Uranium Participation Corporation

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED AUGUST 31, 2020

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CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in thousands of Canadian dollars except for share amounts)	At August 31, 2020	At February 29, 2020
ASSETS		
Current		
Cash and cash equivalents	$ 4,542	$ 3,166
Trade and other receivables	214	121
Prepaid expenses and other (note 4)	1,457	1,822
	6,213	5,109
Non-Current		
Prepaid expenses and other (note 4)	2,825	3,409
Investments in uranium (note 5)	693,168	589,588
Total assets	**$ 702,206**	**$ 598,106**
LIABILITIES		
Current		
Trade and other payables	$ 544	$ 1,001
Total liabilities	544	1,001
EQUITY		
Share capital (note 7)	256,150	260,042
Contributed surplus	641,708	648,005
Deficit	(196,196)	(310,942)
Total equity	701,662	597,105
Total liabilities and equity	**$ 702,206**	**$ 598,106**
Common shares		
Issued and outstanding (note 7)	**136,007,711**	**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 August 31, 2020	Three Months Ended August 31, 2019	Six Months Ended August 31, 2020	Six Months Ended August 31, 2019
URANIUM RELATED GAIN (LOSS)				
Unrealized gains (losses) on investments in uranium (note 5)	$ (117,417)	$ 14,022	$ 112,864	$ (52,826)
Gains (losses) on sale of investments in uranium (note 5)	(49)	-	225	-
Realized gains on sale of conversion components (note 5)	3,459	6,451	3,459	6,451
Income from lending and/or relocation of uranium (note 6)	1,297	150	1,536	301
	(112,710)	**20,623**	**118,084**	**(46,074)**
OPERATING EXPENSES				
Storage fees	(751)	(600)	(1,409)	(1,254)
Management fees (note 8)	(655)	(450)	(1,253)	(904)
Public company expenses	(201)	(208)	(327)	(371)
General office and miscellaneous	(25)	(40)	(48)	(67)
Legal and other professional fees	(4)	(118)	(54)	(222)
Interest income	-	20	4	39
Foreign exchange gain (loss)	(412)	45	(251)	78
	(2,048)	**(1,351)**	**(3,338)**	**(2,701)**
Net gain (loss) and comprehensive gain (loss) for the period	**$ (114,758)**	**$ 19,272**	**$ 114,746**	**$ (48,775)**
Net gain (loss) per common share				
Basic and diluted	**$ (0.84)**	**$ 0.14**	**$ 0.84**	**$ (0.35)**
Weighted average number of common shares outstanding				
Basic and diluted	**136,308,714**	**138,060,713**	**137,030,408**	**138,060,713**

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, 2019	$ 260,042	$ 648,005	$ (252,269)	$ 655,778
Net loss for the period	-	-	(48,775)	(48,775)
Balance at August 31, 2019	$ 260,042	$ 648,005	$ (301,044)	$ 607,003
Balance at February 29, 2020	$ 260,042	$ 648,005	$ (310,942)	$ 597,105
Shares repurchased under the NCIB and cancelled during the period (note 7)	(3,892)	(6,297)	-	(10,189)
Net gain for the period	-	-	114,746	114,746
Balance at August 31, 2020	**$ 256,150**	**$ 641,708**	**$ (196,196)**	**$ 701,662**

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended	
(Expressed in thousands of Canadian dollars)	**August 31, 2020**	August 31, 2019
Operating Activities		
Net gain (loss) for the period	$ 114,746	$ (48,775)
Adjustment for:		
Unrealized (gain) loss on revaluation of uranium investments (note 5)	(112,864)	52,826
Realized gain on sale of uranium investments (note 5)	(225)	-
Realized gain on sale of conversion components (note 5)	(3,459)	(6,451)
Uranium received as consideration for relocation fee income (note 6)	(889)	-
Foreign exchange (gain) loss	251	(78)
Changes in non-cash working capital:		
Change in trade and other receivables	(101)	62
Change in prepaid expenses and other	844	325
Change in trade and other payables	(447)	(349)
Net cash used in operating activities	**(2,144)**	(2,440)
Investing Activities		
Purchase of uranium investments (note 5)	(1,957)	-
Sale of uranium investments (note 5)	10,292	-
Sale of conversion components, net of costs (note 5)	5,522	-
Net cash generated by investing activities	**13,857**	-
Financing Activities		
Common shares repurchased, inclusive of costs (note 7)	(10,189)	-
Net cash used in financing activities	**(10,189)**	-
Increase (decrease) in cash and cash equivalents	1,524	(2,440)
Cash and cash equivalents – beginning of the period	3,166	5,803
Foreign exchange impact	(148)	6
Cash and cash equivalents – end of the period	**$ 4,542**	$ 3,369
Cash	4,366	178
Cash Equivalents	176	3,191
Cash and cash equivalents – end of the period	**$ 4,542**	$ 3,369

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 SIX MONTHS ENDED AUGUST 31, 2020

(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 29, 2020.

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 September 24, 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

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 29, 2020.

4. PREPAID EXPENSES AND OTHER

The prepaid expenses and other balance consists of:

(in thousands)	August 31, 2020	August 31, 2019
Prepaid storage benefits	$ 3,908	$ 5,232
Other prepaids	374	393
Ending balance prepaid expenses and other	**$ 4,282**	$ 5,625
Prepaid expenses and other-by balance sheet presentation		
Current	$ 1,457	$ 1,641
Non-Current	2,825	3,984
Ending balance prepaid expenses and other	**$ 4,282**	$ 5,625

In August 2019, the Corporation 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 and beneficial storage and other arrangements valued at $5,264,000. The amount recorded as prepaid storage expense reflects the remaining value of beneficial storage arrangements which will reduce the Corporations storage fees over a five-year period from August 2019.

5. INVESTMENTS IN URANIUM

The investments continuity summary is as follows:

(in thousands)	Six Months Ended August 31, 2020	August 31, 2019
Opening balance	$ 589,588	$ 650,102
Unrealized net gain (loss) on investments in uranium	112,864	(52,826)
Purchase of uranium – cost	1,957	-
Uranium received as consideration for relocation fee income (note 6)	889	-
Sale of conversion components – cost	(2,063)	-
Sale of uranium – cost	(10,067)	(4,302)
Ending balance	**$ 693,168**	$ 592,974

The balance of investments in uranium consists of:

(in thousands, except quantity amounts)	Quantity	Cost	Fair Value Adjustment	Fair Value
U_3O_8	16,058,373 lbs	$ 755,080	$ (113,167)	$ 641,913
UF_6	400,000 KgU	66,392	(15,137)	51,255
Balance at August 31, 2020		**$ 821,472**	**$ (128,304)**	**$ 693,168**

Investments in uranium are categorized in Level 2 of the fair value hierarchy. Fair values as at August 31, 2020 reflect spot prices published by UxC of US$30.65 per pound U_3O_8 and US$98.25 per KgU as UF_6, translated to Canadian Dollars at the Bank of Canada's month-end daily exchange rate of $1.3042.

Uranium Sales

During the three months ended August 31, 2020, the Corporation completed the sale of 100,000 pounds of U_3O_8, in two separate transactions at a weighted average price of US$32.63, for total cash consideration of $4,425,000 (US$3,263,000). The Corporation recorded a loss on sale of $49,000, which was calculated as the difference between the cash proceeds received and the weighted average historical cost of the U_3O_8.

During the six months ended August 31, 2020, the Corporation completed the sale of 225,000 pounds of U_3O_8, in five separate transactions at a weighted average price of US$33.02, for total cash consideration of $10,292,000 (US$7,429,000). The Corporation recorded a gain on sale of $225,000, which was calculated as the difference between the cash proceeds received and the weighted average historical cost of the U_3O_8.

The majority of the proceeds from the sale of the uranium were used to fund share repurchases under the 2020 NCIB. See Note 7 for further details.

During the three and six months ended August 31, 2019, the Corporation had no uranium sales.

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 consisted 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 six months ended August 31, 2020, the Corporation took delivery of the final tranche of 53,700 pounds of U_3O_8 at a price of US$26.64 per pound U_3O_8, resulting in an increase of $1,957,000 (US$1,431,000) in the Corporation's investments in uranium at the time of purchase.

During the three and six months ended August 31, 2019, the Corporation had no uranium purchases.

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

During the three and six months ended August 31, 2020, the Corporation completed the second and third tranches of this commitment, which resulted in the exchange of 200,000 KgU as UF_6 for 522,572 pounds of U_3O_8 and cash consideration of $5,522,000 (US$4,058,000). The Corporation recorded a gain on sale of conversion components of $3,459,000, which was calculated as the difference between the cash proceeds received and the historical costs of the conversion components.

During the three and six months ended August 31, 2019, the Corporation 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 1,090,160 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 beneficial storage and other arrangements received and the historical cost of the conversion components of $4,302,000. At the date of the transaction the fair value of the conversion components was $10,480,000.

6. URANIUM ARRANGEMENTS

Relocation Agreements

In June 2020, the Corporation entered into a location swap with an independent third party, whereby the Corporation delivered 200,000 pounds of U_3O_8 to the counterparty at a storage facility and received 220,000 pounds of U_3O_8 at an alternate storage facility, including an exchange fee of 20,000 pounds of U_3O_8. The fee received under this agreement is recorded as income from relocation of uranium in the statement of comprehensive gain (loss). In the three and six months ended August 31, 2020, the Corporation recorded income from the location swap of $889,000 in income from uranium relocation, which was the fair value of the 20,000 pounds of U_3O_8 received as consideration.

In July 2016, the Corporation entered into an agreement with an independent third party to temporarily 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. The Corporation earned a fee 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 under this agreement 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'), and in May 2020, the full 700,000 KgU as UF_6 was transferred back to the Corporation, in accordance with the relocation agreement.

During the three and six months ended August 31, 2020, the Corporation recorded $nil and $100,000 in income from the relocation of uranium under this agreement (August 31, 2019 - $150,000 and $301,000).

Uranium Lending Agreement

In May 2020, the Corporation entered into an agreement to loan 500,000 pounds of U_3O_8 to an independent third party, with a return date in September 2020. The loan is subject to a loan fee of USD$100,000 per month. The loan is collateralized with 164,000 pounds of U_3O_8 and 105,971 KgU as UF_6. During the three and six months ended August 31, 2020, the Corporation recorded $408,000 and $547,000 in income from uranium lending (August 31, 2019 - $nil).

7. 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, 2019	138,060,713	$	260,042
Balance at February 29, 2020	138,060,713	$	260,042
Shares repurchased under the NCIB and cancelled during the period	(2,053,002)		(3,867)
Share repurchase costs			(25)
Balance, issued and outstanding at August 31, 2020	**136,007,711**	**$**	**256,150**

In April 2020, the Corporation filed a notice of a Normal Course Issuer Bid ('2020 NCIB') with the TSX, which authorizes the Corporation to purchase up to 12,301,750 common shares of the Corporation during the 12 month period ending April 15, 2021. As at August 31, 2020, a total of 2,053,002 shares have been purchased under the 2020 NCIB at an average cost of $4.94 per share for a total cash outflow of $10,164,000, which includes brokers' commissions of $21,000. The Corporation's Share Capital account has been reduced by $3,867,000, which reflects the weighted average per share book value of the repurchased shares. The difference of $6,297,000 between the cash outflow of $10,164,000 for the share repurchases and the weighted average book value of the purchased shares of $3,867,000 has been recorded as a reduction in contributed surplus. The Corporation also incurred $25,000 in other share repurchase expenses related to the 2020 NCIB which were recorded as a reduction to the Share Capital account.

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.

8. 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		Six Months Ended	
(in thousands)	**August 31, 2020**	August 31, 2019	**August 31, 2020**	August 31, 2019
Fees incurred with the Manager:				
Base and variable fees	$ 523	$ 450	$ 1,060	$ 904
Commission fees	132	-	193	-
Total fees incurred with the Manager	**$ 655**	**$ 450**	**$ 1,253**	**$ 904**

As at August 31, 2020, trade and other payables included $225,000 (February 29, 2020 – $683,000) 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		Six Months Ended	
(in thousands)	**August 31, 2020**	August 31, 2019	**August 31, 2020**	August 31, 2019
Directors' fees & expenses	$ 64	$ 77	$ 146	$ 158
Total key management personnel compensation	**$ 64**	**$ 77**	**$ 146**	$ 158

9. 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 2020 condensed interim consolidated financial statements in accordance with IFRS.