

SPROTT PHYSICAL URANIUM TRUST

Completes Re-Organization as a Trust, Begins Trading Under U.U, U.UN in Canada

EVENT

Sprott Physical Uranium Trust began trading yesterday at the open on the Toronto Stock Exchange under the symbols U.UN in C\$ and U.U in US\$, completing the previously announced plan of arrangement with Uranium Participation Corp. (April 28 note [here](#)). Former U-TSX shareholders have now become unit holders of U.UN-TSX and/or U.U-TSX.

BOTTOM LINE

Neutral – The Trust holds inventory of 18.2 MMlb U₃O₈ and 300 klb UF₆, equating to U₃O₈ equivalent of 19.1 MMlb. We estimate pro-forma working capital within the Trust of ~\$10 MM. As of the market close on its inaugural trading day, the Trust had 75.2 MM units outstanding. At the current spot uranium price and FX rates this equates to a NAVPU of \$8.37/C\$10.67.

FOCUS POINTS

- **Next Steps** – The Trust aims to put an at-the-market (ATM) equity program in place later this quarter and is targeting a U.S. listing (currently in a process with the Securities and Exchange Commission) at some point next year.
- **Transitioning Coverage** – Based on an unchanged near-term spot uranium price forecast of \$40/lb U₃O₈, we are transitioning coverage of Uranium Participation Corp. to Sprott Physical Uranium Trust, with a Buy rating and target price of \$10.50/C\$13.00/unit. At the current spot uranium price of \$32.40/lb U₃O₈ and based on U.UN's closing price yesterday, the Trust is trading at a 2.2% premium to its underlying net asset value.

Recommendation:

BUY

Symbol/Exchange: U.U-TSX/U.UN-TSX
Sector: Metals & Mining
All dollar values in US\$ unless otherwise noted.
Current price: C\$10.90
One year target: \$10.50/C\$13.00
Return to target: 19.3%

Financial Summary:

| | | | |
|--|-----------------|------------------|--------------------|
| Units O/S (MM) | 75.2 | 52-week range | C\$9.65 - C\$10.95 |
| Market cap (MM) | C\$819.8 | Avg. vol. (MM) | N/A |
| Market float (MM) | C\$819.8 | Fiscal year-end | 31-Dec |
| Inventory | Quantity | Mkt Price | Mkt Value |
| (lb, KgU) | (MM) | (\$) | (MM\$) |
| U3O8 | 18.2 | \$32.40 | \$589.5 |
| UF6 | 0.3 | \$98.00 | \$29.4 |
| Net Working Capital | | | C\$13.3 |
| Net Asset Value | | | \$629.3 |
| NAVPU | | | C\$10.67 |
| Current Premium/Discount to Market NAV | | | 2.2% |

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 and UF₆ for investment purposes.

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

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The analysts responsible for this research report *do not have*, either directly or indirectly, a long or short position in the shares or options of Sprott Physical Uranium Trust.

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: The stock is attractively priced relative to the company’s fundamentals and we expect it to appreciate significantly from the current price over the next 6 to 12 months.

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.

TENDER: We believe the offer price by the acquirer is fair and thus recommend investors tender their shares to the offer.

UNDER REVIEW: We are temporarily placing our recommendation under review until further information is disclosed.

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