Uranium Participation Corporation

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED NOVEMBER 30, 2019

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CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in thousands of Canadian dollars except for share amounts)	At November 30, 2019	At February 28, 2019
ASSETS		
Current		
Cash and cash equivalents	$ 4,704	$ 5,803
Trade and other receivables	117	202
Prepaid expenses and other (note 4)	2,143	656
	6,964	6,661
Non-Current		
Prepaid expenses and other (note 4)	3,615	-
Investments in uranium (note 4)	613,975	650,102
Total assets	**$ 624,554**	$ 656,763
LIABILITIES		
Current		
Trade and other payables	$ 1,244	$ 985
Total liabilities	1,244	985
EQUITY		
Share capital (note 6)	260,042	260,042
Contributed surplus	648,005	648,005
Deficit	(284,737)	(252,269)
Total equity	623,310	655,778
Total liabilities and equity	**$ 624,554**	$ 656,763
Common shares		
Issued and outstanding (note 6)	**138,060,713**	138,060,713

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE GAIN (LOSS)

(Expressed in thousands of Canadian dollars except for share and per share amounts)	Three Months Ended November 30, 2019	Three Months Ended November 30, 2018	Nine Months Ended November 30, 2019	Nine Months Ended November 30, 2018
URANIUM RELATED GAIN (LOSS)				
Unrealized gains (losses) on investments in uranium (note 4)	$ 17,643	$ 79,906	$ (35,183)	$ 204,778
Realized gain on sale of conversion components (note 4)	-	-	6,451	-
Income from relocation of uranium (note 5)	136	136	437	370
	17,779	**80,042**	**(28,295)**	**205,148**
OPERATING EXPENSES				
Storage fees	(522)	(678)	(1,776)	(1,857)
Management fees (note 7)	(591)	(480)	(1,495)	(1,556)
Public company expenses	(120)	(135)	(491)	(467)
General office and miscellaneous	(46)	(43)	(112)	(121)
Legal and other professional fees	(144)	(133)	(367)	(266)
Interest income	14	22	53	140
Other income (note 5)	-	-	-	1,166
Foreign exchange gain (loss)	(63)	52	15	636
	(1,472)	**(1,395)**	**(4,173)**	**(2,325)**
Net gain (loss) and comprehensive gain (loss) for the period	**$ 16,307**	**$ 78,647**	**$ (32,468)**	**$ 202,823**
Net gain (loss) per common share				
Basic and diluted	**$ 0.12**	**$ 0.57**	**$ (0.24)**	**$ 1.49**
Weighted average number of common shares outstanding				
Basic and diluted	**138,060,713**	**138,060,713**	**138,060,713**	**136,183,244**

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in thousands of Canadian dollars)	Share Capital	Contributed Surplus	Deficit	Total Equity
Balance at February 28, 2018	$ 238,245	$ 648,005	$ (422,921)	$ 463,329
Common shares issued (note 6)	21,797	-	-	21,797
Net gain for the period	-	-	202,823	202,823
Balance at November 30, 2018	$ 260,042	$ 648,005	$ (220,098)	$ 687,949
Balance at February 28, 2019	$ 260,042	$ 648,005	$ (252,269)	$ 655,778
Net loss for the period	-	-	(32,468)	(32,468)
Balance at November 30, 2019	**$ 260,042**	**$ 648,005**	**$ (284,737)**	**$ 623,310**

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended	
(Expressed in thousands of Canadian dollars)	**November 30, 2019**	November 30, 2018
Operating Activities		
Net (loss) gain for the period	$ (32,468)	$ 202,823
Adjustment for:		
Unrealized losses (gains) on revaluation of investments in uranium (note 4)	35,183	(204,778)
Non-cash other income (note 5)	-	(1,166)
Realized gain on sale of conversion components (note 4)	(6,451)	-
Foreign exchange gain	(15)	(636)
Changes in non-cash working capital:		
Change in trade and other receivables, net of receivables arising from investing activities	118	237
Change in prepaid expenses and other, net of prepaid expenses arising from investing activities	187	-
Change in trade and other payables	271	(190)
Net cash used in operating activities	**(3,175)**	**(3,710)**
Investing Activities		
Purchase of uranium investments (note 4)	(3,358)	(20,150)
Proceeds from the sale of conversion components (note 4)	5,489	-
Change in receivables from sale of conversion components	-	4,581
Net cash used in investing activities	**2,131**	**(15,569)**
Financing Activities		
Common shares issued, net of transaction costs (note 6)	-	21,839
Net cash generated by financing activities	**-**	**21,839**
Increase (decrease) in cash and cash equivalents	(1,044)	2,560
Cash and cash equivalents – beginning of the period	5,803	4,836
Foreign exchange impact	(55)	613
Cash and cash equivalents – end of the period	**$ 4,704**	**$ 8,009**

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED NOVEMBER 30, 2019

(Expressed in Canadian dollars, unless otherwise noted)

1. URANIUM PARTICIPATION CORPORATION

Uranium Participation Corporation ('UPC') was established under the *Business Corporations Act* (Ontario) on March 15, 2005. The address of its registered head office is 40 University Avenue, Suite 1100, Toronto, Ontario, Canada, M5J 1T1. Uranium Participation Bermuda Limited and Uranium Participation Bermuda 2 Limited (together with UPC, the 'Corporation') are wholly-owned subsidiaries of UPC

The Corporation invests substantially all of its assets in uranium oxide in concentrates ('U_3O_8') and uranium hexafluoride ('UF_6') (collectively 'uranium') with the primary investment objective of achieving appreciation in the value of its uranium holdings through increases in the uranium price. Denison Mines Inc. (the 'Manager'), under the direction of UPC's Board of Directors, provides general administration and management services to the Corporation. The common shares of UPC are listed and trade on the Toronto Stock Exchange ('TSX') under the symbol 'U'.

2. BASIS OF PRESENTATION

These condensed interim consolidated financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'), applicable to the preparation of interim financial statements, including International Accounting Standard ('IAS') 34, *Interim Financial Reporting.* These condensed interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended February 28, 2019.

All dollar amounts are expressed in Canadian dollars, unless otherwise noted.

All uranium prices are based on prices published by UxC LLC ('UxC').

These financial statements were approved by UPC's Board of Directors on January 9, 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

Significant Accounting Policies and Accounting Changes in Fiscal 2020

The significant accounting policies used in the preparation of these condensed interim consolidated financial statements are consistent with those applied in the Corporation's audited annual consolidated financial statements for the year ended February 28, 2019, with the exception of the Corporation's accounting for leases.

On March 1, 2019, the Corporation adopted the provisions of IFRS 16 Leases ('IFRS 16') using the retrospective approach. There were no transitional adjustments recorded on adoption, as the Company has not identified any leases.

The Corporation's new accounting policy for leases is as follows:

a. Leases

At the inception of a contract, the Corporation assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Corporation assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Corporation has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the Corporation has the right to direct the use of the asset. The Corporation has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Corporation has the right to direct the use of the asset if either: (a) the Corporation has the right to operate the asset; or (b) the Corporation designed the asset in a way that predetermines how and for what purpose it will be used.

If the contract contains a lease, a right-of-use asset and a corresponding lease liability are set-up at the date at which the leased asset is available for use by the Corporation. The lease payments are discounted using either the interest rate implicit in the lease, if available, or the Corporation's incremental borrowing rate. Each lease payment is allocated between the liability and the finance cost (i.e. accretion) so as to produce a constant rate of interest on the remaining lease liability balance. The Corporation accounts for the lease and non-lease components separately. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

4. INVESTMENTS IN URANIUM

The investments continuity summary is as follows:

(in thousands)	Nine Months Ended November 30, 2019	Nine Months Ended November 30, 2018
Opening balance	$ 650,102	$ 455,758
Additions – cost	3,358	20,143
Unrealized net (loss) gain on investments in uranium	(35,183)	204,778
Disposals – cost	(4,302)	-
Ending balance investments in uranium	**$ 613,975**	$ 680,679

The balance of investments in uranium consists of:

(in thousands, except quantity amounts)	Quantity	Cost	Fair Value Adjustment	Fair Value
U_3O_8	15,349,516 lbs	$ 712,981	$ (182,634)	$ 530,347
UF_6	700,000 KgU	116,185	(32,557)	83,628
Balance at November 30, 2019		**$ 829,166**	**$ (215,191)**	**$ 613,975**

Investments in uranium are categorized in Level 2 of the fair value hierarchy. Fair values as at November 30, 2019 reflect spot prices published by UxC of US$26.00 per pound U_3O_8 and US$89.90 per KgU as UF_6, translated to Canadian Dollars at the period-end indicative rate of 1.3289.

Sale of Conversion Components

During October 2019, the Corporation entered into commitments to sell the conversion components contained in 300,000 KgU as UF_6. This transaction with result in the exchange of 300,000 KgU as UF_6 for 783,856 pounds of U_3O_8 and cash consideration of US$6,087,000. The transaction will occur in three equal tranches of 100,000 KgU as UF_6 for delivery in January 2020, June 2020, and July 2020.

In August 2019, the Corporation also entered into an agreement with a primary UF_6 conversion supplier to sell the conversion components contained in 417,230 KgU as UF_6. This transaction resulted in the exchange of 417,230 KgU as UF_6 for 1,090,162 pounds of U_3O_8 as well as cash consideration of $5,489,000 (US$4,151,000) and beneficial storage and other arrangements valued at $5,264,000 (US$3,982,000). The gain on the sale of the conversion components was $6,451,000, based on the difference between the total value of the cash proceeds plus the fair value of the beneficial storage and other arrangements received and the historical cost of the conversion components. At the date of the transaction the fair value of the conversion components was $10,480,000. There were no transaction fees relating to this sale.

As at November 30, 2019, the statement of financial position included $4,986,000 in prepaid expenses and other related to the August 2019 conversion sale. The amount recorded as prepaid expenses and other reflects the value of beneficial storage and other arrangements which will reduce the Corporations storage fees over a five-year period.

During the three and nine months ended November 30, 2018, the Corporation had no sales of conversion components.

Uranium purchases

During October 2019, the Corporation entered into a contract to purchase a total of 230,000 pounds of U_3O_8 at an average price of US$26.04. The transaction consists of three tranches of 100,000 pounds of U_3O_8, 76,300 pounds of U_3O_8, and 53,700 pounds of U_3O_8, for delivery in October 2019, January 2020, and June 2020, respectively. During the three and nine months ended November 30, 2019, UPC took delivery of the first tranche of 100,000 pounds of U_3O_8, resulting in an increase of $3,358,000 (US$2,570,000) in the Corporation's investments in uranium at the time of purchase.

During the nine months ended November 30, 2018, the Corporation purchased 675,000 pounds of U_3O_8 at an average price of US$22.76 per pound U_3O_8, resulting in an increase of $20,143,000 in the Corporation's investments in uranium at the time of purchase. The total cash consideration for the purchases was $20,150,000 (US$15,361,000) based on the foreign exchange rate on the payment dates. The Corporation recorded a $7,000 foreign exchange loss due to the unfavourable movement in the U.S. dollar to Canadian dollar exchange rate between the date the Corporation received the shipments of U_3O_8 and the date that the payments were made. The purchases were funded by the proceeds from the bought-deal equity financing completed by the Corporation in May 2018.

5. URANIUM ARRANGEMENTS

Relocation Agreement

In July 2016, the Corporation entered into an agreement with an independent third party to relocate a total of 700,000 KgU as UF_6 to an alternate storage facility. The relocations took place over a two year period, in three separate tranches, in exchange for a fee payable to the Corporation of US$1.00 per KgU for the initial 12 months of each transfer and US$0.50 per KgU for each subsequent year after the end of the initial 12 month period. The fee received is recorded as income from relocation of uranium in the statement of comprehensive gain (loss).

Pursuant to the relocation agreement, the Corporation transferred a total of 700,000 KgU as UF_6, in exchange for an equivalent amount of KgU as UF_6 contained in enriched uranium product ('EUP'). The terms of the agreement require the return and transfer of the relocated 700,000 KgU as UF_6 back to the original storage facility in May 2020. The Corporation has negotiated the early return of 100,00 KgU as UF_6 in January 2020 in order to facilitate the first tranche of the forthcoming sale of conversion components (see Note 4).

The Corporation continues to hold title to the UF_6 that is stored at this facility pursuant to the terms of the relocation agreement, and the counterparty is not permitted to transfer, sell, or assign the EUP containing the Corporation's UF_6 to any person.

During the three and nine months ended November 30, 2019, the Corporation recorded $136,000 and $437,000, respectively, in income from the relocation of uranium (November 30, 2018 – $136,000 and $370,000).

Other Income

During the three and nine months ended November 30, 2018, the Corporation recognized other income of $1,166,000, related to the non-cash derecognition of certain liabilities following the termination of a contractual arrangement with a storage-related counterparty.

6. COMMON SHARES

The Corporation is authorized to issue an unlimited number of common shares without par value. Issued and outstanding common shares are as follows:

(in thousands, except common share amounts)	Number of Common Shares		Amount
Balance at February 28, 2018	132,448,713	$	238,245
Common shares issued	5,612,000		23,009
Share issue costs	-		(1,212)
Balance at February 28, 2019	138,060,713	$	260,042
Balance at November 30, 2019	**138,060,713**	**$**	**260,042**

On December 21, 2018, the Corporation filed a short form base shelf prospectus ('2018 Prospectus') with the securities regulatory authorities in each of the provinces of Canada, other than Québec. The Corporation may issue common shares or warrants or any combination of such securities as units ('Securities'), in amounts, at prices, and on terms to be determined based on market conditions at the time of sale and as set forth in the 2018 Prospectus, for an aggregate offering amount of up to $200,000,000 during the 25 month period beginning December 24, 2018, the date of the receipt of the 2018 Prospectus by the Ontario Securities Commission. To date, the Corporation has not issued any Securities pursuant to the 2018 Prospectus.

Previously, the Corporation had filed a short form base shelf prospectus with the securities regulatory authorities in each of the provinces of Canada, other than Québec, effective December 9, 2016 ('2016 Prospectus'). Prior to its expiry, the Corporation issued $63,609,200 in Securities pursuant to the 2016 Prospectus, as detailed below.

- On May 31, 2018, the Corporation completed a bought-deal equity financing and issued 5,612,000 common shares at a price of $4.10 per share, for gross proceeds of $23,009,200. The Corporation also incurred share issue costs of $1,212,000. The majority of the net proceeds were used to fund the purchase of 675,000 pounds of U_3O_8, with the balance being used to fund the operating expenses of the Corporation.
- On October 4, 2017, the Corporation completed a bought-deal equity financing and issued 11,600,000 common shares at a price of $3.50 per share, for gross proceeds of $40,600,000. The Corporation also incurred share issue costs of $2,355,000. The majority of the net proceeds were used to fund the purchase of 1,350,000 pounds of U_3O_8, with the balance used to fund the operating expenses of the Corporation.

7. RELATED PARTY TRANSACTIONS

Management Services Agreement with the Manager

The following outlines the fees paid to the Manager for the periods ended:

	Three Months Ended		Nine Months Ended	
(in thousands)	**November 30, 2019**	November 30, 2018	**November 30, 2019**	November 30, 2018
Fees incurred with the Manager:				
Base and variable fees	$ 451	$ 480	$ 1,355	$ 1,303
Discretionary fees	-	-	-	50
Commission fees	140	-	140	203
Total fees incurred with the Manager	**$ 591**	**$ 480**	**$ 1,495**	**$ 1,556**

Management fees for the three and nine months ended November 30, 2019 included $140,000 in commission fees related to the purchase of 100,000 pounds of U_3O_8 as well as the sale of conversion components contained in 300,000 KgU as UF_6. Management fees for the nine months ended November 30, 2018 included a discretionary fee of $50,000 for non-routine activities carried out by the manager during the 2018 fiscal year. In addition, during the nine months ended November 30, 2018, the Corporation incurred $203,000 in commission fees related to the purchase of 675,000 pounds of U_3O_8. See note 4 for further details.

As at November 30, 2019, trade and other payables included $186,000 (February 28, 2019 – $155,000) due to the Manager with respect to the fees indicated above.

Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. The Corporation's key management personnel are the members of its Board of Directors.

The following outlines the compensation and expense reimbursements paid to key management personnel for the periods ending:

	Three Months Ended		Nine Months Ended	
(in thousands)	**November 30, 2019**	November 30, 2018	**November 30, 2019**	November 30, 2018
Directors' fees & expenses	$ 70	$ 64	$ 228	$ 211
Total key management personnel compensation	**$ 70**	$ 64	**$ 228**	$ 211

8. COMPARATIVE FINANCIAL STATEMENTS

Certain balances in the comparative condensed interim consolidated financial statements have been reclassified from the condensed interim consolidated financial statements previously presented to conform to the presentation of the 2019 condensed interim consolidated financial statements in accordance with IFRS.