

## SPUT: One Year Later

It is hard to believe, but the Sprott Physical Uranium Trust (SPUT) is only one year old. Of course, SPUT’s predecessor, Uranium Participation Corp. (UPC) existed since 2005. And while UPC provided SPUT with an initial uranium stockpile to build on, the Sprott version has been an entirely different type of uranium investment vehicle both in terms of how funds are raised and how uranium is purchased. When SPUT began trading in late July 2021, there were many questions about how it would affect the uranium market. With 12 months of trading now behind us, we can confidently state that SPUT has dramatically altered the spot uranium market with far-reaching effects on much of the industry.

A brief recap of the major innovations that Sprott made after it took over UPC include the following:

- Added a U.S. dollar denominated share listing in addition to the Canadian dollar listing on the Toronto Stock Exchange (TSX) allowing SPUT to tap into a broad investor pool outside of Canada.
- Publishes daily net asset value (NAV) data on its website allowing for more transparency and real-time knowledge on the fund’s performance and the value of its holdings.
- Started an “At-the-Market” (ATM) offering to allow for rapid cash raisings through daily new share issuances. The ATM now stands at \$3.5 billion.
- Increased visibility and marketing to institutional and retail investors.

However, one of Sprott’s biggest impacts has been the vast amounts of new capital it has brought into the spot uranium market. As investors have flocked to this more liquid and transparent physical uranium fund, SPUT has been able to attract a host of new money – upwards of \$1.8 billion, which it has used to purchase large volumes of U<sub>3</sub>O<sub>8</sub> off the spot market. Through early August, SPUT has purchased nearly 38.5 million pounds U<sub>3</sub>O<sub>8</sub>, of which 22.4 million pounds was bought in 2021 and the remainder in 2022. According to

### SPUT Summary Data through August 5, 2022

Total Capital Raised	\$1,806,679,067
Current Cash Held	\$37,217,787
Current Net Asset Value	\$2,777,161,248
Total U <sub>3</sub> O <sub>8</sub> Purchased	38,440,485 pounds
Total Current U <sub>3</sub> O <sub>8</sub> Held	57,369,000 pounds
SPUT’s Share of Total Spot Volume since July 2021	37.3%

Source: UxC analysis of publicly available data

### Ux Price Indicators [Click for Market Page](#)

#### Weekly Ux U<sub>3</sub>O<sub>8</sub> Prices (8/8/22)

Ux U <sub>3</sub> O <sub>8</sub> Price <sup>®</sup>	\$47.75 (-\$0.75)	CMC [Cameco]	\$47.75
Ux U <sub>3</sub> O <sub>8</sub> 3-Yr Price	\$54.25 (Unch.)	CVD [ConverDyn]	\$47.75
Ux U <sub>3</sub> O <sub>8</sub> 5-Yr Price	\$57.50 (Unch.)	ORO [Orano]	\$47.75

#### Month-End Ux Prices (7/25/22)

U <sub>3</sub> O <sub>8</sub>	Ux U <sub>3</sub> O <sub>8</sub> Price <sup>®</sup>	\$46.75	Conversion	NA Spot	\$37.00
	CMC	\$46.75		NA Term	\$26.00
	CVD	\$46.75		EU Spot	\$37.00
	ORO	\$46.75		EU Term	\$26.50
	Spot MAP*	\$47.56		UF <sub>6</sub> Spot	NA Price
SWU	3-Yr Forward	\$53.75	EUP	NA Value*	\$159.15
	5-Yr Forward	\$57.00		EU Value*	\$159.15
	Long-Term	\$50.00		NA Spot*	\$2,184
	Spot	\$89.50		NA Term*	\$2,442
	Long-Term	\$135.00		* Calculated values	

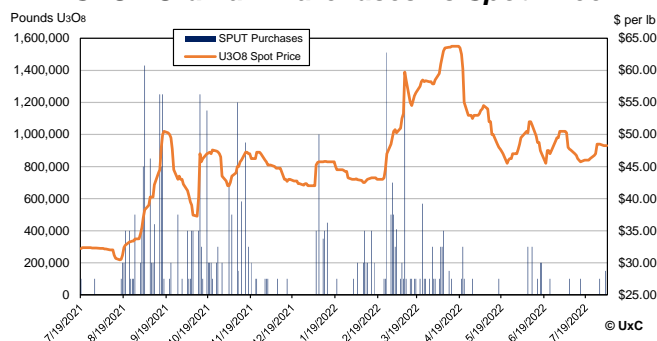
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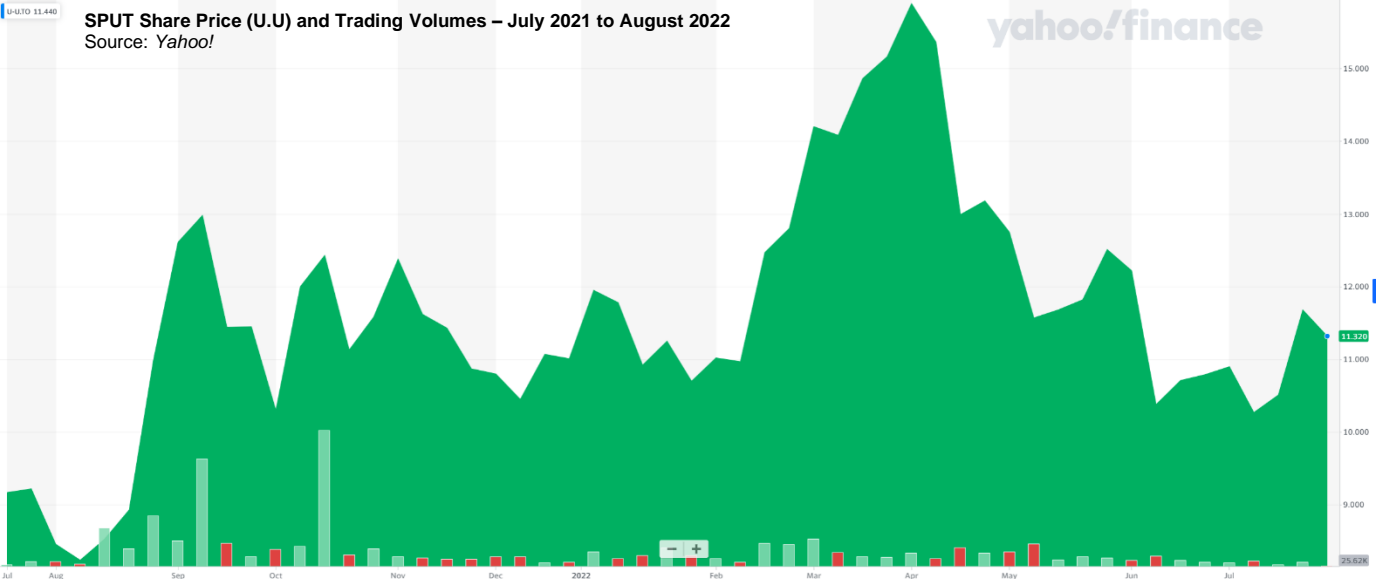
- Spot U<sub>3</sub>O<sub>8</sub> activity declined last week as buyers pulled back from the market resulting in the spot price slipping slightly from the previous week’s increase (see page 14).
- Kansai Electric Power Co. postpones Mihama 3 restart due to radioactive leak (see page 3).
- NRC authorizes SNOC to commence fuel loading and commissioning activities at Vogtle 3 (see page 5).
- Denison confirms ability to produce U<sub>3</sub>O<sub>8</sub> from Phoenix ISR project (see page 9) and reports Phoenix ISR Feasibility Field Test is fully permitted (see page 10).

UxC tracking of spot market activity since July 2021, SPUT has represented just over 37% of all uranium-containing spot volume, and if one focuses only on spot U<sub>3</sub>O<sub>8</sub> deals, then the total increases to a little more than 41% of the total.

While these volumes are very impressive, it is worth remembering that SPUT has not been an unstoppable machine. Periods of rapid fundraising have alternated with troughs in

### SPUT Uranium Purchases vs Spot Price





new cash inflows. As seen in the chart on page 1, SPUT’s purchases have been concentrated in two periods: mid-August to mid-November 2021, and late February to early April 2022. The chart also helps illustrate how SPUT’s heavy buying coincided with big upswings in spot uranium prices.

When we first analyzed the potential impacts of SPUT in our “#SPUT #UraniumSqueeze” cover last September (*UxW35-36*), we noted that there is an important feedback loop between the movement in spot uranium prices and SPUT’s ability to raise capital. As seen in the chart on the bottom of this page, we can see that large capital raisings by SPUT have also overlapped with spot price spikes, which is clearly not a random coincidence. We have now repeatedly seen events drive investor interest into uranium, such as the Kazakh unrest in early January and Russia’s invasion of Ukraine launched in late February, which have led to SPUT raising large new sums. However, not every new SPUT capital raising is driven by geopolitical or macroeconomic events, and whenever SPUT’s NAV has been at a premium, it has generally been able to raise varying amounts of new money.

Some market observers may think SPUT’s influence is beginning to wane. They point to SPUT’s falling share price (see figure above) and the fact that for much of the period since early April of this year, SPUT’s NAV has traded at a discount. Such conclusions are certainly premature. While SPUT has raised only a little over \$100 million in the past

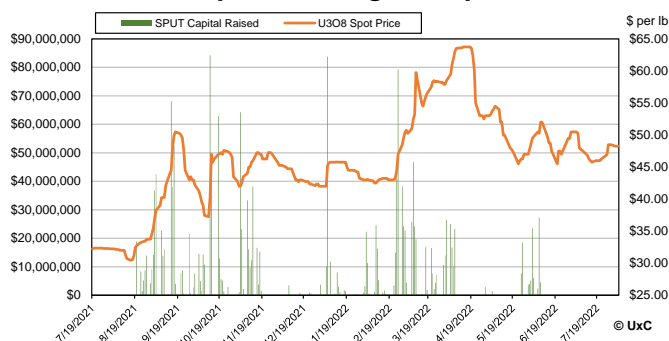
four months, the fund has continued to be a factor in the spot market having purchased roughly 2.7 million pounds  $U_3O_8$ , which represents nearly one quarter of total spot volume in this period. There appear to be a couple of trends in the spot market recently. First, SPUT has had less money and thus less ability to buy in the market compared with the first eight months after its inception. However, as we see it, the belief that SPUT could become active again has helped to put a floor on prices preventing them from falling below ~\$45.

The fact that SPUT alone has removed nearly 40 million pounds of uranium from the market – much of which was likely overhanging inventory – means that we are now in a very different situation from when SPUT was initiated. Had anyone told us in early 2021 that \$1.8 billion in new money would enter the physical uranium market on the buy side, we would have said this was a game-changer. And it clearly was.

Whether there is another \$1 billion or more in additional cash that will flow into the spot market, especially at a similarly rapid pace to late 2021/early 2022, remains to be seen. At the same time, it is also unclear whether there is sufficient spot uranium available to accommodate an influx of another \$1 billion in purchases. Regardless, we at UxC are aware that investors continue to show strong interest in this unique market, and many think that spot uranium prices must rise even higher for the market to clear in the future. Thus, we do not expect that the recent lull in SPUT’s fundraising is destined to persist forever. As the global equity markets have been particularly turbulent over the past few months, this has clearly taken a toll on uranium investments, including SPUT’s shares. Yet, the overall thesis for nuclear power and uranium demand growth remains very strong, and any rebound in the global financial markets could easily translate into more cash for SPUT.

Whatever happens in the future, SPUT has already had a huge impact in creating a much tighter spot market. Going forward, this should translate into greater focus on uranium mining while spot prices are likely to remain rather volatile.

**SPUT Capital Raisings vs Spot Price**



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