

Commodity Watch Radio – 20 February 2007

James Dines & the Uranium Bull Part II

Now on Commodity Watch Radio, the Dines interview continues.

- Dominic** One of the things I read in your newsletter that fascinated me was the, the idea of a, a cartel of uranium producing nations
- Jim** That is another one of my most, that on the outrageousness scale, that ranks with my prediction that the environmentalists will be the primary proponents of nuclear power. That's right – I am looking for a cartel. The world hasn't even thought about it yet. But you know, there's an, there's an oil cartel, the Russians are talking about a gas cartel, I'm not talking about beans I'm talking about revenue uranium.
- Jim** But now, why not? A uranium cartel with America, and Australia and Canada, alone stable countries, well I shouldn't say that, you know they make them stable. But anyway, this would be the next cartel after fossil fuels go.
- Dominic** What about the Australian government? What about their, their, the legal problems there with producing uranium?
- Jim** They were more. You know it took a lot of nerve for me to recommend Australian uranium stocks in 2000; it took more nerve than brains I suppose. But, my wager was that with such a valuable asset they had, as much as they hated uranium and nuclear, that there would be a political change, that the whole world, whether they knew it or not, liked it or not, were going to go nuclear. And the Australians themselves were thrilled to sell those, to sell their stock. I mean they were 10 cents a share and they got 20 cents and grabbed it, and now they are looking at it at \$2 and \$20. They didn't realise that this bull market is a tsunami; it's like nothing before it, since stock markets were around. And the, the Australian government itself is evolving, there's a big, there's a big vote coming up on April 27th, as to whether to or not to allow uranium mining and it looks as if the poles are showing the Australian public could really use the money that the Canadians are get, selling, getting, selling their uranium; and they're not longing willing to just let it sit in the ground. The problem is Australia has quite a bit of coal, and the coal industry has a vested interest in, in, in that, in, selflessness is a wonderful thing to behold but in the event I'm wagering that Australia is going to go, is going to allow nuclear mining. And even if they don't, a lot of my Australian mining stocks have done very, very well, but even if they don't, if they don't it will make the Canadian mining stocks even more valuable. So what I've had my subscribers do is to buy a range of them. I'm adamantly against buying just one stock because these are all early-stage mining ventures and I can be pretty confident that by, let's say, putting \$1000, or pounds or multiple of that level, into 10 mining stocks I'm pretty confident that at least one is going to be a spectacular winner. So far, we're running about 8 or 9 out of 10 are, well they're all profitable actually, but 7 or 8 is my usual average of winners and that is the smart way to buy. And, Australia, to answer your question, is going nuclear whether they know it or not.

- Dominic** What's struck me about, when I read your newsletter and hearing you talk about your basket of stocks is, although you recommend getting a basket of stocks your, the Dines portfolio is either pure uranium or precious metals. There's no diversification outside of that.
- Jim** For the moment that is correct. Of course those are the two best performing groups in the world. So you know, it's you know, Napoleon's command to his generals was "follow the sound of the cannon" and my command to my subscribers is "suivez l'argent – follow the money." And so we're very heavily committed but there are different levels. There are, there is for example an ultra blue-chip called Arriva, that's a high priced blue-chip uranium stock, and there are also stock selling for pennies, that are very attractive, particularly the Australians, were you know you can buy stock at 50 cents, if it goes \$5 you've made 10 times your capital and that's the way these stocks are moving. And the public's not even in yet. At this point they're still, at this point they're still kind of sniffing around and my third book 'Mass Psychology' goes through the various stations, not of the cross but of bull markets and these stations are pretty regular. First is denial; second after, they go up the public will say "well yes, it was valid but they were already too high" and then finally they'll sell short and at the top they'll buy. This is what happened in the internet, it happens in all bull markets and "Mass Psychology" book is really the blue print for how we're going to handle this bull market.
- Dominic** I think public opinion of uranium will change very quickly if oil hits \$150 or \$200 a barrel.
- Jim** Well, that's right, that's right. You get one good terrorist event, well a bad one, and they're after us. I mean they're after the oil – they know it's our jugular vein. And there'd be no better way to ruin, at least severely harm the world's economies and breed the chaos they're looking for. But, but it doesn't matter – global warming is the ace of trumps, that is happening, it is for real. The oceans are rising; the ice sheets are melting; the polar bears are beginning to do their dening on land instead of on ice; even here in San Francisco the forsythia are blooming in January. The signs are everywhere – the planet is warming up and we need to understand that the oceans are going to rise – there is no way to stop it at this point and the best we can do is go immediately to nuclear and price oil so high that that people just stop using it. It's going to be a massive disruption, no question about it but don't me, don't blame the messenger for the news! I'm trying to poll a review of the world into awakening and doing something immediately because this is.. ; look at George Bush – he's excited about ethanol and because it'll grow more corn and he'll get a vote from the corn belt, this is beyond politics – this is survival.
- Dominic** And I noticed Hilary was saying last week that she was going to tax all the oil companies on their profits.
- Jim** My point is – the age of petroleum is over. It's over, we need to stop it; we're addicted to it, and all I can say is the glaciers are melting; you know the snow, don't bother going to skiing in Bolivia this year, don't bother going; and Switzerland is going to start feeling it. You know the world is about to change drastically. Is that good? Yeah, sure, if you want to grow rice in London, that's alright. But there'll be droughts, there'll be floods, the storms will be horrendous; you know we're in for a

different kind of planet. Now we can either choose that or come to our senses and realise that what we have done throughout the entire history of humanity needs to be examined drastically. This calls for radical change. Nothing else will work.

Dominic Let me ask you, uranium mining and the building of all these nuclear plants in China and presumably, eventually, in the west; it's going to boost demand for equipment, services, are there companies emerging in this area that we should be looking at?

Jim Well, yes and no. Arriva is one of them; General Electric is another, but it's a small part of their business. I'm now doing research on that and we're looking for that type of company but none of them have been good enough to merit being added to the Dines' Letters recommended supervised lists but you can be sure when I find stocks like that I will put that into the newsletter immediately. The, and you know the question of what to do with nuclear waste is very, that's the main problem with it as far as I'm concerned on a realistic basis. The new plants are very much safer than the original ones, and certainly better than the bungling ones at Chernobyl. I mean France has been 80 percent nuclear for decades and they are yet to have an accident. And hope they never do of course, but it's actually safer than a lot of other, I mean all energy sources are dangerous – they're all combustible after all.

Dominic How do you get rid of nuclear waste?

Jim Well that's the killer question and that's going to be the challenge for the next generation. There are a number of possibilities. Number 1 - in Finland they're building extremely deep holes; miles down into the rock and putting it there. Another possibility is putting it into space ships and getting it off the plane; but the most likely one in my opinion is going to be some kind of central facility where; I envision is all the processing of uranium is done at one place and when it's allowed to go all the way to; plutonium is very little waste left. The problem with, when individual countries, such as Iran do their own processing, nobody knows what they'll do with the plutonium. But this would get rid of most of the waste and make it much less radioactive and then that could be buried. I suspect that that's what the United Nations or some other international body will have to develop, is to give nuclear power or give fuel rods to all nations in the world that want to buy it and centralise it that way and then keep the waste all in plutonium and then bury it very deeply. I don't know; I mean look – I remember reading about Thomas Edison couple of centuries ago, that's not true, but a long time ago, who favoured direct current, and he said if you go to alternating current people will be electrocuted. Well he was right; they went to alternating current, children stuck their fingers in sockets and died. But you know what? We still use electricity because the question was whether you have electricity or shiver in the dark. And I think the same judgement will be made today.

Dominic What about the risk of a nuclear plant becoming a terrorist target?

Jim I think the risk is high and the answer to that is, protect it. You know, they could certainly run, dive an aeroplane into one of the large coal fired facilities in London. Look, you know, you can take a small quantity of radioactive substance and mix it with some dynamite on a truck and set it off in the city and it would be uninhabitable for hundreds of years. So, the dangers of nuclear terror are there, we've got to live with. This is the Pandora's box opened in 1944/45 with Hiroshima/Nagasaki. We are

in the nuclear age and this danger and the crazies who want to use it are there; and, look - Protect Yourself. What can I tell you?

Dominic Would you be buyer oil and natural gas shares at the moment?

Jim What I said originally, in 2000 the Dines' Letter came out and said that the leading groups are going to be natural resources; we're shifting from financial instruments and electronics and high tech, sell all of your high tech stocks and get into raw materials. At that point they were at the bottom of a 20 year bear market and after 20 years they were devastated. All these, gold was at \$260 an ounce and all the rest of it. And I said this was the time to say goodbye to all on the bargain counter. Energy was one of my favourite groups because of my bullishness on China and India and, but I said within the energy group I would favour uranium because that is already in shortage whereas the other ones will have their normal cyclical ups and downs. And that's certainly come true of natural gas which has crashed, and even oil has come down \$20 a barrel; so but uranium, you'll notice, is right up flush with its all time high at \$75 a pound. So, oil is a cyclical energy and I have the alternative of uranium, which in my opinion is going vertical from here. I've never seen a commodity in my career go from \$8 to \$75 without a single correction – it's been straight up. All the uranium for sale has been gobbled up. So I would say that oils are good but they will have their cycles. Now, I will add this - the middle east has the most valuable real estate on the planet; America will gradually be pushed out of it and the strategically the giants - Russia, and China, and India, and Japan - will be fighting for that middle eastern oil, not to mention the Islamists. So, this is going to be the focus of a great deal of warfare in coming years. But the value of oil is going to be very high and the longer it goes on, the more valuable it will become – eventually they'll dig up garbage dumps for the plastic now being discarded! But for the moment we're in a cyclical downturn; there's an oversupply of oil that is temporary and this temporary glut has made it so that we sold out oil stocks – there were a few that we had on our lists – but we've taken very big profits on them, fortunately, near their tops and for the moment we're out of them. But uranium is different and the precious metals are different, and those two are supervised recommendations at this point.

Dominic You said you'd trade your oil stocks. Do you generally trade or are you more of a holder?

Jim We have five separate lists. There are never more than ten stocks in each list; so that somebody could put an equal amount into each one, each of the entries, and make it suitable for ten thousand or hundred thousand dollars or pounds, whatever. Furthermore the lists are broken down. List number one is conservative, for more conservative long term investors; number two are growth situations that we intend to hold for long term, for younger people, growth stocks; number three is a supervised gold and silver and precious metals list; four is short term trading and five is very low priced penny stocks, usually gold and silver but in the last 5/6 years it's been heavily dominated by the uraniums and doing very well indeed on all of these. So to answer your questions, we really run together but there are ten entries in each which is enough for any investor to put a little into each of the ten.

Dominic I see. And what about the base metals – do you have an opinion on those at the moment?

- Jim** Well, we've just come out with our big annual forecast issue, I think you've got a copy, it's 44 pages, 46 pages actually, did you see that?
- Dominic** I did.
- Jim** Well, we covered the geo-political situation on that. I believe that, we turned bullish on the commodity markets as I said in 2000; we turned bearish on the commodities late last year because I feel that China is due for a short term downturn – not a crash – a short term downturn for a number of reasons and so I'm bearish on the base metals, I don't think that's the place to put money right now. I think that the breaks in copper and what have you, are indicative of a business slow or certainly an end to inventory building, I don't, that's where I'm leading my subscribers.
- Dominic** What you talked about, cyclical downturns, what you're view of housing in America at the moment?
- Jim** In recently years I've been very negative on it. I think we're in for an international real estate decline, just a normal cyclical one perhaps, but I think that, of course real estate is not, for some people it's a home rather than an investment, but I think that we are at the cusp of a very serious downturn in real estate. I would not recommend it at all.
- Dominic** In London at the moment we haven't really had the correction you seem to be having in the States – it's mental, the shortage of supply and everyone scrabbling of every property that goes on the market.
- Jim** It's the mass psychology as I mentioned before is very important, in my 'Mass Psychology' book, real estate is very different to that of stocks. It's much stickier, you don't just go out and sell a piece of real estate the next day, you need to find a buyer, it's almost primitive, the way stocks were when Wall Street began; but the internet has speeded things up quite a bit in real estate and you're beginning to get faster movements but the elements of mass psychology that I mentioned before, in normal bull markets will express itself somewhat differently in real estate. As long as people use the word 'shortage' then that is a bull market and frequently appears late in the stages of a bull market when they say there's a shortage. The truth is, the amount of real estate is always the same and it's the demand for it that fluctuates and when there's a shortage it means there's a lot of demand and frequently marks the top. When the psychology, when the mass psychology shifts, it's a bearish. The whole tenor of the market shifts, you can see it here in California, right before your eyes, it's no longer, it's certainly a buyer's market and the seller is holding out for the highest price he ever heard of; whereas the buyer is looking for lower prices. So the first sign of a top would be an evaporation, or a sharp diminishing of the number transactions. I don't know if that's shown up in London yet but it will. And that will be the sign to run for your life because from these levels the decline could be very severe and as the price that buyers are willing to pay keeps dropping, the gap between what the seller is dreaming of, again this is all mass psychology – you can read my book if you want, the psychology shifts and you begin getting sudden severe drops in real estate because it's so sticky and the drops are because people die, or get divorced or move or whatever and they have to sell, and take whatever they can get. So, I'm looking for some kind of severe break in the real estate market later this year or definitely by next.

- Dominic** Why don't we just touch briefly on the general stock indices? What do you see happening there with the Dow, the SMP, the Footsie?
- Jim** The leading averages are in up trend, on major up trends, major for those of you not familiar with visual analysis, is the main trend like Charles H Dow compared major to a tide and intermediate to wave, and a ripple to day to day trading. The major trend is up; the short term trend is very over bought and I'm concerned about a real estate bust and a commodity bust adding to, and somehow and automobile but happening in America. I mean, Toyota has been eating our lunch the same way America once ate Rolls Royce's lunch. So, you know the wheel turns but America's got very serious problems and for the moment, the major trend is up and the short term is down. So, I don't have as strong a feeling on that question as I have on your other questions. But I'm watching, when I have a strong opinion it'll be in my newsletter.
- Dominic** You describe in your newsletter that we're facing an energy crisis, we're facing a climate crisis, you also mention a monetary crisis, why don't we touch on the precious metals?
- Jim** The whole monetary, the world monetary system is corrupt. My second book, 'The Invisible Crash,' goes into quite a bit of detail. They don't teach it in schools but the General Convention in 1922 doubled the money supply to pay for World War I, and that launched the inflation of the 1920s and the crash of the 1930s. And they did the same thing after World War II and the whole world is printing money with no relationship to underlying value of the wealth being created. This is a house of cards which is why we have so many monetary crises running around these days. As one currency gets picked off after another, they're all managing the currencies, the central bankers and this is a very, very - answering that question would take me hours. But we're in a very serious situation and already the price of gold is going up to reflect the ruination of paper money and starting again with a new money backed by gold, and the whole world has been suckered in to holding dollars and paper pounds. Look, America is the only country that has not been selling its gold. Every other central banker is selling it to buy US treasury paper to get an income. The trouble is the guys who are doing that will be safely dead by the time it hits the fan; but what America will do with the gold at Fort Knox is have its next currency based on it. We've done it a number of times before.
- Dominic** I thought they were selling it?
- Jim** NO. No, not an ounce! The ones who are selling it are Canada, England, Germany, the Europeans; the bankers are all selling their oil – sorry their gold. Not an ounce.
- Dominic** Clever, clever! I thought they sold it to manage the markets?
- Jim** No, no. Not an ounce. America doesn't have to sell anything, they just print it! The whole the world, this is a whole separate topic; you can read my letter on that if you want. But anyway, the more serious question added on top of that is an international civil war. This is the first war in history that dares not speak its name. It's called 'war on terrorism,' it's called 'clash of civilisations' and other rubbish like that. It's completely false. What we are now in is a religious war and, I'm strictly neutral, I'm only saying is what I observe and the whole world is in a religious war and it's between what I call the 'orthodox versus the seculars' and, it's in every

country, and emerging, even in America, you know the struggle over abortion and the death penalty and stem cells, all these things reflect it but it's even got violent. There have been doctors, abortion doctors who've been killed. Where you really see it, of course, is right now in Lebanon, between the two sides, the orthodox and the seculars, you see it in Gaza, Israel - it's just below the surface in Israel. Believe me, if that Arab problem was solved for them they would be at each other's throats – the orthodox and seculars. So, Kosovo was an interesting one – why was eastern and western Christianity on different sides? One, and western sided with the Muslims – that's an abhorration! But geo-politically of course, you have Northern Ireland between Catholics and Protestants – that's still simmering. And the whole world is undergoing this civil war, this revolution and it's certainly happening within Islam. I mean Bin Laden said his first act on taking control would be to kill the Muslims who did not follow his orthodox faith. And this is an overlay, a political overlay, on the entire energy situation because the Muslims will control, as I said before, the most valuable real estate on the planet. And how that's handled is going to be critical in how things play out. I cover a lot of this geo-political stuff in my newsletter; but basically, the Dines' Letter feels we're in a very critical juncture and it's being handled very poorly, in my opinion, and, but then again, I just work here! You guys are on your own, all I can do is tell the truth and touched by result.

Dominic So we should buy gold, uranium and silver – should we buy silver as well?

Jim I like all the precious metals. One of my theories, the Dines' wolf pack theory, is that stocks of similar economic backgrounds move together. And as a result you see not only gold and silver moving together but also platinum and palladium. One of my old predictions, when I turned bullish on gold, at \$35 an ounce, and that was the most hated investment on the planet at the time, and got me fired from my job on Wall Street for it, before it went up to \$400, sorry \$850 an ounce, and then the firm I'd working for went broke and that was the first evidence I'd ever had in life that god really did exist. But, anyway, there's also an industrial application in silver but it's basically, a silver coin is good anywhere in the world, as is a gold coin. The platinum, I'm bullish, number one because of the Dines' wolf pack theory, dupack we call it in our company, but in addition to that, platinum and palladium will benefit from the, as I've said before, the automotive/catalytic convertors as the pollution gets worse and worse with all these cars. So, but those four elements, I also said at rock bottom, that I thought that the other precious metals would someday begin to move with gold and silver, rhodium, iridium etc, and, but not yet – they're still way to scarce to really have fluid markets. But I think platinum and palladium should also be included now.

Dominic Jim Dines, you've been so generous with your time; it's been absolutely fascinating and interesting, and insightful talking to you. I'm sure lots of listeners are going to want to find out more about you and your newsletter, so why don't you give out some information about how they can subscribe to your newsletter and so on?

Jim Well, I think the easiest way is to look at us on the website – www.dinesletter.com. But I'd like to mention one thing – I used to lecture in England quite a bit in the 1970s when gold was at \$35. My prediction at that time was that it would go to \$400 and people were pretty incredulous, I don't blame them, I mean, at that point the US government had sworn they would never let the price of gold go above \$35; so much for American guarantees, but that's another whole topic also. But I haven't

lectured in London for many years, and I guess I should one of these days while I still can move around and travel and what have you, and, but I really feel something similar, this interview brought out in me the feeling I had when gold was at rock bottom and I was in London giving lectures, and I just didn't have a , and I don't know, I don't have anywhere to go and –it's so much easier to stay in San Francisco by my pool in the sunshine but if anybody wants to read my stuff, just check www.dinesletter.com, read it and if you like it follow it, if you don't don't – it won't change my standard of living either way.

Dominic OK, listen Jim, why don't you come and do a talk for Minesite? They have presentations every month; they'd love to have you do a talk for them.

Jim Well, have them write to my staff and we'll look at it. I only do one more, a final one in London, I've really cut back on travelling, I'm really enjoying California, and I live on a hill, yes!

Dominic Very sensible. Well, I'll have their people call your people. There we go. Listen, thank you so much – it's been a pleasure. Thank you.

Jim You're welcome, and I wish, my final thought is this – may everybody out there, may you live every day of your lives.

Dominic Great final thought – Jim Dines thank you very much.

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