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**Three wealth
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10/01/2024

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Three wealth accelerator stocks to buy now

Sam Volkering and James Allen, Editors, *Small Cap Investigator*

WEALTH ACCELERATOR #1: the UK-listed company capitalising on the fastest growing tech in human history

I (Sam) have been covering the developments in artificial intelligence (AI) for the better part of a decade now. Some of my earlier work looked at the implications of the (now defunct) BRAIN project funded by the US government's Defense Advanced Research Projects Agency (DARPA). I also covered work undertaken by Sir Tim Berners-Lee and Sir Nigel Shadbolt and then looked into the kinds of companies pushing forward AI research and development such as IBM and Nvidia.

In fact, it was in November 2013 that I wrote a research report on Nvidia discussing the work that the company was doing with artificial intelligence, noting that:

... [in mid 2013] Nvidia trumped Google and created the world's largest artificial neural network.

As a point of comparison, Google used 1,000 CPU-based servers – about 16,000 CPU cores.

Nvidia in collaboration with Stamford Uni created an equally large network with only three servers... that's right, three. But by the time they'd finished, Nvidia had 16 servers, all powered by Nvidia GPUs. The completed network was 6.5 times bigger than what Google had created.

This was only possible because of the key difference in using GPUs vs CPUs.

The point to all this is as we rely more and more on computing to process information. It's vital to leading us to a world of more advanced technologies.

It might be in the form of weather simulations. It could be the Google Maps in your sat-nav. Augmented reality through your wearable tech as you walk down the street. And it might even be a key part of machine learning and artificial intelligence...

It was around this time I was also looking at the relationship between open-source data and its integration into advanced machine-learning technologies.

The conclusion that I drew was that we were entering a future not necessarily of “artificial” intelligence, but “augmented intelligence”.

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That's where, I believe, we are today and will remain for some time: but therein lie the opportunities for investors.

You see, it's important not to get too swept up in the noise and commotion surrounding AI. Already we've seen alarmist and fearful reporting on the immense threats that AI poses to the world. The pessimists say that we will see it change the balance between people and computers: jobs will disappear as AI takes over.

It's very easy to get swept up into the hysteria about it all. And to be fair, that's in part due to the accessibility of ChatGPT.

However, what the media is seeing with ChatGPT is not necessarily what you're getting. When looking at ChatGPT, the "intelligence" part of the application is a bit of a grey area.

The truth is that it's highly advanced when it comes to the synthesis and analysis of data and interpreting that into real-world language. It's a natural form of advanced machine learning – large language model (LLM). But is ChatGPT intelligent as in the way you and I are intelligent? No.

Is it a fascinating tool that we can use to augment our own intelligence though? Yes.

And when you make the distinction between AI and augmented intelligence, we think that you'll see ChatGPT for what it truly is: you will see its potential and limitations.

As we see it, it is not necessarily the "pure-play" AI companies that have the real potential for the long term.

No: the real opportunities come from companies that are already on a solid footing financially, relatively unknown and able to supercharge their businesses by applying AI.

Your first wealth accelerator stock...

Team Internet Group (LSE:TIG) is a UK listed company, listed on the London Stock Exchange. The company is a web services and domains business that has grown over the years through a strategy of organic growth but also a number of acquisitions (20 at current count according to the company).

To give you an idea of some of the services that the company provides, we can take a look at the brands that exist under the company (some links are provided below to the sites).

- Only Domains – a platform that provides access to domain name registration, website development, email services and web security. It serves over 300,000 customers according to the company.
- Team Internet Group Reseller – a platform for the reselling of TLD (top-level domains) including a full automated system for domain registration and management.

- BrandShelter – a platform that provides domain management and security – notably by helping to monitor infringing websites, acquire relevant brand domains from third parties and register domains to protect a brand.
- Zeropark – an advertising and marketing platform without relying on cookies, to help brands reach new customer channels. Some partners include, Nike, Target, Adidas, Klarna, Afterpay and Etsy.
- TeamInternet – traffic and domain platforms to help customers monetise domains and buy and sell traffic for advertisers.
- Team Internet Group Registry – a TLD registry platform for domain registration and management.

In short, Team Internet Group is one of those companies that play important roles in enabling the internet to function, while being one that you have probably never heard of.

The ability to have an identity online, be it as an individual or as an organisation, has never been more important. Furthermore, ensuring that you're found, that people can reach you, and that people can learn about you is an increasingly difficult task.

Team Internet Group helps customers find their online presence, manage it effectively and then to go on to maximise the monetisation of their online presence.

At its core, Team Internet Group's business is strong, profitable (which we'll get to) and has key relevance in an ever-increasingly digital world.

But it's something that the company pioneered (in 2021) that we think holds the key to unlocking the full potential of the company. Team Internet Group has the ability to be a much larger and better-known business.

When AI and the internet meet

In July 2021, Team Internet Group announced that it was creating a new *in-house* division dedicated to data and AI.

This group would be headed up by chief data scientist Dr. Pawel Rzeszucinski – an expert in data and AI.

As the company explained in the announcement:

Team Internet Group stores, manages, and is exposed to huge datasets that can be used for advanced analysis. Examples include; navigation data on tens of millions of daily DNS queries, ad-tech data on tens of millions of domain advertisements, site usage data on hundreds of millions of unique visits and millions of monthly clicks, and similarly extensive data on transactions and registrations.

These extremely large data sets lend themselves perfectly to AI and machine learning applications that can be used to provide a large array of initiatives which will benefit both the Company and our customers. These include; improved customer service, optimised business operations and decision making, enhanced marketing, reduced customer churn and automated detection of non-compliant customer activity.

Now the obvious question might be, how does AI and a domain and web services company fit together?

So let me give you a demonstration.

Have you ever tried to register a domain? Have you ever tried to come up with a domain for your organisation? We have, and we can tell you this: it's not easy.

First you need to come up with a name. Then you need to go to a domain name registrar (like Only Domains) and type in your domain to see if it's available. However, what then if the domain is taken? You then have to go back and start again.

What if the implementation of AI into domain registration was a reality? ChatGPT gives a clue.

We decided to ask ChatGPT a simple question which you'll see below, along with its answers.

Note: at the time, our publication was called Frontier Tech Investor.

Can you come up with 10 available domain names for our financial newsletter, *Frontier Tech Investor*, which are interesting, catchy and not too long?

Sure, here are 10 available domain name suggestions for Frontier Tech Investor newsletter:

*FrontierTechInvestor.com
FintechFrontier.com
FutureFinanceInsider.com
TechInvestorNews.com
FrontierMoneyMakers.com
TheTechInvestorClub.com
NextGenFinanceInsights.com
FrontierWealthInsider.com
DisruptiveFinanceDigest.com
TechInvestorHQ.com*

Can you give us another 10 that are a bit more exciting?

Sure, here are 10 more domain name suggestions for Frontier Tech Investor newsletter that are a bit more exciting:

*FutureFortunesHQ.com
TechTrendTitans.com*

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CuttingEdgeWealth.com
MoneyMintingMavericks.com
FrontierFinTechFrenzy.com
BoldFinanceInsider.com
TechInvestorNation.com
WealthRevolutionary.com
NextGenMoneyMoves.com
FrontierInvestmentForge.com

How about 10 more that are one word long, or a made-up word that sounds like a real word?

Sure, here are 10 domain name suggestions for Frontier Tech Investor newsletter that are one word long or a made-up word:

Fintechster.com
Innovestiq.com
Investoryx.com
Futurenova.com
Techstox.com
Wealthpiloty.com
Trendvise.com
Prospexa.com
Frontechic.com
Disruptrix.com

Now, all we have to do is choose one – and then register it. That’s a lot easier than registering a domain has been in the past. And this is the kind of thing that, we believe, Team Internet Group will look to add to its services and offerings in the future.

Further, we believe that if Team Internet Group can integrate AI in a way that not only finds the right domains, but then automated the registration and construction of the brand around that domain, it could unlock a profit centre that could take the company to new heights.

Of course, right now, this is *speculation*. There’s no concrete strategy by the company to integrate AI in this way. And what you see above is an example of what AI and domains could look like.

Nevertheless, we believe the company wouldn’t dedicate an entire division with a world-renowned data and AI scientist if it wasn’t serious about bringing AI into its offerings. That’s why we think Team Internet Group is a perfect way to get a strong footing in internet services but also AI.

Strong financial position

As mentioned earlier, Team Internet Group is a profitable company already, before it gains any benefit from incorporating AI into its business.

The most recent financial report is a trading update for the first quarter of 2023, released in late April.

It shows the company expects revenues of \$194.9 million with a gross profit of \$45.8 million, and adjusted earnings before interest, taxes, depreciation and amortisation (EBITDA) of \$21.3 million.

That, the company says, is an improvement of 24%, 15% and 15% compared to the Q1 figures from 2022. Furthermore, its year-on-year growth for the trailing 12 months is around 45%.

The company is in a strong, financial position and growing. It is cash flow positive from operating activities and is using that money to grow by acquisitions. It's a strategy that we believe sets it up for future growth.

Also worth noting from the trading update is an agreement with Microsoft Bing, and its ability to leverage its "existing Artificial Intelligence capabilities with ChatGPT." In short, this direction forward with AI is exactly what we expect to see as a primary growth driver in the years to come.

Risks

Growth in earnings and cash flow depends on two things. One is ongoing organic expansion of what is a stable business. The other is successful execution of acquisitions.

The main risk is that one or both of these outcomes does not happen. Expectations would be harmed. Since the beginning of 2020, the stock price has grown from about 85p to 115p at the time of writing. The process could go into reverse if investors were disappointed.

In addition, it's important the company does show some positive financial impact from its investment in data and AI.

While the company does have a valuation currently around £339 million, it's by no means a large-cap stock: nevertheless, it is one of our bigger plays. And it does carry a high valuation based on earnings, which – as noted – could get punished if forward momentum isn't maintained.

Still, Team Internet Group is already profitable. It has a great business and a great strategy – and the potential to leverage AI into its existing business mix offers enormous potential.

Action to take: BUY Team Internet Group (LSE:TIG). For current prices, stop loss and buy-up-to limits, [click here](#) to check the Buy List for details.

WEALTH ACCELERATOR #2: this “violent upside” sector gave investors a shot at making as much as 28,000% last time around... and history could be repeating itself...

The term “false promise” is relevant to energy markets right now.

Following the COP26 climate summit talks in November 2021, we were promised a greener and *cheaper* future of energy by policy-makers.

What do they take us for?

The only thing we’re getting right now is ongoing soaring energy bills and an obvious realisation that the only meaningful energy policy is one that relies on domestic energy generation.

For example, from 1 April 2022, a price cap is being implemented which could see the price of gas and electricity (combined) rise from £1,277 per year, to £1,971 for the average UK household.

That is the theory.

The practice is different.

Here’s my (Sam) household gas tariff from November 2021:

| | |
|------------------|-------------|
| Unit Rate | 2.5143p/kWh |
|------------------|-------------|

And the electric tariff from the same period:

| | |
|------------------|--------------|
| Unit Rate | 14.1143p/kWh |
|------------------|--------------|

That was the final month of my previous energy deal.

We moved on to the cheapest deal our energy provider had to try and keep costs down...

...continued on next page...

We *thought* that our bills would stay roughly the same.

How wrong we were.

Now look at the new gas tariff...

| | |
|------------------|-------------|
| Unit Rate | 6.9048p/kWh |
|------------------|-------------|

... and the new electricity tariff:

| | |
|------------------|--------------|
| Unit Rate | 26.1429p/kWh |
|------------------|--------------|

That's a 174.6% increase in gas costs and 85% rise in the cost of electricity!

Together, it's more than *doubling* the overall power bill – assuming that actual usage remains the same.

This isn't a by-product of recent geopolitical conflict. This has been in the making for over 18 months.

What the events in Russia and Ukraine have achieved, though, is to open everyone's eyes to the fact that reliance on other countries for energy is a policy that can produce domestic disaster.

Russia accounts for around 20% of the European Union's gas supply. Although the UK only gets 3% of its gas from Russia, it could still be vulnerable to higher prices due to the inter-connectiveness of global energy markets.

There has to be a better way forward for the UK.

Thankfully, there is.

Energy's "dirty" little secret

The UK government's headline-making policy of net zero carbon emissions by 2050 seems very powerful in principle.

But what most people don't recognise is there's a massive caveat to "net zero". All bets are off if the *security* of Britain's energy is under threat.

All net zero policies are, in the government's words, "... subject to security of supply."

The need for **energy independence** is more important than the need to achieve net zero.

This isn't some conclusion we've come to. It is etched in the detail of the net zero policies themselves.

Our view is that *energy independence* will become the most powerful political policy of the 2020s.

It is the need to generate energy at home so that regardless of what happens outside your borders, you secure your entire energy supplies at home.

In a country like the United Kingdom, there will be a number of ways forward to energy independence. But there is only one way to achieve it without burning the natural environment to the ground or polluting the air to Beijing-style levels.

There is actually a clean, green and cheap way forward for energy in the UK. It is perceived to be dangerous and dirty. However, the perception is wrong.

The way forward to the UK's energy independence is *nuclear power*.

Up until now, the world has underestimated the potential of and need for nuclear power.

In comparison to fossil fuels, nuclear is a cheaper, lower carbon energy source and contrary to the misinformed narrative, is a highly *reliable* source of energy.

For instance, it can be generated anywhere at any time, and even beats other renewable sources such as solar and wind power because it doesn't need the sun to be shining or wind to be blowing.

Also, nuclear energy is capable of producing larger amounts of energy than fossil fuels.

It is estimated that the amount of energy released in a nuclear fission reaction (the process in which uranium atoms are split to create nuclear energy) is *ten million times greater* than the amount released when burning fossil fuels.

However, there's also no doubt that nuclear energy has some negative connotations in the public domain. Nuclear is a dirty word to the general public.

Why? Well, it's quite simple. Misinformation.

Planes, cars and nuclear meltdowns

Statistically you're more than likely to die in your daily commute than from a plane crash.

So why are so many more people afraid of flying than riding in a car?

The visceral images of a plane crash are dramatically worse than a car crash. A burning plane in pieces loaded with hundreds of people is a far more terrifying *thought* than a car with four occupants.

In the United States the odds of dying from a car crash were 1 in 101. The odds from dying from a dog attack were 1 in 69,016. The odds from dying in a plane crash were, “too few deaths to calculate odds”.

Yet it's estimated around one in every three people have some level of a fear of flying.

Why? Perception. That's it. It's simply the perception of danger that's more dangerous than the activity will ever be.

This is *exactly the same problem* with nuclear energy. The perception of danger and disaster is far greater than the reality. This perception has driven public policy on the sector for *decades*.

People still have lingering fear from the infamous Chernobyl nuclear disaster of 1986 which indirectly killed around 4,000 people. The hugely popular *Chernobyl* TV series on Sky didn't help public perception of nuclear energy either.

In addition, security fears have been reignited from Russia's recent attack on Ukraine's Zaporizhzhia Nuclear Power Station on 4 March 2022. The malicious headlines threatening impending nuclear disaster only reinforced negative and incorrect perceptions.

According to the World Nuclear Association, only two *major* nuclear accidents (Chernobyl and Fukushima Daiichi) have occurred in over 18,500 cumulative nuclear reactor years.

Perception: nuclear power plants are dangerous.

Reality: they're not. They're the cleanest, greenest way for the UK to achieve energy independence.

Reality is sinking in, in the form of skyrocketing energy prices. People can see that government promises for cleaner and cheaper energy and a world of “net zero” is going to end up in a failed promise.

People want action from the government and are getting it. The UK government is “reversing 30 years of drift,” on policy that we believe is going to be the single most important factor for the energy independence of Britain.

In our opinion, nuclear energy *is the only way* that the UK and other major European nations can take back control. And in order to play that opportunity, our view is that it's within the uranium market that the best opportunities exist.

Your second wealth accelerator stock...

Aura Energy (LSE: AURA) is an Australian-based mining company that focuses on the exploration and production of uranium and vanadium.

Based in Melbourne, Aura Energy is dual listed on the Australian Stock Exchange *and* AIM of the London Stock Exchange.

As is the case with many mining companies, Aura Energy is a high-risk mining company that is aiming to go from being an explorer to becoming a producer – a task that is by no means an easy feat.

One of the riskiest aspects of the life cycle is the discovery and exploration phase. However, if a successful deposit is found, and a company can prove the commercial validity of the mine, and fund it through to mining, extraction and production, the overall risks are significantly reduced.

This is why we believe it's a perfect time to bring Aura into the mix as it makes that transition from explorer to potential production. It has the proven resource. It has signed offtake agreements. It is now in a position, after a recent capital raising of AU\$10 million in May, to progress its main project and to “support the Swedish government's strategy to create energy independence.”

While the capital raise was at a discount to its trading price, we see this as being a major catalyst for the company in the long term. That is why we want to position in the stock now, in anticipation of ongoing moves by countries into and back into nuclear energy and the expected subsequent boom in the uranium market.

Where's its uranium?

Aura Energy's main project is the Tiris project based in Mauritania, Africa. As its primary site, a lot of Aura's success hinges on that project's development.

A feasibility report of the project first conducted in 2019, and updated in August 2021, found some key findings:

- Estimated production of 12.4 million lbs of uranium oxide over 15 years, with the potential to produce more. For context, the whole Tiris project area is said to contain 56 million lbs of uranium oxide.
- The total project should produce \$214 million in cash after taxes. However, bear in mind this was calculated at August 2021 uranium market prices, which were hovering between \$30-\$35/lb.
- All-in sustaining cost (AISC – including capital and variable costs) is \$28.77/lb of uranium oxide. With uranium oxide currently at \$53.40 and looking set to head higher, profit margins for Aura will likely grow.

What makes Tiris a standout from other mining projects is that it needs low capital expenditure.

For example, the project area is flat, low-lying land with a depth of resource between one and five metres. In the scheme of things, that makes the uranium easy to get to.

It's also located well out of the way of humans (being near to the Sahara Desert, in fact), meaning there's no real environmental impact to neighbouring pockets of population.

What's more, no machine drilling or blasting is required in extraction, making for a sustainable, zero-emission mining process.

Aura is well into the development phase and is seeking to progress to near-term production.

In addition to uranium, Aura mines another rare earth metal called vanadium. Vanadium is a steel alloy-based metal used in a number of applications, including electric vehicle charging, telecommunications, and solar and wind energy.

Aura has full ownership of the Haggan vanadium project in Sweden, which holds around 15.2 billion lb of vanadium. The current spot price of vanadium is \$7.90/lb.

At the Haggan project, Aura is currently in the development phase, having completed several drilling operations. But what makes this Swedish site interesting and exciting is the potential for it to be exploited for uranium mining.

The reason Aura can't currently is due to a uranium mining ban in Sweden. However, there's expectations this ban could be lifted, in order for Sweden to become energy independent. Should Sweden lift the ban, we would expect a bump in Aura's stock prices due to its existing site and its ongoing relationship with the Swedish government.

Finally, Aura also has another property in Mauritania, called the Tasiast South Gold project. As the name suggests, it's involved in the exploration of gold, along with other more conventional metals such as cobalt and nickel.

In our view, Aura is ready for take-off based on the potential of its Tiris uranium site and the potential unbanning of uranium mining in Sweden. With the uranium market surging and global moves to bring nuclear energy back online, Aura is hurtling towards commercial production and is on the cusp of becoming a fully established mining company that arguably produces one of the most important energy minerals of the modern day.

Financials, risks and action to take

Aura is pre-production, so it isn't producing any revenue from operations.

Again, it's necessary to look at its net asset value here and its future potential of resource.

For the half-year ended 31 December 2022, Aura had a net asset value of A\$33.1 million. This is marginally down from the A\$33.6 million figure reported for half-year ended 30 June 2022.

In addition, for the half-year ended 31 December 2022, Aura had cash reserves of A\$6.2 million. But as noted the recent capital raise also loaded A\$10 million into the coffers.

Aura recorded a comprehensive loss of A\$3.3 million for the half-year ended 31 December 2022. Although it's making a loss, it's not unexpected for the position the company is in as an explorer looking to move into production.

If it can successfully move into the production stage, the company can realise the full potential of the Tiris project which has a total JORC* resource estimation of 56 million pounds of U₃O₈.

**Note: JORC resource is an Australian mining classification for the public reporting of minerals and ore reserves. In short, it means what it says is there meets the professional code of practice.*

At the current price of uranium (US\$53.40), this means Aura's future mine potential is in the vicinity of US\$3 billion.

The company expects that the Tiris project will, "... ultimately operate at 3 to 5 Mlbs U₃O₈ production per year."

At a market cap of £65 million at the time of writing, that gives Aura a "sky's the limit" amount of potential upside.

Given current prices, that means 3 million pounds of uranium a year would be worth US\$160 million at the lower end of the expectations.

That is assuming prices stay the same. Our expectation is uranium prices to continue to climb higher, and maybe even see a 2007-style boom, where the spot price went stratospheric, in excess of \$120/lbs.

That said, it's important to consider the risks because going from exploration and a JORC estimated resource to actually production and offtake agreements is not easy, or cheap.

Aura is a pre-production mining company.

It's *hugely* dependent on future cash stream flows which cannot be guaranteed. It also means that to get to production capital raisings are an expectation, rather than merely possibility. We've just seen one recently as noted earlier, so wouldn't expect another any time soon. But there's a good chance another will come, until they can generate production revenues.

As noted, the route to becoming a fully-fledged, successful mining company is arduous. Even though Aura looks to be moving past the development stage, the production phase could provide new challenges.

For example, the quality of the uranium ore it extracts it might be sub-standard or be low in uranium density. Also, some of the deposits may not be entirely recoverable, meaning that Aura doesn't deliver on its mining projections.

Even if the extraction process goes to plan, it still has to find a buyer. This isn't a given, especially if the world's future appetite for uranium (and nuclear energy) wanes due to security or viability concerns.

Aura does currently have an offtake agreement with Curzon Uranium Trading, but it is seeking to bring in more offtake agreements. Should it achieve its production targets,

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considering the demand for uranium moving forward, we would expect that it won't have trouble finding new offtake agreements.

In addition, Aura could be subject to geopolitical risk through its Tiris mining project. Mauritania is a less economically developed country and has a corruption perception index rank of 130 out of 180 assessed countries in the world.

As such, Aura's mining practices could be subject to political instability.

Some of these risks are mitigated with the project in Sweden, and even more so should Sweden unlock the ban on uranium mining. But, if there are geopolitical issues in Mauritania, it would hurt the company's stock price.

Finally, in the uranium industry, Aura is up against competitors with far larger resources and cost bases than its own.

For example, Kazatomprom produced 24% of the world's uranium in 2021 and is domiciled in a country that provided 46% of the global uranium supply in 2021.

However, the huge risks faced by companies such as Aura can bring equally huge rewards.

Unquestionably, Aura is a speculative investment into the growing demand for uranium and it brings risks that an early-stage miner carries. So the company will need to be successful in its operations.

In anticipation of Auris deciding to progress with the mining of Tiris and a potential lifting of the uranium mining ban in Sweden, we believe now is an opportune time to take a position in the stock.

Action to take: BUY Aura Energy Ltd (LSE:AURA). For current prices, stop loss and buy-up-to limits, [click here](#) to check the Buy List for details.

WEALTH ACCELERATOR #3: the UK-listed tech firm with “natural leverage” to the fastest moving asset in financial history...

Chances are, you’ve heard all about the dizzying gains that some cryptos have achieved over the last few years.

Maybe you’ve personally profited. But unless you were involved in crypto in the early days, it’s doubtful you’ve personally mined it... I (Sam) have bought and sold bitcoin and, yes, even mined it – in the old days with a run-of-the-mill home computer, and then later with a high-tech, bitcoin-specific mining “rig”.

Early on, bitcoin was a market for individual speculators and early prospectors. In its earliest years, you could “mine” bitcoin with a simple home computer, albeit one with a decent graphics card.

But, over time, as more people began to mine the cryptocurrency, it became harder and harder to get. Soon enough, the technology advanced to a point where the humble home computer wasn’t powerful enough for mining. Soon, application-specific integrated circuit (ASIC) hardware devices were needed instead.

As the price of bitcoin exploded, so, too, did the cost of “mining rigs”. The companies selling these proverbial “picks and shovels” themselves turned into giant corporations (although they were mostly private companies).

This also helped fuel the stock prices of some global giants like AMD and Nvidia, whose graphics cards were integral to helping miners mine for bitcoin.

Today, the times of individuals mining bitcoin are long gone. It is simply not feasible anymore. Instead, mining has become the domain of large companies with the capital and economies of scale. Companies such as the one we’re introducing to you today.

Introducing your third and final wealth accelerator recommendation...

Argo Blockchain (LSE:ARB) is a cryptocurrency mining company. As noted, its sole focus is on the large-scale mining of cryptocurrencies, such as bitcoin. We recommended Argo because we believe that the bitcoin market is primed for explosive growth.

And, as the value of bitcoin rises, this directly impacts Argo’s future revenue and profitability. Not only that, but Argo is a pioneer in mining bitcoin and other cryptocurrencies in an environmentally sustainable way.

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Perhaps you've heard one of the most common criticisms of crypto – that the vast amounts of energy now required to mine it comes at a steep environmental cost. Today, bitcoin is mined by millions of advanced computers around the world – and it's true that the energy consumed is comparable to the energy demand of some small countries.

So it's true, as The New York Times put it back in October last year, that bitcoin and other cryptos must find a clean energy solution.

That's where Argo comes in. The company operates mining facilities with a commitment to sustainable energy. For example, it operates a facility in Quebec (Canada) that runs off the HydroQuébec power grid, using 100% hydro and wind energy.

Argo also opened a Texas facility in May 2022, consisting of 50,000 mining machines. It sources mainly wind and solar energy for its operation too. It has also signed the "Crypto Climate Accord" stating that: "Argo commits to being Climate Positive by 2030, [and] supports the adoption & verification of blockchains powered by 100% renewable sources by 2025."

Note: that due to the crypto rout, and Argo's precarious financial position (which I'll get to shortly) it sold the Texas facility to Galaxy Digital, but still owns and operates mining rigs from the facility.

Without doubt, Argo is an important part of the bitcoin ecosystem as a large, and growing, bitcoin miner. Argo is listed on the London Stock Exchange (LSE). It's well-suited for investors who want exposure to the potential growth in value of bitcoin but aren't comfortable investing directly in bitcoin itself.

Furthermore, Argo is a company that you can hold in investment ISAs, SIPP's and other stock trading accounts here in the UK. This provides indirect exposure to bitcoin in these accounts, with Argo serving as the proxy.

It should be stressed, however, that Argo is not a bitcoin exchange-traded fund (ETF) – it doesn't passively track the asset. It is a bitcoin miner, meaning that the company mines bitcoin, obtains it, sells it and usually keeps some on its balance sheet.

All this raises an important question: just what, exactly, is bitcoin mining?

Bitcoin mining 101

The intricate technical explanation of mining bitcoin and how bitcoin's code works is somewhat irrelevant here. This isn't a report on "how to mine" bitcoin.

What you need to know is relatively simple... Bitcoin is fundamentally a network consisting of nodes (peers). This network is known as bitcoin's blockchain. For a blockchain to exist (and continue to exist) it requires blocks (of data) to be added in perpetuity, which records and validates all transactions on the network during the time taken to "mine" each block.

In bitcoin this process is carried out by "miners". By adding blocks and verifying

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transactions, they are also providing security and certainty to the network.

The process by which bitcoin's miners do this is known as "proof-of-work". That means they expend energy and computing resources to complete an algorithm, and the miner that solves the algorithm first adds a new block to the blockchain.

The reason miners do this, competing to add blocks, is because they receive a "block reward" for their work. The block reward comes in the shape of bitcoin "coins" – a virtual representation of coins that exist on bitcoin's blockchain.

So, for every block added to the bitcoin blockchain, the miner that added the block collects the block reward. This currently stands at 6.25 bitcoin per block added. At current fiat (i.e. conventional) currency-converted prices (around \$27,000 per bitcoin), that means that a miner receives the equivalent of \$168,750 for every block they mine.

Historically, a new block is added roughly every ten minutes. So, every day (roughly), bitcoin miners are competing for 900 bitcoin in block rewards (about 144 blocks per day x 6.25 bitcoin block reward).

And that works out at around \$24.3 million in block rewards each *day*. Therefore, miners with a lot of computing power and resources that can mine bitcoin with low energy cost have the potential to become very profitable companies.

And the higher the bitcoin price, the more lucrative mining could become. Should its price hit \$250,000 per bitcoin (with the block reward still at 6.25), for instance (which is a forecast we've speculated about previously), then a single block reward could be worth as much as \$1.56 million to a miner.

Bitcoin's potential fiat-converted price appreciation and Argo's growing bitcoin mining resources are the factors driving our recommendation of this company. My view is that in the long term, the fiat currency-converted price of bitcoin will continue to rise. In fact, it may very well skyrocket.

I think that, long term, it even has the potential to march on to \$1 million per bitcoin. If that plays out as I predict, then, for a bitcoin miner such as Argo, the sky's the limit.

Argo's mining power

According to Argo, the company's total resources allocated to mining bitcoin works out at around 0.6% of the world's bitcoin mining network hashrate. That's off the back of Argo's mining capacity increasing from 685 petahash on 31 December 2020 to 1,075 petahash on 30 June 2021.

According to its full-year 2022 results, Argo's mining capacity now sits at 2.5 exahash. The hashrate measures the speed of bitcoin mining. The hashrate is the rapidity with which a computer can convert any set of data into letters and numbers of a specified length. A petahash is equal to one quadrillion (one million billion) hashes per second. An exahash is equal to one quintillion hashes per second.

So, Argo has been scaling up its bitcoin mining power. And we expect to see it scale up further. My view is that, based on bitcoin mining alone, the company has huge potential tied in with the rise of bitcoin globally.

How much does Argo make?

According to the company's full-year results, revenue was £47.4 million for the year ended 31 December 2022. This is a 36% decline on the same period last year.

Current crypto market conditions have led to the price of bitcoin falling, which is having an adverse effect on revenues. However, what really matters is that Argo continues to mine large amounts of the crypto. Total bitcoin mined was up from 2021 to 2,156.

At a current market capitalisation of just £52 million, upside potential looks significant. The company's short-term value will closely rise and fall with the value of bitcoin – at least for the time being.

Should the value of bitcoin skyrocket, we would expect the company's share price to follow. It therefore comes as no surprise that, during the “crypto summer” of 2021, Argo's stock price traded in excess of £2.45. But that during the “crypto winter” of 2022, the stock price cratered – to as low as 2 pence.

This is the most extreme volatility you can experience in the market.

It is the only pure-play bitcoin miner listed on the LSE and the sole rationale for Argo is the potential for bitcoin to run higher and harder, ultimately rising to \$1 million per bitcoin over the coming years, as I believe will be the case, and for Argo to continue operations and maximise its mining hash-rate to get as many bitcoin in the coffers as it can.

Argo is a way for you to get exposure to this through an LSE-listed company and without having to consider the custody risk and other issues that can be associated with investing directly into bitcoin through a crypto exchange.

However, you need to be prepared to risk every cent to put in as this company is a hiccup away from bankruptcy.

Risks

The risks are substantial. Obviously, much of Argo's valuation and success will be dependent on the bitcoin price. With this comes significant volatility, which may lead to violent fluctuations in the valuation and in profitability.

For example, if bitcoin's price were to halve, which has happened several times before, it would – all other factors being equal – effectively also cut Argo's revenues by 50%. It would also halve the value of the bitcoin held on the company's balance sheet.

And if that were to happen, we think Argo would go under.

In fact, it was on the verge of bankruptcy only earlier this year. This was why it had

to sell its Helios facility in Texas to Galaxy Digital, to sure up funding and money for ongoing operations.

They managed to hold off the administrators for the time being, and have traded like a stock on the brink since.

But the company is still going, still mining, still has the Quebec facility and if the price of bitcoin begins to trend higher, and if we enter a crypto “summer” again which I expect we will, then Argo is primed to launch with the crypto market.

Nonetheless, if I’m wrong and there are longer, large declines in bitcoin’s price – it will smash the value of your investment in Argo, likely to nothing.

Cryptos are volatile. Bitcoin is volatile. The Argo share price is – and will remain – volatile.

There are also regulatory issues that could affect the ability of the company to operate its mining facilities. Negative changes to mining regulations where Argo operates its mining facilities – such as Canada and the United States – will affect operations.

Also, the continual need to access renewable, cheap, clean energy is essential. Increasing competition and reducing returns also represent long-term challenges. Every 210,000 blocks, the bitcoin block reward halves. At the current overall rate of bitcoin mining, that implies that the reward will fall by 50% every four years or so.

Thus far, the rise in bitcoin’s price has offset the fall in the block reward, and ongoing transaction fees on the network also are paid to miners, and those are on the increase currently too – so the block reward is offset longer term.

But if the company can find its feet again, we would expect longer term for the company to look at diversifying its mining operations to other crypto as well.

Taking everything into consideration, including the extreme risk here, I still think that Argo is a great long-term play with blue-sky potential on a rising bitcoin price and booming bitcoin market.

Buying instructions

Argo Blockchain (LSE:ARB) trades on the London Stock Exchange. It’s a strongly traded stock with plenty of volume, so you shouldn’t have any problem getting your order in the market.

At this point, due to volatility in the price of bitcoin and of Argo’s stock, we’re not setting a stop loss point. However, we will be monitoring things closely should the market and the stock price head drastically lower.

Action to take: BUY Argo Blockchain (LSE:ARB). For current prices and buy up-to limits, [click here](#) to check the Buy List for details.

Until next time,

Sam Volkering and James Allen,
Editors, *Small Cap Investigator*