Alternative Investments Research Report

Sprott Physical Uranium Trust

- **The commodities team recommends establishing a strong long position in Sprott Uranium Trust.**
- **Sprott Uranium Trust is a uranium holding company established in July this year, providing a convenient and exchange-traded investment alternative for those interested in uranium.**
- **The fund holds 40,8 pounds of uranium (millions), roughly 76 percent of last year's sales by the largest yellow cake producer. This activity has helped send spot prices soaring in 2021.**
- **Uranium demand and supply fundamentals indicate potential upside.**

A Strong Demand Outlook:

Important role in energy transition — As the world steers towards a net zero emissions future through agreements such as the 2016 Paris Agreement and most recently COP26, countries worldwide will be increasing their use of non-fossil fuel sources of energy. Given the intermittency issues of renewables such as wind and solar, nuclear energy has an essential role as a baseload in a decarbonised power system.

Renewed optimism — With the Fukushima disaster having occurred a decade ago and increased safety regulations since such as the "Mitigation of beyond design basis events" issued by the Nuclear Regulatory Commission (NRC), we expect governments and investors to regain confidence in the use of nuclear energy.

Increased investment in nuclear power plants worldwide — As of May 2021, 52 nuclear reactors are currently under construction. Following COP26, countries such as France, China, Japan and Canada have unveiled plans to build new reactors. As more nuclear power plants are built, the need for Uranium to run these plants will correspondingly increase.

Unlikely alternatives —To date only China has begun testing the use of Thorium powered nuclear power plants, meaning it remains unproven at commercial scale. With 442 Uranium powered nuclear power plants and more under construction and planned, a switch from Uranium to Thorium will be uneconomical and costly.

Constrained Supply:

Scarcity of low-cost regions to extract deposits – With uranium prices at low levels, it is only economically viable to mine in a few of these regions and these regions are not enough to satisfy growing demand. For example, Kazakhstan can extract uranium at a cost of only USD$18/lb. of uranium, but for some areas in Australia, this is over $59/lb.

Investing in more mines is a costly, long-term process – Significant investment is required to open mining operations – costs often range between USD$100 million and USD$1 billion. Moreover, there is often a decade-long lag time between initial investment and mining operations to start, increasing the likelihood of supply-demand imbalances if suppliers underestimate future demand.

Depleting secondary supplies – Increasing reliance on secondary supplies of uranium due to lack of investment in new mines and low productive capacity (further exacerbated by COVID19 restrictions) has contributed to decreasing secondary capacity. In 2019, 20% of demand had to bet met using secondary supplies. This will not be sustainable at consistently elevated levels of demand.

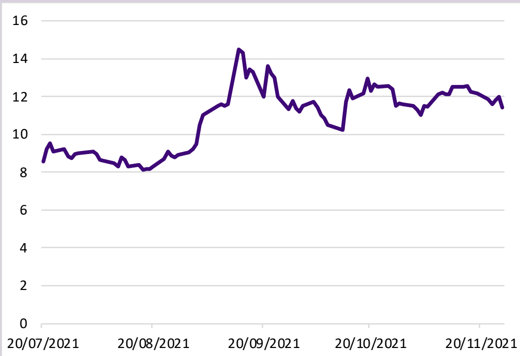
Key data

Current Price: $11.19 USD

Recommendation:

Long-term: **Strong Buy**
Short-term: **Weak Buy**

Price development:



Financials

3 Month Return: **29.15%**
52 Week Range: **8.00-14.60 USD**
Stock: **£32.6 mn**
Geographic Focus: **Canada**
Predicted Price U_3O_8 2030**: 62,84 $**

Source: https://www.bloomberg.com/quote/U/U:CN

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