November 28, 2022
Company Update

Equity Research

SPROTT PHYSICAL URANIUM TRUST

Key Takeaways from Non-Deal Roadshow (NDR)

EVENT

Last week we hosted the Sprott Physical Uranium Trust on a virtual NDR with over 15 institutional accounts based in North America and Europe.

BOTTOM LINE

Modest Positive – Given the U.S. Thanksgiving holiday and generally thin trading volumes last week, the quality of meetings and amount of institutional interest in the Sprott Physical Uranium Trust materially exceeded our expectations.

FOCUS POINTS

- **Current State of the Spot Market** – Select utilities and producers have tended to enter the spot market as buyers more recently in the $47-49/lb U_3O_8 range, up from the ~$45/lb U_3O_8 level six-months ago. The "high-$40's/lb U_3O_8" seems to be the new floor for spot uranium prices. In terms of volumes and "available for sale" material, the spot market remains extremely thin.

- **Investor Sentiment** – Given the plethora of positive nuclear power catalysts this year, and the exceptionally strong fundamental supply-demand setup, many investors are understandably frustrated at the performance of the uranium sector year-to-date (CCJ +11%, U.UN-TSX +8%, URNM -8%, spot U_3O_8 +18%). The "panic buying" in 2022 has come further up in the fuel cycle, with conversion (UF_6) and enrichment (SWU) prices +200-300% year-to-date. It is only a matter of time, sooner rather than later in our view, before similar price action cascades down the fuel cycle to uranium oxide (U_3O_8).

- **Maintaining Buy Rating and Target** – Based on an unchanged uranium price forecast of $75/lb U_3O_8, we maintain our Buy rating on the Sprott Physical Uranium Trust and $20.00/ C$25.00/unit price target.

Recommendation: BUY

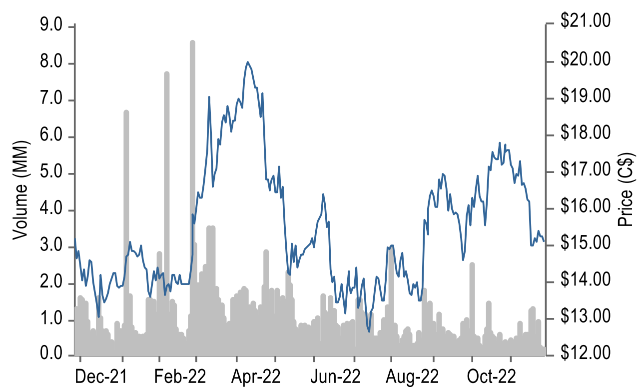
Symbol/Exchange:	U.U-TSX/U.UN-TSX
Sector:	Metals & Mining
All dollar values in US$ unless otherwise noted.	
Current price:	$11.31/C$15.10
One year target:	$20.00/C$25.00
Return to target:	76.8%

Financial Summary:

Units O/S (MM)	237.4	52-week range	C$12.22 - C$20.19
Market cap (MM)	C$3,584	Avg. vol. (MM)	0.806
Market float (MM)	C$3,584	Fiscal year-end	31-Dec

Inventory (lb)	Quantity (MM)	Mkt Price ($)	Mkt Value (MM$)
U3O8	59.3	$49.75	$2,948.6
Reported Net Working Capital			$14.4
Reported Net Asset Value			$2,974.4
Reported NAVPU			C$16.75
Current Premium/Discount to Market NAV			-9.9%

Source: Company Reports and Cantor Fitzgerald Canada Estimates



Company profile: Sprott Physical Uranium Trust is a closed-end trust that acquires and stores physical stock of U3O8 for investment purposes.

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See disclosure and a description of our recommendation structure at the end of this report.

KEY TAKEAWAYS FROM NON-DEAL ROADSHOW

Last week we hosted the Sprott Physical Uranium Trust on a virtual 1x1 non-deal roadshow with over 15 institutional accounts based in the United States, Canada and Europe. Given the U.S. Thanksgiving holiday and generally thin trading volumes last week, the quality of meetings and amount of institutional interest in the Sprott Physical Uranium Trust materially exceeded our expectations. The mix of meetings ranged across all investment strategies (long-only, multi-strategy, long/short, etc.) and account sizes (assets under management) at an approximate split of 50/50 between investors who had never met with U.U management before, and investors who either already own the Trust and/or were looking for an update. Below are the most commonly asked questions, key takeaways, and main themes from the 1x1 virtual non-deal roadshow we hosted last week:

- **What is the current state of the spot market?**
  In terms of volumes and "available for sale" material, the spot market remains extremely thin. Sprott estimates that it has already "cleared out" almost all of the secondary U_3O_8 supply that was available. While several hedge funds are thought to be still holding material, Sprott does not expect it to become available for sale until much higher price levels are achieved. According to Sprott management, "if we went to the two largest uranium producers in the world and asked to buy material from them, the answer would either be 'no' or 'sure, but delivery in 9-12 months.'" Cantor addition: the takeaway is that if/when U.U gets back to a NAVPU premium and can raise capital via its registered offerings, spot uranium prices would likely rise very quickly as there is a shortage of available physical material in the market.
- **Where do you think the support level is on the downside?**
  According to the Company, in recent weeks, select utilities and producers have tended to enter the spot market as buyers in the \$47-49/lb U_3O_8 range, up from the ~\$45/lb U_3O_8 level six-months ago. The "high \$40s/lb U_3O_8" is the new floor for spot uranium prices barring any significant macroeconomic change.
- **Where do you think the next resistance level is on the upside?**
  The bid/ask spread on a typical day is \$1/lb, and volumes at present are relatively thin, typically in 100-300 klb U_3O_8 lots, with many days in which no material transacts. Utilities that previously indicated having size for sale at the low-\$60/lb U_3O_8 level have more recently re-entered the term market as potential buyers. As such, this material is likely no longer available for sale.
- **With all the positive macro developments recently, why isn't the sector performing better?**
  Given the plethora of positive nuclear power catalysts this year, and the exceptionally strong fundamental supply-demand setup, many investors are understandably frustrated at the performance of the uranium sector year-to-date (CCJ +11%, U.UN-TSX +8%, URNM -8%, spot U_3O_8 +18%). The "panic buying" in 2022 has come further up in the fuel cycle, with conversion (UF_6) and enrichment (Separative Work Units or SWU) prices +200-300% year-to-date. It is only a matter of time, sooner rather than later in our view, before similar price action cascades down the fuel cycle to uranium oxide (U_3O_8). We expect the transition from "underfeeding" to "overfeeding" by enrichment facilities to be a major theme in 2023 (discussed in more detail below) that should act as a catalyst for higher U_3O_8 prices over the near-term. As it relates to the uranium equities, and to the Trust itself, in discussions with institutional accounts, the sentiment broadly is along the lines of "I hate

the market." This is not in reference to the uranium market, but to the stock and bond markets in general. Investor positioning among the accounts U.U is engaged with is largely "risk-off", holding existing positions going into year-end and with a higher allocation to cash waiting for signs of the "Fed pivot" and the conclusion of the current interest rate hike cycle. In general, the Trust has not seen broad selling, but rather new investors that are "sitting on the sidelines" waiting for a better time to deploy capital. Sprott, which is first and foremost a commodity-specialist asset manager, noted that year-to-date U.S. mutual funds have seen ~$1 trillion in net redemptions.

- **What are you hearing on utilities and long-term contracts?**
  While spot market volumes have had a comparatively quiet year (especially relative to last year), 2022 will prove to be the most active year in the term market in over a decade (likely well over 100 MMlb of U_3O_8 contracts signed with mid-term delivery schedules covering the next 3-5 years being particularly active). This term market dynamic is generally hidden from investors but is a sign that the nuclear power industry as whole is strengthening fundamentally. Sprott noted that Japanese utilities are likely no longer net sellers of inventory at higher prices (in the $60's/lb U_3O_8 range last year they were sellers). Rather, in recent weeks, select Japanese utilities have reportedly re-engaged in the term market as net-buyers again for the first time since the Fukushima disaster in early 2011.
- **What are the Russia/Rosatom updates?**
  While there were a lot of headlines and "chatter" earlier in the year about potentially sanctioning Rosatom, the Russian-owned fully integrated nuclear power provider, at present, all Western-allied utilities continue to receive Russian conversion and enrichment services effectively status-quo. We note that Russian conversion and enrichment accounts for ~25% and ~40%, respectively, of those parts of the fuel cycle globally. Only two utilities globally have reportedly self-sanctioned Rosatom at present. That said, while legacy contracts with Rosatom are still being honoured, new contracts with the Russian-owned company are reportedly not being signed by any Western-allied utilities. It is expected that Rosatom's primary customers going forward will be nuclear power producers in China, India and the Middle East.
- **What are you hearing about other parts of the nuclear fuel cycle?**
  As previously mentioned, prices for material and services higher up in the fuel cycle (conversion: UF_6 and enrichment: SWU) have increased 200-300% this year. According to Sprott "there's no enrichment or conversion out there to buy, it's all sold out." This price action higher up in the fuel cycle is only now *beginning* to manifest in new long-term enrichment contracts that are being signed with a higher specified tails assay, which is being increased to 0.30-0.35% from <0.20% where it has been for the last ~10-years. This fuel cycle dynamic is the often talked about switch from "underfeeding" to "overfeeding" in enrichment, and now puts the onus on utilities to procure more U_3O_8 (less SWU, more UF_6, and by extension, more U_3O_8). It is estimated that the transition from "underfeeding" to "overfeeding" would equate to a supply reduction of ~20 MMlb U_3O_8/year and additional demand of ~20 MMlb U_3O_8/year, for a net positive swing of ~40 MMlb U_3O_8/year against primary production of ~180 MMlb U_3O_8/year. In our view, this will be a major theme in the uranium sector in the coming year and will likely be the fundamental driver of higher U_3O_8 prices over the short-term. We note the Converdyn facility in Metropolis, Illinois (Honeywell/General Atomics) has been closed since 2017 and is scheduled to restart in mid-2023. We

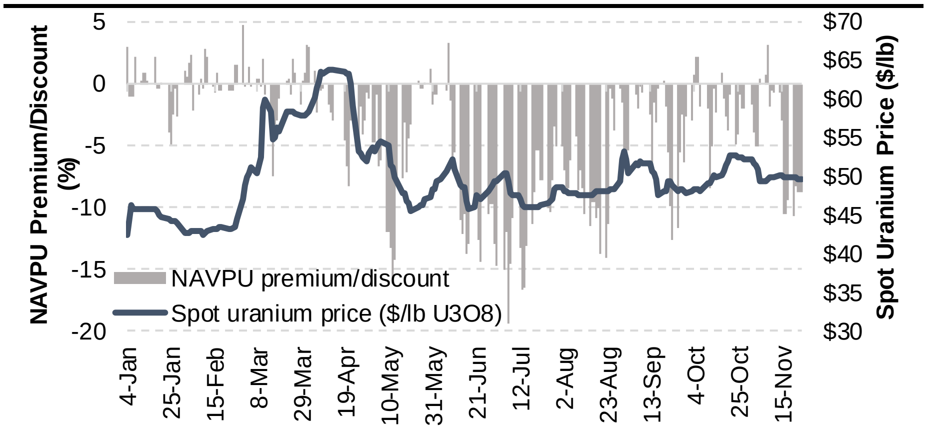
expect this will act as a major positive catalyst as it will bring on the required new conversion capacity that supports and accelerates the transition from "underfeeding" to "overfeeding" in earnest.

Exhibit 1. U.U NAV Based on Current U_3O_8 Prices

U.UN, U.U-TSX	Unit	Inventory	Spot Price $	Spot Price C$	Market Value (C$'000)
U3O8	lb	59,269,000	$49.75	C$66.81	C$3,959,491
Inventory					C$3,959,491
Net Working Capital					C$19,337
Net Asset Value					C$3,978,827
Net Asset Value Per Unit (C$)					C$16.75
Net Asset Value Per Unit					**$12.53**
P/NAVPU					**0.901x**

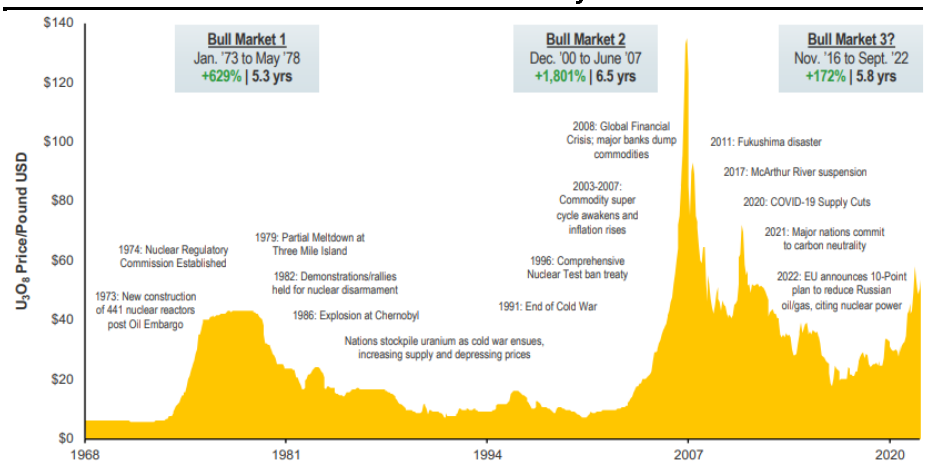
Source: FactSet, Cantor Fitzgerald Estimates, Sprott Physical Uranium Trust

Exhibit 2. Year-to-date U3O8 Price vs. U.U NAVPU Premium/Discount



Source: FactSet, Cantor Fitzgerald, Sprott Physical Uranium Trust

Exhibit 3. New Uranium Bull Market Underway



Source: TradeTech LLC, Sprott Physical Uranium Trust

MAINTAINING BUY RATING AND PRICE TARGET

Based on an unchanged uranium price forecast of $75/lb U_3O_8 and target multiple of 1.05x NAVPU, we maintain our Buy rating on the Sprott Physical Uranium Trust and $20.00/C$25.00/unit price target.

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The analyst responsible for this report *has* visited the material operations of Sprott Physical Uranium Trust. including the Toronto head office. No payment or reimbursement was received for the related travel costs.

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BUY (Speculative): The stock is attractively priced relative to the company's fundamentals, however investment in the security carries a higher degree of risk.

HOLD: The stock is fairly valued, lacks a near term catalyst, or its execution risk is such that we expect it to trade within a narrow range of the current price in the next 6 to 12 months. The longer term fundamental value of the company may be materially higher, but certain milestones/catalysts have yet to be fully realized.

SELL: The stock is overpriced relative to the company's fundamentals, and we expect it to decline from the current price over the next 6 to 12 months.

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