Uranium Participation Corporation

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 29, 2020

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Responsibility for Financial Reporting

Uranium Participation Corporation's (the 'Corporation') management is responsible for the integrity and fairness of the presentation of these consolidated financial statements. The consolidated financial statements have been prepared by management, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, for review by the Audit Committee and approval by the Board of Directors.

The preparation of consolidated financial statements requires the selection of appropriate accounting policies in accordance with International Financial Reporting Standards and the use of estimates and judgments by management to present fairly and consistently the consolidated financial position of the Corporation. Estimates are necessary when transactions affecting the current period cannot be finalized with certainty until future information becomes available.

The Board of Directors carries out its responsibility for the consolidated financial statements principally through its Audit Committee, which is comprised solely of independent directors. The Audit Committee reviews the Corporation's consolidated financial statements and recommends their approval to the Board of Directors. The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, our independent auditor. Its report outlines the scope of its examination and expresses its opinion on the consolidated financial statements. The independent auditor has full access to the Audit Committee with or without management present.

(Signed) "David Cates"

David Cates
President and Chief Executive Officer

(Signed) "Mac McDonald"

Mac McDonald
Chief Financial Officer

April 2, 2020

Independent auditor's report

To the Shareholders of Uranium Participation Corporation

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Uranium Participation Corporation and its subsidiaries (together, the Company) as at February 29, 2020 and February 28, 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at February 29, 2020 and February 28, 2019;
- the consolidated statements of comprehensive gain (loss) for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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 consolidated financial statements* section of our report.

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

Independence

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

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

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

In connection with our audit of the consolidated 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 consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 these consolidated 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 consolidated 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 Company'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 Company'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 consolidated 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Marelize Barber.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
April 2, 2020

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in thousands of Canadian dollars except for share amounts)	At February 29, 2020	At February 28, 2019
ASSETS		
Current		
Cash and cash equivalents	$ 3,166	$ 5,803
Trade and other receivables	121	202
Prepaid expenses and other (note 5)	1,822	656
	5,109	6,661
Non-Current		
Prepaid expenses and other (note 5)	3,409	-
Investments in uranium (note 5)	589,588	650,102
Total assets	**$ 598,106**	**$ 656,763**
LIABILITIES		
Current		
Trade and other payables	$ 1,001	$ 985
Total liabilities	1,001	985
EQUITY		
Share capital (note 8)	260,042	260,042
Contributed surplus	648,005	648,005
Deficit	(310,942)	(252,269)
Total equity	597,105	655,778
Total liabilities and equity	**$ 598,106**	**$ 656,763**
Common shares		
Issued and outstanding (note 8)	**138,060,713**	**138,060,713**

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

ON BEHALF OF THE BOARD OF URANIUM PARTICIPATION CORPORATION

(Signed) “Jeff Kennedy”

Jeff Kennedy
Director

(Signed) “Dorothy Sanford”

Dorothy Sanford
Director

CONSOLIDATED STATEMENTS OF COMPREHENSIVE GAIN (LOSS)

(Expressed in thousands of Canadian dollars except for share and per share amounts)	Years Ended February 29, 2020	Years Ended February 28, 2019
URANIUM RELATED GAIN (LOSS)		
Unrealized gain (loss) on investments in uranium (note 5)	$ (61,160)	$ 174,201
Realized gain on sale of conversion components (note 5)	8,095	-
Income from relocation of uranium (note 6)	542	541
	(52,523)	174,742
OPERATING EXPENSES		
Storage fees	(2,648)	(2,691)
Management fees (note 9)	(2,293)	(2,045)
Public company expenses	(623)	(606)
General office and miscellaneous	(284)	(303)
Legal and other professional fees	(449)	(415)
Interest income	63	181
Other income (note 6)	-	1,166
Foreign exchange gain	84	623
	(6,150)	(4,090)
Net gain (loss) and comprehensive gain (loss) for the year	**$ (58,673)**	$ 170,652
Net gain (loss) per common share		
Basic and diluted	**$ (0.42)**	$ 1.25
Weighted average number of common shares outstanding		
Basic and diluted	**138,060,713**	136,646,181

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

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 8)	21,797	-	-	21,797
Net gain for the year	-	-	170,652	170,652
Balance at February 28, 2019	$ 260,042	$ 648,005	$ (252,269)	$ 655,778
Net loss for the year	-	-	(58,673)	(58,673)
Balance at February 29, 2020	**$ 260,042**	**$ 648,005**	**$ (310,942)**	**$ 597,105**

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of Canadian dollars)	Years Ended February 29, 2020	Years Ended February 28, 2019
Operating Activities		
Net gain (loss) for the year	$ (58,673)	$ 170,652
Adjustment for:		
Unrealized (gains) losses on revaluation of investments in uranium (note 5)	61,160	(174,201)
Realized gain on sale of conversion components (note 5)	(8,095)	-
Non-cash other income (note 6)	-	(1,166)
Foreign exchange gain	(84)	(623)
Changes in non-cash working capital:		
Change in trade and other receivables, net of receivables arising from investing activities	111	(364)
Change in prepaid expenses and other, net of prepaid expenses arising from investing activities	760	-
Change in trade and other payables	33	(201)
Net cash used in operating activities	**(4,788)**	**(5,903)**
Investing Activities		
Purchase of uranium investments (note 5)	(5,979)	(20,150)
Proceeds from the sale of conversion components (note 5)	8,164	-
Change in receivables from sale of conversion components	-	4,581
Net cash used in investing activities	**2,185**	**(15,569)**
Financing Activities		
Common shares issued, net of transaction costs (note 8)	-	21,839
Net cash generated by financing activities	**-**	**21,839**
Increase (decrease) in cash and cash equivalents	(2,603)	367
Cash and cash equivalents – beginning of the year	5,803	4,836
Foreign exchange impact	(34)	600
Cash and cash equivalents – end of the year	**$ 3,166**	**$ 5,803**
Cash	2,261	224
Cash equivalents	905	5,579
Cash and cash equivalents – end of the year	**$ 3,166**	**$ 5,803**

The accompanying notes are an integral part of these annual consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 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 audited annual consolidated financial statements of the Corporation as at and for the years ended February 29, 2020 and February 28, 2019 have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'), and with interpretations of the International Financial Reporting Interpretations Committee which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the Chartered Professional Accountants Canada Handbook – Accounting.

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

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

These audited annual consolidated financial statements were approved by the Corporation's Board of Directors on April 2, 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these annual consolidated financial statements are described below:

(a) Consolidation

These consolidated financial statements consolidate the accounts of the Corporation and its wholly owned subsidiaries. A subsidiary is an entity over which the Corporation has control. The Corporation controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A subsidiary is fully consolidated from the date on which control is obtained by the Corporation and deconsolidated from the date that control ceases. All intercompany balances and transactions are eliminated on consolidation.

(b) Foreign Currency Translation

(i) Functional and Presentation Currency

Functional currencies are determined based on the currency of the primary economic environment for the Corporation and its subsidiary. The Corporation's functional currency and presentation currency are the Canadian dollar.

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and the re-measurement of monetary items at the date of the consolidated statement of financial position are recognized in net gain (loss).

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less, which are subject to an insignificant risk of changes in value.

(d) Investments in Uranium

Investments in uranium are initially recorded at cost, on the date that control of the uranium pass to the Corporation. Cost is calculated as the purchase price, excluding transaction fees, which are expensed as incurred. Subsequent to initial recognition, investments in uranium are measured at fair value at each reporting period end. Fair value is determined based on the most recent month-end spot prices for uranium published by UxC and converted to Canadian dollars using the Bank of Canada's indicative foreign exchange rate at the date of the consolidated statement of financial position. Related fair value increment gains and losses are recorded in the consolidated statement of comprehensive gain (loss) as 'Unrealized gains (losses) on revaluation of investments in uranium' in the period in which they arise.

Due to the lack of specific IFRS guidance on accounting for investments in uranium, the Corporation considered IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, to develop and apply an accounting policy that would result in information that is most relevant to the economic decision-making needs of users within the overall IFRS accounting framework. Consequently, the uranium investments are presented at fair value based on the application of IAS 40, *Investment Property*, which allows the use of a fair value model for assets held for long-term capital appreciation.

(e) Lending of Uranium

Uranium on loan to other parties remains part of the Corporation's investment portfolio and is carried at fair value. The lending of uranium is accounted for as an operating lease. Income earned from lending of uranium is included in the consolidated statement of comprehensive gain (loss) and is recognized when earned.

(f) Income Taxes

The Corporation follows the liability method of accounting for income taxes. Current income taxes are the expected taxes payable on the taxable income for the period, calculated at tax rates enacted at the reporting date and adjusted for taxes payable in respect of prior periods.

Deferred income tax assets and liabilities are determined based on temporary differences between the financial reporting and tax bases of assets and liabilities, and are measured using the enacted or substantively enacted tax rates and laws that are expected to apply when the differences are expected to reverse. The benefit of tax losses which are available to be carried forward are recognized as assets to the extent that they are likely to be utilized against future taxable income.

Tax assets and liabilities are offset if there is a legally enforceable right to offset the assets and liabilities, and they relate to income taxes levied by the same tax authority on either the same tax entity or different taxable entities where there is an intention to settle the balance on a net basis.

(g) Operating Segment

The Corporation manages its business under a single operating segment, consisting of holdings of assets in U_3O_8 and UF_6, for the primary purpose of achieving appreciation in the value of its uranium holdings through increases in the uranium price. All of the Corporation's assets and income are attributable to this single operating segment and are held with storage facilities and financial institutions in Canada, United States and Europe.

The operating segment is reported in a manner consistent with the internal reporting provided to executive management who, under the direction of the Corporation's board of directors, act as the chief operating decision-maker. Executive management, under the direction of the Corporation's board of directors, is responsible for allocating resources and assessing performance of the operating segment.

(h) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligations specified in the contract are discharged, cancelled or expire.

At initial recognition, the Company classifies its financial instruments in the following categories:

(i) Financial assets at amortized cost

A financial asset is classified in this category if it is a debt instrument that is held within a business model whose objective is to hold the asset in order to collect the contractual cash flows that are solely payments of principal and interest. Financial assets in this category are initially recognized at fair value plus transaction costs and subsequently measured at amortized cost using the effective interest method less a provision for impairment. Interest income is recorded in net gain (loss).

(ii) Financial liabilities at amortized cost

All financial liabilities that are not recorded as fair value through profit or loss are classified in this category and are initially recognized at fair value, less any directly attributable transaction costs. Subsequently, financial liabilities are measured at amortized cost using the effective interest method. Interest expense, when applicable, is recorded in net gain (loss).

The Company has designated its financial assets and liabilities as follows: 'Cash and cash equivalents', and 'Trade and other receivables' are classified as financial assets at amortized cost; and 'Accounts payable and accrued liabilities' are classified as financial liabilities at amortized cost.

All financial instruments' fair values approximate their carrying values due to the short-term nature of these instruments.

(i) Impairment of financial assets

At each reporting date, the Company assesses the expected credit losses associated with its financial assets at amortized cost. Expected credit losses are calculated based on the difference between the contractual cash flows and the cash flows that the Company expects to receive, discounted, where applicable, based on the assets original effective interest rate.

For 'Trade and other receivables', the Company calculates expected credit losses based on historical credit loss experience, adjusted for forward-looking factors specific to debtors and the economic environment. In recording an impairment loss, the carrying amount of the asset is reduced by this computed amount either directly or indirectly through the use of an allowance account.

(j) Sale of Uranium

The sale of uranium is recognized when control of the uranium passes to the buyer. The realized gain or loss from the sale of uranium is calculated as the difference between the transaction price (including any variable consideration) and the historical cost of the uranium.

(k) Sale of Conversion Components

The sale of conversion components is recognized when control of the conversion components passes to the buyer. The realized gain or loss from the sale of conversion components is calculated as the difference between the transaction price (including any variable consideration) and the historical cost of the conversion components.

(l) Relocation of Uranium

At contract inception, the Corporation will estimate the expected total transaction price for the relocation agreement and calculate an average per unit transaction price that applies over the life of the contract. This unit price will be used to recognize income from the relocation agreement over the life of the contract.

Accounting Changes for Fiscal 2020

IFRS 16 – 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 Corporation has not identified any leases for which the Corporation is the lessee.

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

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. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements in conformity with IFRS requires management to make accounting estimates and judgements that affect the reported amounts of assets and liabilities as of the date of the consolidated financial statements and income and expenses during the reporting period. Actual results could differ materially from these estimates. Significant estimates and judgements made by management include:

(a) Investments in Uranium

Investments in uranium are measured at fair value at each reporting period-end based on the month end spot prices for uranium published by UxC and converted to Canadian dollars using the period-end indicative foreign exchange rate. The Corporation may also adjust the fair value of the investments in uranium based on its assessment of the valuation impact of risks associated with the third party storage facilities at which the Corporation's uranium is held.

5. INVESTMENTS IN URANIUM

The investments continuity summary is as follows:

(in thousands)	February 29, 2020	February 28, 2019
Opening balance	$ 650,102	$ 455,758
Additions – cost	5,979	20,143
Unrealized net gain (loss) on investments in uranium	(61,160)	174,201
Disposals – cost	(5,333)	-
Ending balance investments in uranium	**$ 589,588**	**$ 650,102**

The balance of investments in uranium consists of:

(in thousands, except quantity amounts)	Quantity	Cost	Fair Value Adjustment	Fair Value
U_3O_8	15,687,101 lbs	$ 731,168	$ (210,833)	$ 520,335
UF_6	600,000 KgU	99,588	(30,335)	69,253
Balance at February 29, 2020		**$ 830,756**	**$ (241,168)**	**$ 589,588**

The following is an analysis of the Corporation's investments in uranium by location:

(in thousands)	February 29, 2020	February 28, 2019
Canada	$ 120,176	$ 76,143
United States	282,194	299,599
Europe	187,218	274,360
Total investments in uranium	**$ 589,588**	**$ 650,102**

Investments in uranium are categorized in Level 2 of the fair value hierarchy. Fair values as at February 29, 2020 reflect spot prices published by UxC of US$24.70 per pound U_3O_8 and US$85.95 per KgU as UF_6, translated to Canadian Dollars at the period-end indicative rate of 1.3429.

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 year ended February 29, 2020, UPC took delivery of the first two tranches totaling 176,300 pounds of U_3O_8, resulting in an increase of $5,979,000 (US$4,558,000) in the Corporation's investments in uranium at the time of purchase.

During the year ended February 28, 2019, 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 (see note 8 for further details).

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 will 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 consists of three equal tranches of 100,000 KgU as UF_6 for delivery in January 2020, June 2020, and July 2020.

As at February 29, 2020, the Corporation had completed the first tranche of the commitment which resulted in the exchange of 100,000 KgU as UF_6 for 261,286 pounds of U_3O_8 and cash consideration of $2,675,000 (US$2,029,000). The Corporation recorded a gain on sale of conversion components of $1,644,000, which was calculated as the difference between the cash proceeds received and the historical costs of the conversion components.

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.

As at February 29, 2020, the statement of financial position included $4,523,000 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 year ended February 28, 2019, the Corporation had no sales of conversion components.

6. 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 fees received under this agreement are 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 negotiated the early return of 100,000 KgU as UF_6 in January 2020 in order to facilitate the first tranche of the October sale of conversion components (see Note 5).

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.

For the year ended February 29, 2020, the Corporation recorded $542,000 in income from the relocation of uranium (February 28, 2019 – $541,000).

Other Income

For the year ended February 29, 2020, the Corporation recorded $nil other income (February 28, 2019 – 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.

7. INCOME TAXES

The Corporation is subject to varying rates of taxation due to its operations in multiple tax jurisdictions.

Reconciliations of the combined Canadian federal and provincial income tax rates in effect in Ontario, Canada to the Corporation's effective rate of income tax for the years then ended are as follows:

(in thousands)	February 29, 2020	February 28, 2019
Net loss (income) before taxes	$ (58,673)	$ 170,841
Combined federal and provincial income tax rate	26.50%	26.50%
Computed income tax expense (recovery)	$ (15,548)	$ 45,273
Difference in current tax rates applicable in other jurisdictions	14,505	(42,614)
Change in deferred tax assets not recognized	1,043	(2,317)
Other	-	(342)
Total income tax expense	**$ -**	**$ -**

The Corporation believes that it is not probable that sufficient taxable income will be available in future years to recognize deferred tax assets in respect of the following deductible temporary differences:

(in thousands)	February 29, 2020	February 28, 2019
Deductible temporary differences	$ 700	$ 619
Tax losses	9,978	9,016
Total deferred tax assets not recognized	**$ 10,678**	$ 9,635

The Corporation's tax losses not recognized and the associated expiry dates of those losses are as follows:

(in thousands)	Expiry Date	February 29, 2020	February 28, 2019
Tax losses – Canada (gross)	2030-2040	$ 37,653	$ 34,023
Tax benefit at the tax rate of 26.50%		9,978	9,016
Set-off against deferred tax liabilities		-	-
Total tax loss assets not recognized		**$ 9,978**	$ 9,016

8. COMMON SHARES

The Corporation is authorized to issue an unlimited number of common shares without par value. A continuity schedule of the issued and outstanding common shares is 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
Common shares issued	-	-
Share issue costs	-	-
Balance at February 29, 2020	**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 have been 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.

9. RELATED PARTY TRANSACTIONS

Management Services Agreement with Denison Mines Inc.

Effective April 1, 2019, the Corporation entered into a new management services agreement with the Manager (the ‘2019 MSA’). The management fee structure in the 2019 MSA is unchanged from the previous MSA, with the Manager being entitled to the following: a) a base fee of $400,000 per annum, payable in equal quarterly installments; b) a variable fee equal to (i) 0.3% per annum of the Corporation’s total assets in excess of $100,000,000 and up to and including $500,000,000, and (ii) 0.2% per annum of the Corporation’s total assets in excess of $500,000,000; c) a fee, at the discretion of the Board of Directors, for on-going monitoring or work associated with a transaction or arrangement (other than a financing, or the acquisition of or sale of U_3O_8 or UF_6); and d) a commission of 1.0% of the gross value of any purchases or sales of U_3O_8 or UF_6, or gross interest fees payable to the Corporation in connection with any uranium loan arrangements.

The term of the 2019 MSA is for five years, ending on March 31, 2024. In addition, the 2019 MSA includes a termination provision whereby, subject to certain exceptions, if the 2019 MSA is terminated early by the Corporation, the Manager will receive a termination payment equal to the base and variable management fees that would otherwise be payable to the Manager (calculated based on the Corporation’s current uranium holdings at the time of termination) for the lesser period of a) three years; or b) the remaining term of the 2019 MSA.

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

(in thousands)	**February 29, 2020**	February 28, 2019
Fees incurred with the Manager:		
Base and variable fees	$ 1,796	$ 1,788
Discretionary fees	300	50
Commission fees	197	207
Total fees incurred with the Manager	**$ 2,293**	$ 2,045

As at February 29, 2020, trade and other payables included $683,000 (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 compensation was awarded to key management personnel for the years ended:

(in thousands)	**February 29, 2020**	February 28, 2019
Directors' fees & expenses	$ 308	$ 302
Total key management personnel compensation	**$ 308**	$ 302

10. CAPITAL MANAGEMENT AND FINANCIAL RISK

Capital Management

The Corporation's capital structure consists of share capital and contributed surplus. The Corporation's primary objective is to achieve long-term appreciation in the value of its uranium holdings through a buy and hold investment strategy and not to actively speculate with regard to short-term changes in uranium prices. Uranium purchases are normally funded through common share offerings, and at least 85% of the gross proceeds of certain share offerings completed by the Corporation, in the aggregate, are invested in, or set aside for future purchases of uranium. In strictly limited circumstances, the Corporation can enter into borrowing arrangements for up to 15% of its net asset value to facilitate the purchases of uranium.

At February 29, 2020, the Corporation has invested more than 85% of its aggregate gross proceeds of share offerings in uranium. The Corporation has no outstanding borrowing arrangements for the purchase of uranium.

Financial Risk

The Corporation examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include commodity price risk, currency risk, credit risk and liquidity risk.

Commodity Price Risk

The Corporation's net asset value is directly tied to the spot price of uranium published by UxC. At February 29, 2020, a 10% increase in the uranium spot price would have increased the Corporation's total equity by $57,300,000, while a 10% decrease would have decreased the Corporation's total equity by $57,300,000.

Currency Risk

Changes in the value of the Canadian dollar compared to foreign currencies will affect the value, as reported, of the Corporation's foreign denominated investments in uranium, cash and cash equivalents, trade and other receivables, and trade and other payables.

As the prices of uranium are quoted in U.S. currency, fluctuations in the Canadian dollar relative to the U.S. dollar can significantly impact the valuation of uranium from a Canadian dollar perspective. At February 29, 2020, a 10% increase in the U.S. dollar to Canadian dollar exchange rate would have increased the Corporation's total equity by $59,000,000, while a 10% decrease would have decreased the Corporation's total equity by $59,000,000.

From time to time, the Corporation raises funds through equity issuances, and the funds raised are denominated in Canadian dollars. The proceeds from the equity issuances are used, in part, to fund the purchase of uranium investments, which are denominated in U.S. dollars. In order to limit currency risk exposure arising from fluctuations in the Canadian dollar relative to the U.S. dollar in the time between the announcement of an equity financing, and the receipt of the Canadian dollar proceeds, the Corporation enters into foreign currency swaps in order to lock in the rate of exchange.

Credit Risk

Credit risk is the risk of loss due to a counterparty's inability to meet its obligations under a financial instrument or contractual agreement that will result in a financial loss to the Corporation. The Corporation's credit risk exposure includes the carrying amounts of cash and cash equivalents, trade and other receivables, and investments in uranium.

To limit the credit risk exposure on its cash and cash equivalents, the Corporation holds all of its cash and cash equivalents in credit worthy financial institutions, while investments in uranium are held with storage facilities owned by organizations that are credible, financially stable, and/or essential to the global nuclear fuel cycle. Credit risk exposure on its trade and other receivables related to uranium loans is limited since the Corporation lends uranium exclusively to large organizations and ensures that adequate security is provided for any loaned uranium. The Corporation regularly assesses the credit profile of these organizations for any indications of financial difficulty.

Liquidity Risk

Financial liquidity represents the Corporation's ability to fund future operating activities. The Corporation may generate cash from the lending, relocation, or sale of uranium, or the sale of additional equity securities. The Corporation funds its ongoing operations with its existing cash balance and has the ability to sell some of its investments in uranium to generate additional cash, if required. Although the Corporation enters into commitments to purchase uranium periodically, the commitments are normally funded by the Corporation's available cash or are contingent on its ability to raise funds through the sale of additional equity securities.

Fair Value of Investments, Financial Assets and Financial Liabilities

IFRS requires disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Investments in uranium are categorized in Level 2. Investments in uranium are measured at fair value at each reporting period based on the most recent month end spot prices for uranium published by UxC and converted to Canadian dollars using the period-end indicative foreign exchange rate. The Corporation may also adjust the fair value of the investments in uranium based on its assessment of the valuation impact of risks associated with the third party storage facilities at which the Corporation's uranium is held.

All financial instruments' fair values approximate their carrying values due to the short-term nature of these instruments. All purchases and sales of financial assets are accounted for at settlement date.

The Corporation has not offset financial assets with financial liabilities.

11. SUBSEQUENT EVENT

COVID-19

The Manager and Board of Directors are closely monitoring the impact of the COVID-19 pandemic on the Corporation's business. At this time, it is not possible to reliably estimate the financial impact on the Corporation, in terms of duration or severity, of the COVID-19 pandemic. At present, the uranium spot price has not been significantly impacted by the pandemic, nor have any of the Corporation's storage facilities experienced any disruption of service that could impact the value of the uranium holdings; however, it is possible that circumstances could change, resulting in in price movement – both up and down – and/or an operational disruption at industry storage facilities. A future drop in the spot price, or an extended shutdown of any of these storage facilities, could have a materially adverse impact on the Company's financial position, liquidity, and financial results for future periods.