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Uranium Backed Crypto Tokens

By: www.ProfitableInvestingTips.com

A new crypto token has arrived. Uranium3o8 is not backed by dollars, euros, yen, or gold. It is backed by uranium from a publicly listed Canadian company, Madison Metals. The problem with stablecoins that were managed by software instead of hard assets was that the software did not hold up in a financial crisis. Stablecoins backed by hard cash like dollars, yen, or euros have held up. They survived crypto winter very nicely. The new Uranium3o8 token has solid backing as well. But uranium backed crypto tokens are not stable coins. They are more like commodities or maybe futures contracts.

The New Nuclear Token

Coin Desk reports on the new [uranium-linked token](#). It turns out that this new project is as much about uranium as it is about crypto. The idea of the token is to track the spot price of uranium. The linkage to uranium will provide a floor under the token's value. However, uranium trades as a commodity and its price can vary quite a bit. In fact, the price of uranium in dollars has more than doubled in just under four years from \$25 to \$54 a pound.

Can You Turn in Your Tokens for Uranium?

In theory one could cash in one's Uranium3o8 tokens for yellow cake, the uranium precursor. However, this is the stuff that nuclear weapons are made of. For Madison Metals to sell the stuff one needs to follow a very serious compliance protocol and redeem at least twenty thousand tokens for twenty thousand pounds of the stuff. Because of security concerns, it is likely that regulators will pay attention to this and, perhaps, add more steps to the process of actually cashing out. Otherwise, one could always find a buyer for tokens who would be willing to pay dollars.

Tokenized Real World Assets

The emergence of Uranium3o8 may be only the first of a series of tokens backed by minerals and other tangible assets. The rationale is that tokenizing these assets provides rapid settlements, lower administrative costs, and expanded investor access. Those promoting the move to tokenized assets predict a niche value of \$10 trillion by 2030. An issue with the first of this group, Uranium3o8 is that the backer, Madison Metals, is not in operation yet! They plan to mine Uranium in Namibia where the mines are not in operation nor does the company have the necessary partnerships in this business niche. According to the company there is some yellow cake available to act as backing for the new token but the rest is still in the ground waiting to be mined. Backers say the tokens will be linked to forward sales. This sounds a bit murky to us and not as clear as linking to dollars in a bank or gold bullion in a vault. It certainly makes the job of an auditor more difficult if their job is to validate the holdings of the company.

Is an Asset Backed Token a Good Idea?

The world has come to be full of crypto great new ideas. The problem for an investor is sorting out the wheat from the chaff to use an old farming expression. This sort of approach could be useful for someone who wants to speculate in commodities. But, if that is the case, they can buy futures or invest in mining companies. For large mining companies who commonly use futures to hedge their risks, it is unclear how this approach would be helpful.

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