Sprott | Physical Uranium Trust

Annual Report to Unitholders

December 31, 2022

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The annual management report of fund performance is an analysis and explanation that is designed to complement and supplement an investment fund's annual financial statements. A copy of the annual financial statements has been included within the Annual Report to Unitholders. You can also get a copy of the annual financial statements at your request, and at no cost, by calling 1-888-622-1813, by visiting our website at www.sprott.com or SEDAR at www.sedar.com or by writing to us at: Sprott Asset Management LP, Royal Bank Plaza, South Tower, 200 Bay Street, Suite 2600, P.O. Box 26, Toronto, Ontario M5J 2J1.

Unitholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Annual Management Report of Fund Performance *(in U.S. dollars)*

Management Discussion of Fund Performance

Investment Objective and Strategies

Sprott Physical Uranium Trust (the "Trust") is a closed-end investment trust established on April 23, 2021 under the laws of the Province of Ontario, Canada and its provisions and features are set out in an amended and restated trust agreement dated as of July 12, 2021. Sprott Asset Management LP (the "Manager") is the manager of the Trust. WMC Energy B.V. is the technical advisor (the "Advisor") to the Manager.

The Trust was created to invest and hold substantially all of its assets in physical uranium. The Trust seeks to provide a secure, convenient and exchange-traded investment alternative for investors interested in holding physical uranium without the inconvenience that is typical of a direct investment in physical uranium. The Trust intends to achieve its objective by investing primarily in long-term holdings of unencumbered, fully allocated, physical uranium and does not speculate with regard to short-term changes in uranium prices.

Recent Developments

On July 19, 2021, the Trust successfully completed the acquisition of common shares of Uranium Participation Corporation ("UPC") and its wholly-owned subsidiary, Uranium Participation Bermuda Limited ("UPBL"), and the right to administer and manage UPC's assets, resulting in the exchange of UPC's common shares for units in the Trust.

The transaction was implemented pursuant to a plan of arrangement (the "Arrangement") under the *Business Corporation Act* (Ontario), following the satisfaction of customary conditions, including receipt of regulatory and Ontario court approvals, and the approval by the common shareholders of UPC on July 7, 2021. Pursuant to the Arrangement, every two UPC common shares were exchanged for one unit of the newly-formed Trust for a total of 75,210,456 units on July 19, 2021, and UPC became a wholly-owned subsidiary of the Trust. On the same date, all the assets of UPC and ownership of its wholly-owned subsidiary, UPBL, were transferred to the Trust. Pursuant to the Arrangement, the Manager made a cash contribution to UPC of $5.3 million. On November 19, 2021, UPC was dissolved. The assets of UPBL were transferred to the Trust on December 20, 2021, and UPBL was subsequently dissolved on January 4, 2022.

On July 19, 2021, the Trust began trading on the Toronto Stock Exchange ("TSX") under the symbols "U.U" and "U.UN".

On September 13, 2021, the Trust entered into an Amended and Restated Sales Agreement with Cantor Fitzgerald Canada Corporation and Virtu ITG Canada Corp. whereby the Trust may, in its sole discretion and subject to its operating and investment restrictions, offer and sell trust units through an at-the-market offering program (the "ATM Program") in transactions on the TSX through a market maker in Canada pursuant to a prospectus supplement to a short form base shelf prospectus filed with the Ontario Securities Commission, as principal regulator, and with each of the securities commissions or similar regulatory authorities in each of the provinces and territories of Canada.

There were no changes to the Manager of the Trust, nor were there any material changes to the investment philosophy or process.

Risks

There have been no changes to the Trust over the financial period that materially affected the risk level of the Trust.

Results of Operations

For the year ended December 31, 2022, the total change in unrealized gains on physical uranium oxide amounted to $213.3 million and no realized gains, compared to the total change in unrealized gains of $162.5 million and no realized gains for the period from July 19, 2021 to December 31, 2021. For the year ended December 31, 2022, the realized gains on physical uranium hexafluoride amounted to $nil, compared to $9.8 million for the period from July 19, 2021 to December 31, 2021. On November 23, 2021 all physical uranium hexafluoride was sold by the Trust. There was no physical uranium hexafluoride held by the Trust as at December 31, 2021 and December 31, 2022.

During the year ended December 31, 2022, the Trust issued 73,894,300 units through the ATM Program for gross proceeds of $930.9 million. Comparatively, for the period from July 19, 2021 to December 31, 2021, the Trust issued 88,260,944 units for gross proceeds of $997.6 million.

The value of the net assets[1] of the Trust as at December 31, 2022 was $2,875.7 million or $12.12 per unit, compared to $1,768.7 million or $10.82 per unit as at December 31, 2021. The Trust held 59,269,000 pounds of physical uranium oxide as at December 31, 2022 compared to 41,280,707 pounds of physical uranium oxide as at December 31, 2021. As at December 31, 2022, the spot price of physical uranium oxide was $48.31 per pound compared to a spot price of physical uranium oxide of $42.11 per pound as at December 31, 2021. The Trust returned 12.0% compared to the return on spot uranium oxide of 14.7%, for the year ended December 31, 2022. Comparatively, for the period from July 19, 2021 to December 31, 2021, the Trust returned 29.1% compared to the return on spot uranium oxide of 30.2%.

The units of the Trust closed at $11.70 on the TSX on December 31, 2022 compared to closing price $11.01 on the TSX on December 31, 2021. These units are denominated in U.S. dollars on the exchange. During the year ended December 31, 2022, the Trust's units traded on the TSX at an average discount to net asset value of approximately 4.7%, compared to an average premium of approximately 1.8% for the period from July 19, 2021 to December 31, 2021.

The Trust pays its own expenses, which include, but are not limited to, audit, legal, and trustee fees, unitholder reporting expenses, general and administrative fees, filing and listing fees payable to applicable securities regulatory authorities and stock exchange, storage fees and commission of 1% on the sale and purchase of physical uranium, and any expenses associated with the Independent Review Committee of the Trust. Operating expenses[2] for the year ended December 31, 2022 amounted to $10.5 million compared to $3.0 million for the period from July 19, 2021 to December 31, 2021. Operating expenses for the year ended December 31, 2022 amounted to 0.38% of average net assets[3] during the period on an annualized basis, compared to 0.23% for the period from July 19, 2021 to December 31, 2021.

Related Party Transactions

The transactions between the Trust and its related parties during the reporting period are outlined below:

Management Fees

The Trust pays the Manager, a monthly management fee equal to 1/12 of 0.35% of the value of the net assets of the Trust (determined in accordance with the Trust's trust agreement), plus any applicable Canadian taxes. The management fee is calculated and accrued daily and payable monthly in arrears on the last day of each month. For the year ended December 31, 2022, the Trust incurred management fees of $9.7 million (not including applicable Canadian taxes) compared to $2.1 million for the period from July 19, 2021 to December 31, 2021.

Commissions

Pursuant to the management agreement, the Trust pays the Manager a commission of 1% of the gross value of any purchases or sales of physical uranium provided that the Manager shall be responsible for any and all third party brokerage fees, commissions and service charges and other similar fees relating to all such transactions. For the year ended December 31, 2022, commissions and other services paid to the Manager amounted to $9.1 million compared to $10.1 million for the period from July 19, 2021 to December 31, 2021.

1 Net assets are equal to total assets less total liabilities (or total equity) on the statements of financial position.

2 The operating expenses non-GAAP measure is calculated for the year ended December 31, 2022 as total expenses per the statements of comprehensive income (loss) less management fees of $9.7 million, commissions of $9.1 million, sales tax of -$0.7 million, and net foreign exchange losses (gains) of $nil. (amounts for the period from July 19, 2021 to December 31, 2021 were $2.1 million, $10.1 million, $0.7 million and $0.2 million, respectively).

3 Average net assets is the average of the daily net asset value of the Trust for the applicable period.

Financial Highlights

The following tables show selected key financial information about the Trust and are intended to help you understand the Trust's financial performance for the periods indicated. All dollar amounts are expressed in U.S. dollars.

The Trust's Net Assets Per Unit[1]

	2022 $	2021[2] $
Net assets, beginning of year	**10.82**	—
Increase (decrease) from acquisition of UPC	—	8.38
Increase (decrease) from operations[3]:		
Total revenue	—	—
Total expenses	**(0.13)**	(0.13)
Realized gains (losses) for the year	—	0.08
Unrealized gains (losses) for the year	**0.97**	1.32
Total increase (decrease) from operations	**0.84**	1.27
Net assets at December 31 of year shown	**12.12**	10.82

1 This information is derived from the Trust's audited financial statements.
2 2021 information is for the period from July 19, 2021 (inception) to December 31, 2021.
3 Net assets per unit is calculated based on the actual number of units outstanding at the relevant period end date. The increase/decrease from operations is based on the weighted average number of units outstanding over the period shown. This table is not intended to be a reconciliation of the beginning to ending net assets per unit.

Ratios and Supplemental Data

	2022	2021[1]
Total net asset value (000's)[2]	**$2,875,719**	$1,768,715
Number of Units outstanding[2]	**237,365,700**	163,471,400
Management expense ratio[3]	**0.70%**	0.96%
Trading expense ratio[4]	**0.33%**	1.65%
Portfolio turnover rate[5]	**Nil**	3.38%
Net asset value per Unit	**$12.12**	$10.82
Closing market price – TSX	**$11.70**	$11.01

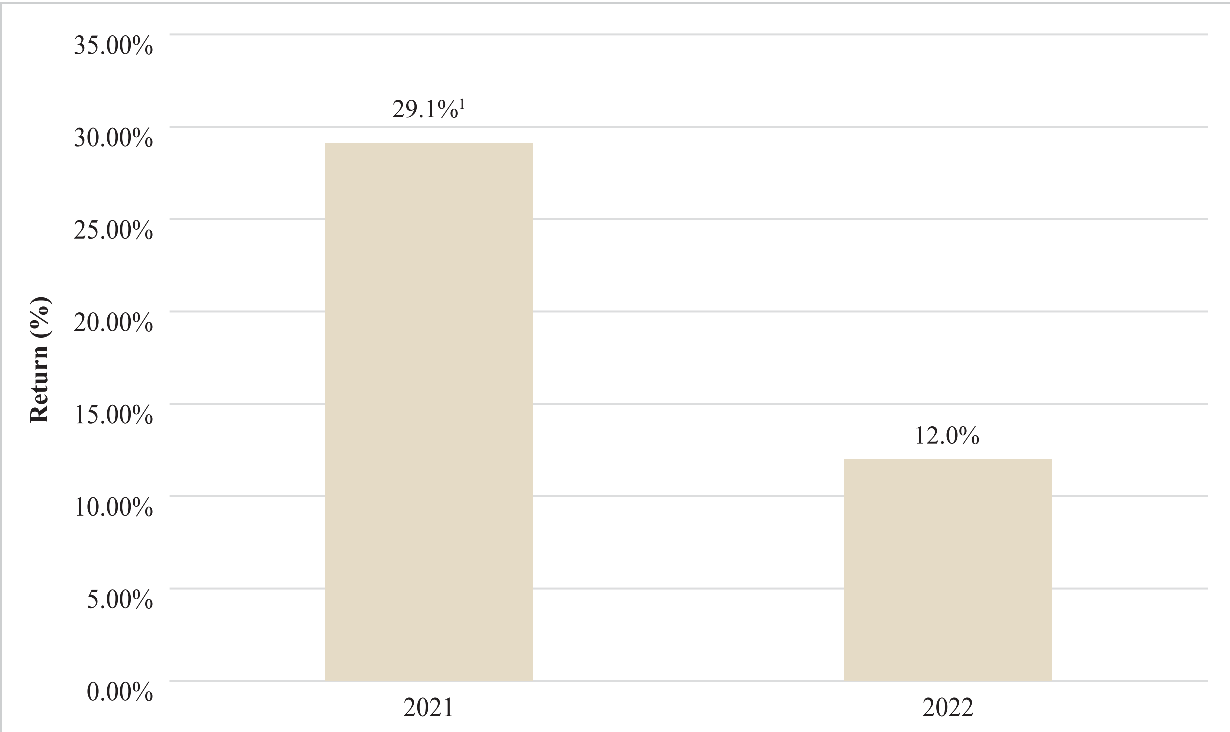
1 2021 information is for the period from July 19, 2021 (inception) to December 31, 2021.
2 This information is provided as at December 31 of the year shown.
3 Management expense ratio is based on total expenses (including applicable Canadian taxes and excluding commissions) for the stated period and is expressed as an annualized percentage of average daily net asset value during the period.
4 The trading expense ratio represents total commissions and is expressed as an annualized percentage of average daily net asset value during the period shown.
5 The Trust's portfolio turnover rate indicates how actively the Trust's portfolio adviser trades its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Trust buying and selling all of the securities in its portfolio once in the course of the period. The higher the Trust's portfolio turnover rate in a period, the greater the trading costs payable by the Trust in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of the Trust.

Past Performance

The indicated rates of return are the historical total returns including changes in unit values and assumes reinvestment of all distributions in additional units of the Trust. These returns do not take into account sales, distribution or optional charges or income taxes payable by any unitholder that may reduce returns. Please note that past performance is not indicative of future performance. All rates of returns are calculated based on the net asset value of the units of the Trust.

Year-by-Year Returns

The bar chart below indicates the performance of the Trust units for periods shown. The chart shows, in percentage terms, how much an investment made on the first day of each period would have increased or decreased by the last day of each period.



1 For the period from July 19, 2021 (inception) to December 31, 2021.

Annual Compound Returns

The following table presents the Trust's annual compound return since inception and for the periods shown ended December 31, 2022 along with a comparable market index. The table is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the Trust or future returns on investments in the Trust.

	1 Year	3 Year	5 Year	10 Year	Since Inception[1]
Sprott Physical Uranium Trust	11.97%	N/A	N/A	N/A	28.77%
Sprott Physical Uranium Trust - Market[2]	6.27%	N/A	N/A	N/A	28.65%
Spot Uranium	14.74%	N/A	N/A	N/A	31.64%

1 For the period from July 19, 2021 (inception) to December 31, 2022.
2 Annual compound return based on market price is calculated using the USD closing price of units of the Trust traded on the TSX.

Summary of Investment Portfolio

The following Top Holdings table shows the 25 largest positions (or all positions if the total number of positions is less than 25) held by the Trust as at December 31, 2022 based on the fair value of the position, expressed as a percentage of the Trust's net asset value.

PORTFOLIO ALLOCATION

Asset Class	% of Net Asset Value
Uranium	99.6
Cash	0.7
Other assets, less liabilities	(0.3)
Total Net Asset Value (000's)	$2,875,719

TOP HOLDINGS

Position	% of Net Asset Value
Physical uranium oxide	99.6
Cash	0.7
Other assets, less liabilities	(0.3)
Total	100.0

The summary of investment portfolio may change due to the ongoing portfolio transactions of the Trust.

Sprott Physical Uranium Trust

Annual financial statements

December 31, 2022

Sprott Asset Management LP

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Sprott Asset Management LP, the "Manager" of the Sprott Physical Uranium Trust (the "Trust") is responsible for the integrity, consistency, objectivity and reliability of the Financial Statements of the Trust. International Financial Reporting Standards have been applied and management has exercised its judgment and made best estimates where appropriate.

The Manager's internal controls and supporting procedures maintained provide reasonable assurance that financial records are complete and accurate. These supporting procedures include the oversight of RBC Investor Services, the Trust's valuation agent.

Management has assessed the effectiveness of the internal controls over financial reporting as at December 31, 2022 using the framework found in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon this assessment, management has concluded that as at December 31, 2022 the Manager's internal controls over financial reporting were effective.

The financial statements have been audited by the Trust's independent auditors, KPMG LLP, in accordance with Canadian generally accepted auditing standards. KPMG LLP has full and free access to the Manager of the Trust.

Kevin Hibbert
Director
March 21, 2023

KPMG

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Independent Auditor's Report

To Sprott Asset Management LP and the Unitholders of Sprott Physical Uranium Trust

Opinion

We have audited the financial statements of Sprott Physical Uranium Trust (the Entity), which comprise:

- the statement of financial position as at December 31, 2022 and December 31, 2021
- the statement of comprehensive income (loss) for the year ended December 31, 2022 and the period from inception on April 23, 2021 to December 31, 2021
- the statement of changes in equity for the year ended December 31, 2022 and the period from inception on April 23, 2021 to December 31, 2021
- the statement of cash flows for the year ended December 31, 2022 and the period from inception on April 23, 2021 to December 31, 2021
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2022 and December 31, 2021 and its financial performance and its cash flows for the year ended December 31, 2022 and the period from inception on April 23, 2021 to December 31, 2021 in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *"Auditor's Responsibilities for the Audit of the Financial Statements"* section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditor's report thereon, included in the Annual Report to Unitholders document.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor's report thereon, included in the Annual Report to Unitholders document as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

KPMG LLP

Chartered Professional Accountants, Licenced Public Accountants

The engagement partner on the audit resulting in this auditor’s report is Brent Elson.

Toronto, Canada
March 21, 2023

Statements of comprehensive income (loss)

(in thousands of U.S. dollars, except unit amounts)

	For the year ended December 31, 2022	For the period from April 23 to December 31, 2021
	$	$
Income		
Net realized gains (losses) on sale of uranium hexafluoride *(note 5)*	—	9,759
Change in unrealized gains (losses) on uranium oxide *(note 6)*	**213,314**	162,515
Other income	**1,060**	285
	214,374	172,559
Expenses		
Management fees *(note 9)*	**9,672**	2,133
Commissions	**9,074**	10,085
Storage fees	**9,754**	1,865
Legal fees	**191**	309
Administrative fees	**189**	75
Unitholder reporting costs	**143**	136
Audit fees	**135**	163
Listing and regulatory filing fees	**70**	511
Custodial fees	**21**	4
Independent Review Committee fees	**10**	10
Trustee fees	**4**	2
Other	**(621)**	817
	28,642	16,110
Net income (loss) and comprehensive income (loss)	**185,732**	156,449
Weighted average number of Units	**220,562,123**	123,169,641
Increase (decrease) in total equity from operations per Unit	**0.84**	1.27

The accompanying notes are an integral part of these financial statements.

Statements of financial position

(in thousands of U.S. dollars)

	As at December 31, 2022	As at December 31, 2021
	$	$
Assets		
Cash	**20,533**	263,116
Prepaid assets	**1,187**	1,950
Sales tax recoverable	**6,398**	—
Other assets	**—**	110
Uranium oxide *(note 6)*	**2,863,434**	1,738,227
Total assets	**2,891,552**	2,003,403
Liabilities		
Due to manager	**—**	133
Trade and other	**12,400**	233,186
Accounts payable	**3,433**	1,369
Total liabilities	**15,833**	234,688
Equity		
Unitholders' capital	**2,558,754**	1,627,876
Retained earnings	**342,181**	156,449
Underwriting commissions and issue expenses	**(25,216)**	(15,610)
Total equity *(note 8)*	**2,875,719**	1,768,715
Total liabilities and equity	**2,891,552**	2,003,403
Total equity per Unit	**12.12**	10.82

The accompanying notes are an integral part of these financial statements.

On behalf of the Manager, Sprott Asset Management LP,
by its General Partner, Sprott Asset Management GP Inc.:

Kevin Hibbert
Director

John Ciampaglia
Director

Statements of changes in equity

(in thousands of U.S. dollars, except unit amounts)
For the year ended December 31, 2022, and period from April 23 to December 31, 2021

	Number of Units Outstanding	Unitholders' Capital	Retained Earnings (Deficit)	Underwriting Commissions and Issue Expenses	Total Equity
		$	$	$	$
Balance as at April 23, 2021	—	—	—	—	—
Units issued on acquisition of UPC *(note 1)*	75,210,456	630,280	—	—	630,280
Proceeds from issuance of Units *(note 8)*	88,260,944	997,596	—	—	997,596
Net income (loss) and comprehensive income (loss) for the period	—	—	156,449	—	156,449
Underwriting commissions and issue expenses	—	—	—	(15,610)	(15,610)
Balance as at December 31, 2021	163,471,400	1,627,876	156,449	(15,610)	1,768,715
Balance as at January 1, 2022	**163,471,400**	**1,627,876**	**156,449**	**(15,610)**	**1,768,715**
Proceeds from issuance of Units *(note 8)*	**73,894,300**	**930,878**	**—**	**—**	**930,878**
Net income (loss) and comprehensive income (loss) for the year	**—**	**—**	**185,732**	**—**	**185,732**
Underwriting commissions and issue expenses	**—**	**—**	**—**	**(9,606)**	**(9,606)**
Balance as at December 31, 2022	**237,365,700**	**2,558,754**	**342,181**	**(25,216)**	**2,875,719**

The accompanying notes are an integral part of these financial statements.

Statements of cash flows

(in thousands of U.S. dollars)

	For the year ended December 31, 2022	For the period from April 23 to December 31, 2021
	$	$
Cash flows from operating activities		
Net income (loss) for the year	**185,732**	156,449
Adjustment to reconcile net income (loss) for the year to net cash from operating activities		
Net realized (gains) losses on sales of uranium hexafluoride held by a subsidiary	—	(9,759)
Change in unrealized (gains) losses on uranium oxide	**(213,314)**	(162,515)
Net changes in operating assets and liabilities		
(Increase) decrease in prepaid assets	**763**	567
(Increase) decrease in sales tax recoverable	**(6,398)**	—
(Increase) decrease in other assets	**110**	(110)
Increase (decrease) in due to manager	**(133)**	133
Increase (decrease) in trade and other	**(220,786)**	233,186
Increase (decrease) in accounts payable	**2,064**	949
Net cash provided by (used in) operating activities	**(251,962)**	218,900
Cash flows from investing activities		
Purchases of uranium oxide	**(911,893)**	(990,531)
Sales of uranium hexafluoride from a subsidiary	—	41,055
Net cash provided by (used in) investing activities	**(911,893)**	(949,476)
Cash flows from financing activities		
Proceeds from issuance of Units *(note 8)*	**930,878**	997,596
Underwriting commissions and issue expenses	**(9,606)**	(15,610)
Net cash provided by (used in) financing activities	**921,272**	981,986
Net increase (decrease) in cash during the year	**(242,583)**	251,410
Cash received from acquisition	—	11,706
Cash at beginning of year	**263,116**	—
Cash at end of year	**20,533**	263,116

The accompanying notes are an integral part of these financial statements.

(in thousands of U.S. dollars, unless otherwise indicated)

1. Organization of the Trust

Sprott Physical Uranium Trust (the "Trust") is a closed-end investment trust created under the laws of the Province of Ontario, Canada, pursuant to a trust agreement dated as of April 23, 2021. Sprott Asset Management LP (the "Manager") acts as the manager of the Trust. RBC Investor Services Trust, a trust company organized under the laws of Canada, acts as the trustee of the Trust. RBC Investor Services Trust also acts as custodian on behalf of the Trust for the Trust's assets other than physical uranium. Cameco Corporation, ConverDyn, and Orano Chimie-Enrichissement individually act as custodians on behalf of the Trust for the physical uranium owned by the Trust. The Trust's registered office is located at Suite 2600, South Tower, Royal Bank Plaza, 200 Bay Street, Toronto, Ontario, Canada, M5J 2J1.

The investment objective of the Trust is to provide a secure, convenient and exchange-traded investment alternative for investors interested in holding physical uranium without the inconvenience that is typical of a direct investment in physical uranium. The Trust invests and intends to continue to invest primarily in long-term holdings of unencumbered, fully allocated, physical uranium and does not speculate with regard to short-term changes in uranium prices.

The Trust is authorized to issue an unlimited number of non-redeemable, transferable trust units (the "Units"). All issued Units have no par value, are fully paid for, and are listed and traded on the Toronto Stock Exchange (the "TSX"). The date of inception and trading symbols of the Trust are as follows:

Trust	Trust Agreement date	Initial Public Offering date	TSX USD and CAD symbols, respectively
Sprott Physical Uranium Trust	April 23, 2021, as amended and restated as of July 12, 2021	July 19, 2021	U.U, U.UN

The financial statements for the Trust are as at and for the year ended December 31, 2022. These financial statements were authorized for issue by the Manager on March 21, 2023.

Acquisition

On July 19, 2021, the Trust successfully completed its acquisition of all of the common shares of Uranium Participation Corporation ("UPC") and its wholly-owned subsidiary, Uranium Participation Bermuda Limited ("UPBL"), and the right to administer and manage UPC's assets. UPC invested substantially all of its assets in uranium. The acquisition was aligned with the Trust's investment objectives as described above.

The transaction was implemented pursuant to a plan of arrangement (the "Arrangement") under the Business Corporation Act (Ontario), following the satisfaction of customary conditions, including receipt of regulatory and Ontario court approvals, and the approval of common shareholders of UPC on July 7, 2021. Pursuant to the Arrangement, every two UPC common shares were exchanged for one unit of the newly-formed Trust for a total of 75,210,456 units on July 19, 2021, and UPC became a wholly-owned subsidiary of the Trust. On the same date, assets transferred were 18,094,658 lbs of uranium oxide and 300,000 kg of uranium hexafluoride with an aggregate value of $616,477, cash of $11,706 and $2,517 of other assets. Total accrued liabilities were $420. Pursuant to the Arrangement, the Manager made a cash contribution to UPC of $5,312 immediately prior to the acquisition. On November 19, 2021, UPC was dissolved. The assets of UPBL were transferred to the Trust on December 20, 2021, and UPBL was subsequently dissolved on January 4, 2022.

On July 19, 2021, the Trust began trading on the TSX under the symbols "U.U" and "U.UN".

(in thousands of U.S. dollars, unless otherwise indicated)

2. Basis of Preparation

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and include estimates and assumptions made by the Manager that may affect the reported amounts of assets, liabilities, income, expenses and the reported amounts of changes in equity during the reporting period. Actual results could differ from those estimates.

The financial statements have been prepared on a going concern basis using the historical cost convention, except for physical uranium and financial assets and financial liabilities held at fair value through profit or loss, which have been measured at fair value.

The financial statements are presented in U.S. dollars and all values are rounded to the nearest thousand ($000s) unless otherwise indicated.

3. Summary of Significant Accounting Policies

The following is a summary of significant accounting policies followed by the Trust:

Physical uranium

Investments in physical uranium are measured at fair value determined by reference to published price quotations, with unrealized and realized gains and losses recorded in income based on the International Accounting Standards ("IAS") 40, *Investment Property* fair value model because it is the most relevant standard to apply. Investment transactions in physical uranium are accounted for on the same business day the order to buy or sell is executed. Realized and unrealized gains and losses of holdings are calculated on a weighted average cost basis. From time to time, the Trust enters into location exchanges with third parties whereby the Trust provides uranium to the counterparty at a storage facility and receives the same amount and type of uranium at an alternate storage facility. No gains or losses are recognized on such exchanges.

Other assets and liabilities

Other assets and liabilities are recognized at fair value upon initial recognition. Other assets such as due from broker and other receivables are classified as loans and receivables and measured at amortized cost. Other financial liabilities are measured at amortized cost.

Income taxes

In each taxation year, the Trust will be subject to income tax on taxable income earned during the year, including net realized taxable capital gains. However, the Trust intends to distribute its taxable income to unitholders at the end of every fiscal year and therefore the Trust would not have any income tax liability.

Functional and presentation currency

The Trust's functional and presentation currency is the U.S. Dollar. The Trust's performance is evaluated and its liquidity is managed in U.S. Dollars. Therefore, the U.S. Dollar is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

(in thousands of U.S. dollars, unless otherwise indicated)

4. Critical Accounting Estimates and Judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Trust has made in preparing the financial statements:

Estimation uncertainty

For income tax purposes, the Trust generally treats gains (or losses) from the disposition of uranium as capital gains (or losses), rather than income, as the Trust intends to be a long-term passive holder of uranium, and generally disposes of its holdings in uranium only for the purposes of paying expenses. The Canada Revenue Agency has, however, expressed its opinion that gains (or losses) of investment trusts resulting from transactions in commodities should generally be treated for tax purposes as ordinary income rather than as capital gains (or losses), although the treatment in each particular case remains a question of fact to be determined having regard to all the circumstances.

The Trust based its assumptions and estimates on information available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Trust. Such changes are reflected in the assumptions when they occur.

5. Operations Through a Subsidiary

The Trust's wholly-owned subsidiary, UPBL, transferred its assets to the Trust on December 20, 2021 and was subsequently dissolved on January 4, 2022. The Trust's Statement of comprehensive income (loss) includes net realized gains on sales of uranium hexafluoride of $9,759, and expenses comprising of storage fees of $910, listing and regulatory filing fees of $15, sales tax of $123, legal fees of $5, custodial fees of $1, administrative fees of $8, and Independent Review Committee fees of $5, which relate to the wholly-owned subsidiary for the period from July 19, 2021 up to the date of transfer of the subsidiary's assets to the Trust.

6. Fair Value Measurements

The Trust uses a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value its investments. The fair value hierarchy has the following levels:

- Level 1 Unadjusted quoted prices in active markets for identical, unrestricted assets or liabilities that the Trust has the ability to access at the measurement date;
- Level 2 Quoted prices which are not active, or inputs that are observable (either directly or indirectly) for substantially the full term of the asset or liability; and
- Level 3 Prices, inputs or complex modeling techniques which are both significant to the fair value measurement and unobservable (supported by little or no market activity).

Physical uranium is measured at fair value. The fair value measurement of all uranium falls within Level 2 of the hierarchy, and is based on published price quotations. All fair value measurements are recurring. The carrying values of cash, sales tax recoverable, other assets, prepaid assets, accounts payable, due to manager and trade and other, where applicable, approximate their fair values due to their short-term nature.

(in thousands of U.S. dollars, unless otherwise indicated)

The reconciliation of uranium holdings for the years ended December 31, 2022 and 2021 is presented as follows:

	December 31, 2022	December 31, 2021*
	$	$
Balance at beginning of year	**1,738,227**	—
Physical uranium oxide and uranium hexafluoride acquired from UPC and its subsidiary	—	616,477
Purchases of uranium oxide	**911,893**	990,531
Sales of uranium hexafluoride of a subsidiary	—	(41,055)
Realized gains (losses) on sales of uranium hexafluoride from a subsidiary	—	9,759
Unrealized gains (losses) of uranium oxide	**213,314**	162,515
Balance at end of year	**2,863,434**	1,738,227

* For the period from July 19, 2021 (inception) to December 31, 2021.

The costs of physical uranium oxide as at December 31, 2022 and 2021 were $2,487,605 and $1,575,712, respectively. There was no physical uranium hexafluoride held by the Trust as at December 31, 2022 and 2021.

7. Financial Risk, Management and Objectives

The Trust's objective in managing risk is the creation and protection of unitholder value. Risk is inherent in the Trust's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The Trust has investment guidelines that sets out its overall business strategies, its tolerance for risk and its general risk management philosophy, as noted in the Trust's offering documents. The Trust's Manager is responsible for identifying and controlling risks. The Trust is exposed to market risk (which includes price risk, interest rate risk and currency risk), credit risk, liquidity risk and concentration risk arising from the uranium that it holds. Only certain risks of the Trust are actively managed by the Manager, as the Trust is a passive investment vehicle. Significant risks that are relevant to the Trust are discussed below.

Price risk

Price risk arises from the possibility that changes in the market price of the Trust's investments, which consist almost entirely of uranium, will result in changes in fair value of such investments. If the price of uranium increased by 1%, with all other variables held constant, this would have increased total equity and comprehensive income by approximately $28.6 million (December 31, 2021: $17.4 million); conversely, if the value of uranium decreased by 1%, this would have decreased total equity and comprehensive income by the same amount.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Trust does not hedge its exposure to interest rate risk as that risk is minimal.

Currency risk

Currency risk arises from the possibility that changes in the price of foreign currencies will result in changes in carrying value. The Trust's assets, substantially all of which consist of investment in uranium, are priced in U.S. dollars. Some of the Trust's expenses are payable in Canadian dollars. Therefore, the Trust is exposed to currency risk, as the value of its assets and liabilities denominated in Canadian dollars will fluctuate due to changes in exchange rates. Most of such assets and liabilities, however, are short term in nature and are not significant in relation to the net assets of the Trust, and, as such, exposure to foreign exchange risk is limited. The Trust does not enter into currency hedging transactions.

(in thousands of U.S. dollars, unless otherwise indicated)

As at December 31, 2022, approximately $3,352 (December 31, 2021: -$1,192) of the Trust's sales tax recoverable, other assets, and accounts payable were denominated in Canadian dollars. As a result, a 1% change in the exchange rate between the Canadian and U.S. Dollars would not have a material impact to the Trust.

Credit risk

Credit risk arises from the potential that counterparties will fail to satisfy their obligations as they come due. The Trust primarily incurs credit risk when entering into and settling uranium transactions. It is the Trust's policy to only transact with reputable counterparties. The Manager, in conjunction with its Advisor, closely monitors the creditworthiness of the Trust's counterparties, such as uranium suppliers, by reviewing their financial statements when available, regulatory notices and press releases. The Trust seeks to minimize credit risk relating to unsettled transactions in uranium by only engaging in transactions with uranium suppliers with high creditworthiness. The risk of default is considered minimal, as payment for uranium is only made against the receipt of the uranium by the custodian.

Liquidity risk

Liquidity risk is defined as the risk that the Trust will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Trust could be required to pay its liabilities earlier than expected. The marketability of uranium is affected by numerous factors including macroeconomic factors, fluctuations in the market price of uranium, governmental regulations, land tenure and use, regulations concerning the importing and exporting of uranium and environmental protection regulations. The future effects of these factors on liquidity risk are minimal as the Trust does not offer redemption privileges to unitholders. All of the Trust's financial liabilities, including trade and other, accounts payable and management fees payable have maturities of less than three months.

Concentration risk

The Trust's risk is concentrated in physical uranium oxide held by three custodians, whose value constitutes 44.8%, 32.2%, and 22.6% of total equity as at December 31, 2022 (40.3%, 30.5%, and 27.5% of total equity for physical uranium oxide held across three custodians as at December 31, 2021).

Tax Loss Carryforwards

As of the taxation year ended December 31, 2022, the Trust had capital losses available for tax purposes of $nil (December 31, 2021: $nil).

8. Unitholders' Capital

The Trust is authorized to issue an unlimited number of Trust Units in one or more classes and series of a class. Currently, the Trust's capital is represented by the issued, non-redeemable, transferable Trust Units. Quantitative information about the Trust's capital is provided in its Statements of changes in equity.

The Trust's units are classified as equity on the Statements of financial position, since the Trust's units meet the criteria in IAS 32, *Financial Instruments: Presentation* for classification as equity.

(in thousands of U.S. dollars, unless otherwise indicated)

Net Asset Value

NAV is defined as the Trust's net assets (fair value of total assets less fair value of total liabilities) calculated using the value of physical uranium based on the end-of-day price provided by widely recognized pricing sources.

Capital management

As a result of the ability to issue, repurchase and resell Units of the Trust, the capital of the Trust as represented by the Unitholders' capital in the Statements of financial position can vary depending on the demand for subscriptions to the Trust. The Trust is not subject to externally imposed capital requirements and has no legal restrictions on the issue, repurchase or resale of such Units beyond those included in its trust agreement. The Trust may not issue additional Units except (i) if the net proceeds per Unit to be received by the Trust are not less than 100% of the most recently calculated NAV immediately prior to, or upon, the determination of the pricing of such issuance or (ii) by way of Unit distribution in connection with an income distribution.

The Trust's objectives for managing capital are:

- To invest and hold substantially all of the Trust's assets in physical uranium; and
- To maintain sufficient liquidity to meet the expenses of the Trust.

Refer to "Financial risk, management and objectives" (Note 7) for the policies and procedures applied by the Trust in managing its capital.

9. Related Party Disclosures

The Trust pays the Manager a monthly management fee equal to $^{1}/_{12}$ of 0.35% of the value of net assets of the Trust (determined in accordance with the Trust's trust agreement) plus any applicable Canadian taxes, calculated and accrued daily and payable monthly in arrears on the last day of each month.

Pursuant to the management agreement, the Trust pays the Manager a commission of 1% of the gross value of any purchases or sales of uranium provided that the Manager shall be responsible for any and all third party brokerage fees, commissions and service charges and other similar fees relating to all such transactions.

10. Independent Review Committee ("IRC")

In accordance with National Instrument 81-107, *Independent Review Committee for Investment Funds* ("NI 81-107"), the Manager has established an IRC for a number of funds managed by it, including the Trust. The mandate of the IRC is to consider and provide recommendations to the Manager on conflicts of interest to which the Manager is subject when managing certain funds, including the Trust. The IRC is composed of three individuals, each of whom is independent of the Manager and all funds managed by the Manager, including the Trust. Each fund subject to IRC oversight pays a share of the IRC member fees, costs and other fees in connection with operation of the IRC. The IRC reports annually to unitholders of the funds subject to its oversight on its activities, as required by NI 81-107.

11. Personnel

The Trust did not employ any personnel during the period, as its affairs were administered by the personnel of the Manager and/or the Trustee, as applicable.

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