. There's many examples of uranium projects being developed safely and successfully all over the United States, Wyoming, Colorado, and Utah. So there's no reason why it can't be done in Virginia and environmental groups who suggest otherwise just simply don't know what they're talking about from a technical basis and you know it's just my opinion. It's politically motivated and because we ended up in the courts, we didn't really need an operating team because it's basically switched over lawyers. I decided to take advantage of the sort of down time to partner with one of our directors, a fellow by the name of Ron Netolitzky, who has had some fame in Canada for some very successful mineral discoveries. So I partnered with him on a company called Skeena Resources with the idea of focusing on northwestern area British Columbia to find precious metal and copper deposits up here. So that's what I've been working on the last couple of years while our Virginia Uranium case works its way through the courts.

► **SmithWeekly:** Sounds good. So speaking back to uranium, in general, what's your view on the current state of the uranium mining business? Are we at the start of a bull cycle?

► **Walter:** I think we are for U.S. assets. I think that uranium is one of the few bright spots in the commodity space. Obviously vanadium is one stand out right now given that vanadium prices have gone from \$3 dollars to \$34 dollars in the last like 18 months but uranium's the next thing to go and specifically it'll be U.S. assets because I believe strongly the Trump Administration will institute a quota system on which requires that U.S utilities use 25% of their uranium consumption must come from U.S. domestic origin. So I think that announcement from the Trump Administration could come very soon in the next couple months and with it I think all U.S. uranium assets will get a bid. So there's not a lot to get excited about in the mining space these days but I think the next one is going to be uranium. So it's a good time for your listeners to be looking at U.S. uranium assets. Again, I say U.S. because if there is a quota requirement on U.S. utilities it will mean that that U.S. uranium prices have to go up to create the supply. Turn to thinking about uranium on the international perspective, I still think that we're going to need some time to work through inventories for last decade basically since Fukushima the world's been in a surplus in terms of the amount of supply every year versus the consumption. So we had 10 years of inventory, not quite 10 years but call it 7 years of inventory build and we've certainly, in my opinion, moved to a deficit on an annual basis but we got to work through some of those global inventories. So I still think it's probably, you know, maybe to 2 years before International uranium prices start to catch a bid, but I think the near-term opportunity is U.S. uranium assets. Just to put some numbers to that, so last year U.S. utilities consumed, I believe, it's about 48 million pounds of uranium and U.S. domestic production, which is more than just mine production and there's some secondary sources of supply but last I checked it was about 2 million pounds. So even if, you know, if it was 1.5 or 3 million pounds the bottom line is that the U.S. is importing more than 90% of its nuclear fuel needs. So that's why I think this situation resonates so much with the Trump Administration. If ever there was an industry that is dependent on foreigners, it's uranium, and if ever there was a need for the Trump Administration to step in and help to create U.S. jobs, U.S. industry and U.S. security of supply, it's in the uranium space. So to me it's a no brainer. I have, you know, I guess I would say I've got almost 100% confidence that the Trump Administration will make this move and I suspect that uranium prices in the U.S. will go from \$28-29 bucks a pound right now to probably \$50-60 dollars a pound and the consequence of that will be valuations for all your U.S. space uranium assets go significantly higher.

► **SmithWeekly:** That sounds interesting. Some good views, some good points and then certainly an interesting prediction there. Absolutely, it'll be interesting to see how this section 232 comes out and how that plays out whether or not the Trump Administration includes maybe Canada or Australia or it is going to be solely U.S.

► **Walter:** I just don't buy this thing, I mean, I hear the scuttlebutt around that oh there will be some sort of exclusion for Canada, you know specifically Cameco and I don't buy it because look, you know, what the 232 petition asks for was quotas. So it asks for a requirement that U.S. utilities use U.S. origin uranium. So I don't see the logic in allowing Canada. Oh, it's 25% requirement for U.S. uranium and Canadian uranium, I don't see it like that. To me why on earth would the Trump Administration do that? I just think it's kind of like wishful thinking, you know, shareholders of Cameco may have on the issue. I just see zero logic to that.

► **SmithWeekly:** Do you see it ramping up to get to the 25%? We know that they can't produce the 25% tomorrow, how do we get to the 25%?

► **Walter:** Obviously, I think it's probably phased in over two or three years. My understanding is Department of Commerce sent a delegation to tour the White Mesa Mill in the last week or two and my understanding also is that for both steel and aluminum tariffs that the tours of production facilities occurred just before announcements were made. So, you know, I think what's different on those previous 232 investigations is that the Commerce Department took all 270 days that were allotted to it and didn't come out with its report till just before the time limit was up. If that would apply to uranium, Commerce would have until April to come out with a report, but right my understanding is the tours took place for aluminum and steel happened just near the end of that 270 day period so they're occurring much sooner in the process on the uranium side. The feedback I got was that Department of Commerce was quite impressed with the production capacity the White Mesa Mill and the capacity for U.S. uranium industry to ramp up production quickly.

► **SmithWeekly:** So how do you see that on into the capex side and also the permitting side. You really think that kind of production can be met in two to three years?

► **Walter:** Yeah. Absolutely. I think that if the pricing is there and remember what happens if there's a quota. That means a U.S. utility is required to buy 25% of their fuel from domestic origin sources. So look the nice thing that happens is that U.S. uranium producers go from being price takers to price setters. So a U.S. utility has to buy, you know, by order. They must buy U.S. uranium so that puts U.S. producers in a great position where they say well guess what guys I'm only going to deliver you the uranium if I can make a decent return on my investment. So that's why to me I'm pretty confident we'll see \$50-60 uranium and with those kind of prices you'll see support from the investor community. You'll see the money available to get projects, get the capex, and get projects online quickly.

► **SmithWeekly:** Do you think that the Department of Energy, the NRC, and some of these other folks, EPA, will shove aside some of the some of the red tape to speed these through?

► **Walter:** Yeah, well actually there are a handful of projects that are permitted right now. They're ready to go. They just need a decent price. So frankly it might be kind of nice to see higher than 25%. Maybe it's were we start at 25% and then there's a push at the Trump

Administration increase it to 50%, right? You know, when you think about the opex of running a nuclear plant most of it is in building the nuclear power plant. So if you increase the price of uranium from \$30 to \$60, the operational cost increase is negligible. So when you think about it in elasticity of demand there's not going to be any change in the amount of uranium consumption by U.S. utilities just because the price of uranium increases from \$30 to \$60.

► **SmithWeekly:** Absolutely it's insignificant. Mark Chalmers and I, when we were talking back a few weeks ago, talked some discussion about long-term contracts and what price those would see and Mark was of the opinion that it was north of \$50. So that's positive. Since Virginia Energy is kind of stripped, at this point, down to a legal team and a set of court cases, what other uranium equities do you like globally and in the US?

► **Walter:** Well first of all, for me, I wouldn't look at anything if I were an investor outside U.S. uranium. One way to mitigate risk is go, you know, put on a pair trade go long U.S. uranium assets and go short, you know, maybe it's short Cameco frankly. So for me if I were going to be buying uranium assets, I would definitely be buying U.S. uranium assets. Top of my list would be Energy Fuels. It's got the one permitted uranium mill in the United States. The other interesting thing about the uranium deposits in the Colorado Plateau is there's also a combination of vanadium commingled with uranium. The White Mesa mill has a circuit to be able to process out the vanadium and frankly, as you know, you typically find the ratio of vanadium to uranium is like four to six, to one, meaning there's four to six times as much vanadium to uranium. Given that historically vanadium prices have been between like \$3 to \$5 bucks, today they're like \$30 to \$34. The vanadium credits are worth more than the uranium credit. So for that reason alone a number one choice would be Energy Fuels. Number two choice would be UR Energy. They are permitted, they're producing and they can expand production as can Energy Fuels. I should say when we see uranium prices \$50 to \$60 bucks, both of those guys can turn it on and be meaningful producers and help the U.S. get from a million pounds a year up to, you know, I think within 24 months, I believe the U.S. can be producing 10 to 12 million pounds of uranium a year. So again, those are the guys that I put number one and two, and of course, our own company Virginia Energy. It's more of a longer term call option I guess I would say in like we have our case that it was heard by the Supreme Court. I disagree with the newspaper headlines that were out there. I don't think they adequately or fairly described what is a very complex legal case.

► **SmithWeekly:** Well let's get to that in just a moment because I'm holding that one just a little bit here for suspense. So for our listeners who aren't familiar with the Coles Hill project tell us about the deposit, the size, and if there are other economic minerals in the deposit that can be exploited along with the uranium.

► **Walter:** Sure. In our case for the Coles Hill deposit, it's only uranium. There are no rare earths and there's no vanadium, which is good and bad. It's good because, let's say, there's no sulfide for instance. There's no potential for creating acid rock drainage, which is positive for environmental concerns, but there are no other strategic metals associated with the deposit. It's very large and it's right at the surface. You can walk around, you know, these are basically cow pastures, with a geiger counter and it'll go off just standing there. Uranium is right at surface and it's open at depth. It has good potential to grow and expand the 43-101 resource that we had done a few years back which put the size of the resource over 100 million pounds. As with any resource, you can vary the grade by changing the cutoff. So there's certainly a high-grade core that could be, you know, sort of in the range of 0.4 percent uranium or you can lower the cut off and you end up with closer to a hundred million pounds at 0.1 percent uranium. So those grades aren't high when you compare them to Athabasca Basin,

sort of like, Nexgen's phenomenal deposit up there which is going to be over 10%, but you know, our difference is we're right at surface. You could basically come with a bulldozer and push up uranium at Coles Hill. There's power and there's roads. So from an infrastructure standpoint, great, and very cheap no strip ratios. Athabasca, with unconformity deposits, you know, often you have to drill down to a thousand feet. You've got to pump liquid nitrogen to freeze the ground because it's basically sandstone filled with water. So it's like mush and technically much more challenging. So that's why you need a much higher grade in Athabasca where in Virginia our grade would make a lot of money. It's an incredibly attractive deposit that has very high, north of 30% post-tax IRR that's based on a uranium price in that sort of \$55-65 range, which we do believe it's the kind of long-term price that will generate a return for the industry and we're basically not going to have any uranium mining without a decent return over the longer term anyway.

▶ **SmithWeekly:** So let's bring in a fleet of Komatsu D575s and let's go to town on it.

▶ **Walter:** Yes Sir, nothing would make me happier.

▶ **SmithWeekly:** Well, obviously you know the higher uranium price the more resource that can become economic even at those lower grades. With the geology and so forth it's interesting your comment because the geology is environmentally friendly, potentially. With that comes a lesser argument on the opposition side. With the geology there, can it be upgraded? Can you apply some technologies and upgrade the ore before going to the processing stages?

▶ **Walter:** Yeah, actually what I've been told by the geologist is the real potential is down-dip, you know, follow this sort of high-grade core deeper. But look there's no shortage of uranium at the deposit already. That's never been the problem. The problem is getting it permitted and into production. I think we made some mistakes with, you know, our efforts to move it ahead. I think we were naive and we thought we could sit down with environmental groups and try to work together to do a project in a way that would be, you know, an example of how a mining project should be done and right that's not to say lots of other mining projects around the world are done responsibly because there are first class companies that do things right and that was our intention. I felt that some of the environmental groups that we met with were pretty underhanded in their methods and to me it was a real eye-opener and I think when we make another push to do this, we're not going to be as naive as we were the first time around.

▶ **SmithWeekly:** Well, it's sad because these folks that are against these types of things they pack around iPhones, they go home at night, they charge them and they forget about the base load power that comes from nuclear power. So it's really just backwards and it's too bad.

▶ **Walter:** To that Greenpeace was founded here in Vancouver in the basement of a church by it was with five individuals who founded it. There was only one of them who had a degree in science, a fellow by the name of Patrick Moore and I had the good fortune of crossing paths with Patrick and working with him one on some things. He told me that Greenpeace got to the point where it was raising, you know, between a hundred, two hundred million dollars a year and that it ceased to be an organization that was considerate about the science. From his perspective it became a political organization, a money organization, and a very effective one at that and he said that he fell out with the other founders because of that sort of shift to being a political organization. We all know of and look, I think, highly of what

Greenpeace does. I mean if you brought up the topic of Whales with Patrick Moore, I mean, I've seen him actually almost start to cry because you feel so passionate about it. I think some of the environmental groups in the United States are just out of control and it's very much a money business for them yet they call themselves nonprofits. When you're raising a hundred to two hundred million dollars a year and you have access to corporate jets and all sorts of expense accounts, it calls into question whether they're really nonprofits and in my mind, it becomes a little bit distorted at that point once you start seeing the cash.

► **SmithWeekly:** And with that, last I checked the humpback whales are still passing by Diablo Canyon in California. I don't think they have any issue with it judging by the investigations there. But you know, one of the things I'll just say if it came from a basement of a church, I can tell you that Greenpeace, judging by how things are going right now, they're going to have a religious experience. So we'll find out how that goes. So if you can just talk to the community near Coles Hill. How supportive is the local community and the local landowners nearby Coles Hill, how are those folks doing?

► **Walter:** You know, it was an interesting thing. I think most of the neighbors are very supportive of it. There were groups of opposition and the irony is that they were folks who have left the north to move down to Virginia. Let's say they sold their house in New Jersey and they were able to buy an equivalent house in rural Virginia for a third to half the price and basically they're retired. That's a good description of our opposition there so, you know, that's part of it. There were some business owners who I think felt threatened by the idea that we would create, you know, several hundred high paying jobs and potentially create competition on the wages that they would have to pay their own employees in the area. So look, it wasn't a hundred percent by any means, but I personally felt that and based on polling work that we did there. There was better than 50% majority level support for the project and, you know, my view is when we go in and make the next push at this we're going to take all the things that we learned and apply them to being I think much more effective at getting this project pushed through. I don't want to go into the details about all those things due to strategy reasons. I don't want to sort of divulge the playbook but look, we've had that land in my family for 200 years and if we had to wait another 10 years to make it, 5 years or 15 years, to make the push. I can promise you that we will be making another push.

► **SmithWeekly:** Sure and you know some of those surrounding businesses they tend to forget the economics of the two and what bringing on new employees having that operation nearby would potentially help out some of these retail businesses and so forth. So moving on to the company share structure, Virginia has three major shareholders last time I checked, your family, Energy Fuels and Sprott. We've recommended Energy Fuels in our nuclear report and as folks know we also have Virginia Energy as a speculation. What is the relationship with Energy Fuels first and then also, what's the relationship with Sprott?

► **Walter:** Yeah, so Sprott let me just say they're a fantastic organization. They are some of the best natural resource investors globally and they take a long-term view. I think they believe that over the longer term the need for uranium will rise. They also think that given the U.S. has the largest fleet of reactors it makes sense that at a certain point the U.S. will develop its own domestic industry. I think this is their reasoning for being involved for continuing to support the project. Energy Fuels at one point was very acquisitive of projects all throughout the United States and a very smart move on their part to consolidate during the darkest days in the uranium space after Fukushima. Steve Antony was the old CEO there and he should get the credit for having the wisdom to go out and acquire assets when basically no one wanted to talk about uranium. It takes a lot of courage to have done that and Mark Chalmers has the good fortune to

inherit the portfolio that Steve Antony put together. The stake that Energy Fuels took in our project was part of Steve Antony's larger strategy to consolidate during the dark days in the sector. Some of the other prominent shareholders are Lukas Lundin and also Ned Goodman and his family, so we got some good institutional support.

► **SmithWeekly:** Yeah, absolutely. So let's get into the subject that everybody wants to know about. Tell us about the experience to be in front of the Supreme Court. Walk us inside the courtroom since you are there.

► **Walter:** Yeah, I have to say, you know, just the idea that our case will be heard by the Supreme Court. I didn't expect that to happen and it was an incredible experience. It is the sort of third leg of the stool for government in the U.S. You know, we've got the Executive branch, you got Congress, and then you have the courts and the Supreme Court is the highest court in the land. You got nine justices there and you got justices were perceived to be left leaning and five who are perceived to be conservative. I have to say justice Roberts, the Chief Justice, He's got a lot of charisma. He's very civil, very polite, he could be captain of a football team. That's the kind of charisma that he has and I think he's a great leader of the of the court. Being in the Supreme Court for a hearing you truly do get the, you know, there's a sense of power that radiates. You've got gilded wood sort of furniture and it's like Roman columns and neoclassical reliefs and then there's you know, each of the personalities of each justice that project whether it's Ruth Bader Ginsburg, Clarence Thomas or Brett Kavanaugh, you know, in the questions they ask or don't ask. You do get a sense of their other personalities involved and this group of nine individuals the decisions they make have a very far-reaching impact on the way the United States has evolved and will continue to evolve. A phenomenal experience. It takes four justices vote to choose to hear a case. They get somewhere between 10,000 and 15,000 appeals a year and there are somewhere between 50 and 70 cases heard per year. So the success rate on appeal to have your case heard by the Supreme Court is, you know, it's about a half a percent success rate. So basically one out of every 200 appeals has the opportunity to be heard by the court. We had amicus briefs filed by three members of the United States Senate Armed Services Committee Ted Cruz was one of those guys. We also had the Trump Administration file an amicus brief. Thus the U.S. senators and the Trump Administration took the position that this is an incredibly important natural resource that's important to the security of the United States and the federal government took the position that this is an important issue and resource that, in my opinion, the federal government stated that they want to see it push forward.

► **SmithWeekly:** Interesting. Very well. I appreciate the visual and the discussion, they're very interesting. So with that do you see the 232 petition, I'm assuming the court is aware of that, do you think that this 232 petition, ongoing at the same time of this case hearing, do you think that is a positive for Virginia Energy?

► **Walter:** I think it's definitely a positive for the company in terms of the backdrop and in terms of the support from the Trump Administration. I think it's a clear piece of evidence that the Trump Administration is supportive of a domestic U.S. uranium industry. With regards to the justices, they will have already gotten together at this point and have already voted on this case. So they get together in a private conference about two weeks after the case is heard, they discuss it amongst themselves, and then they vote so that's already happened. So the justices already know what the vote is on this case but they will take several months to complete the opinion. There will be a majority opinion and a dissenting minority opinion and we don't expect to see that until some point next year. The justices issue

opinions on every case that's heard during the term before the end of the term. So the current term will end in June, so we're likely to see a ruling on case somewhere between March and June 2019.

► **SmithWeekly:** So on that just give me a number. We've got nine of them on the court. How do you think they're leaning?

► **Walter:** I think it'll be close. Our own lawyers believed that it will be a close case. They sort of predicted either five-four in favor or five-four against but it's a black box. I mean people try to infer from the questions that the justices asked during the hearing as to where they're leaning, but I just think it's very tricky to look into a crystal ball and figure that out. Who knows what the motivation is behind any individual question. Is it, you know, positioning for their own internal discussions and so, you know, I think Kavanaugh seemed supportive and I thought Justice Breyer seemed very supportive. Roberts was probably a little harder to read. Any of your readers can go and access a transcript of the case or listen to it. It's out there on the web and I always recommend that as opposed to reading a newspaper headline. In fact you see these newspaper headlines about a Trump press conference, especially from like a CNN, then you go and actually watch the conference and I feel like it's two completely different. You know, I sometimes have a completely different take on a Trump press conference from what's reported in the news and that's how I felt about our hearing at the Supreme Court.

► **SmithWeekly:** Right and yeah we saw the written versions of the discussions. I wasn't aware of an audio but certainly we saw how the stock traded when some of the news agencies put out their stuff and they certainly did some folks a favor to get lower prices. It is interesting and the misleading nature of the media is obvious in the United States. So it's interesting to see how that will go. With that there's some content coming out from us that has a position on the issue. So we actually have an article about that and that will come out in the next week or two weeks. When Dustin Garrow and I spoke just yesterday, he had an opinion on it as well. I'll share that with you later. So if Virginia Energy loses what are the next steps to keep pressure on the project if you can share that?

► **Walter:** Yeah sure. So there's actually a handful of different ways. I don't want to go into every single aspect of our strategies just because I don't want to tip off anyone who would be plotting against us, but the things I can talk about is we have a case that we filed in state court and it's basically an expropriation case. We're saying all right fine, if you're going to not allow us to mine a deposit on our own land then that is effectively a taking and if you're going to take the Constitution, the State of Virginia requires that you compensate for that so our lawyers felt very strongly that the case had good legal merit and the reason we put that case on hold is because the Supreme Court has, you know, as I mentioned, thousands of cases appeal to it every year and so they're limited in their time in the cases they can hear so if they believe a case has other venues for salvation or for satisfaction, then they won't hear the case because they'll say oh well, you know that case could be resolved through this other method. So we didn't want that to be a reason that the Supreme Court didn't hear our case. So we asked for a stay on our state case which was granted by the state judge. So if the Supreme Court rules against us, we restart that case in state court. That's one way, another way is that we get a Republican governor who is supportive and a Republican attorney general who's supportive. The Republicans have generally, in the state, been very supportive of our project while we have had some support from certain Democrats. If we have a governor who's opposed to the case, that governor can veto any legislation and we would need two-thirds of the legislature to push it ahead. So we have not been able, we felt confident we could get a majority, but we never thought in the current climate we could get a supermajority. We can always go back and try to work if the stars line up politically and when we have a supportive government in Virginia. We can finish what we were trying to do earlier.



▶ **SmithWeekly:** Right. It's interesting to, you know, in the State of Alaska right now with the governor change there's some positive things coming out of that and of course as you probably know the Pebble project up there has been hotly disputed for a long time. So that's another interesting venue change of seats up there and how that's going to play out. It's interesting to see what will happen. That actually what you said falls kind of into my other question. Is there a case about federal eminent domain to put the project within federal hands?

▶ **Walter:** It's interesting that you say that because during the hearing, and maybe you read this in the transcript, the solicitor general which is the top litigator for the federal government was giving his presentation to the court which was supportive of our project and Justice Kagan interrupted him and said listen, she said if this is so important to the federal government then the federal government could choose to condemn the lands, then it becomes federal land and the State of Virginia has no authority to regulate a project on federal land. So it's something we've thought about before and I thought it was interesting that Kagan would bring it up. We have a support of federal government right now. We have about 3,000 acres there and the area that would be minded is not very big. It's two open pits. Probably each pit is 80 acres each. So if the federal government through eminent domain were to take control of those lands in a situation where maybe we lease the mineral rights, the government takes ownership of the land, and we push ahead with the project. That is certainly an option that could be on the table.

▶ **SmithWeekly:** Sure and as you head out west like everybody knows federal land increases substantially. People take leases on minerals all the time and it's kind of normal out there. On the east coast it's a little more convoluted so it'll be interesting to see what happens on that. So if the project is able to proceed into development, permitting, are all the financing options for the project on the table, including royalty and streams?

▶ **Walter:** Yeah. Look if this project has a permit it won't have any problem raising capital. The returns at \$50 uranium are awesome so it shouldn't be very difficult to raise capital.

▶ **SmithWeekly:** Okay that was a reader question I wanted to bring that up and I think there's a little bit of emphasis on the royalty and streams because of the changing atmosphere in the market. We had just sent a letter to Sandstorm Gold arguing that the royalty companies need to take a look at uranium and they need to close out their tunnel vision with regards to just being focused on precious metals. You should really look at the whole realm of natural resources. If Franco-Nevada is looking at oil, maybe the timing is right and the situation is right and the math adds up. Uranium makes a lot of sense at these points. So we made that point, keep some lookout for big value. As you might know there is a royalty company that just came out, actually still private, focused on uranium. I believe it's going to be listed at some point and so yeah it is interesting to see what and who looks at uranium on the finance side.

▶ **Walter:** Yeah, small world for uranium. Philip Williams is the person behind that uranium royalty company and Phil was the banker at Dundee Securities who got Energy Fuels to take a stake in Virginia Energy and backing Phil. No surprise these are the guys at this spot. It's all very incestuous.

▶ **SmithWeekly:** Well, at this point tell us why investors should consider Virginia Energy? Tell us about the funds of Virginia Energy right now, the plans, obviously we know. What is the share structure, management expertise, and why now should investors get involved?

► **Walter:** Look I would say there's a couple catalysts. I think the most near term catalyst is the 232 and you know, my recommendation to investors is buy a basket of U.S. uranium companies including Virginia Energy in that basket. I'd be weighted more towards Energy Fuels and just put a small piece of Virginia Energy in there. Virginia has got a market cap of, it's less than 10 million dollars Canadian. So that's your lottery ticket. You know, Energy Fuels I could see the upside there being maybe a three or four bagger which is a great return but you know our little Virginia Energy could be a 10 to 20 bagger kind of opportunity. So higher risk but a higher reward and that's why I say put together take a basket approach. The other thing, there's liquidity considerations with any of these companies. So whether you're an individual or institution buying I think the basket approach is a good way to mitigate risk and maintain decent upside potential. So again, just to recap 232 would be the near term opportunity for Virginia Energy. The second massive game changing opportunity is a positive ruling out of the U.S. Supreme Court. So that's, in terms of timeline, sometime spring 2019 and the other, I guess, third sort of catalyst for the sector in general is to see an increase in international uranium prices. So I do think that's in the cards. I just think it's a little bit further out then I think a lot of people in the industry like to say so probably two years. But then again the thing about commodities is they're unpredictable. You can wake up one day and they just take off in a way that you never expected. So again just to emphasize in conclusion I would do a basket approach of U.S. uranium equities right now.

► **SmithWeekly:** Absolutely, it's good. Virginia Energy is, capital wise, obviously very lean.

► **Walter:** Yeah, I didn't answer your question there. We have about a half million dollars in the treasury, but we have one employee that's paid. She's a personal assistant and she works part-time. There is maybe \$25,000 a year for her. So we really don't have any expenses other than legal. We own a lot of land and we receive rental income on the land we bought to be a buffer. One of things we can do to fund legal fees is take some of that buffer land and sell it. So there's no imminent need to raise any capital to fund our legal strategy, we could go on for years not raising any additional money.

► **SmithWeekly:** So you're renting out the cow pastures.

► **Walter:** Exactly. Yes.

► **SmithWeekly:** Excellent, I like it. That sounds great. It's an interesting situation and it's very lean, the share structure very respectable and so it's a good setup and a great speculation. We share much of the same opinion on how investors should approach Virginia Energy. Walter, it has been fun and insightful. We really appreciate you coming on.

► **Walter:** Thank you, Andrew, pleasure talking with you.

For more information about Walter Coles, Jr. and Virginia Energy Resources, visit:

**[www.VIRGINIAENERGYRESOURCES.com](http://www.VIRGINIAENERGYRESOURCES.com)**



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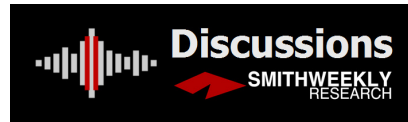


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