

Uranium Participation Corp. Reports Financial Results for the Quarter Ended May 31, 2020

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TORONTO, June 24, 2020 - [Uranium Participation Corporation](#) ('UPC' or the 'Corporation') today filed its Financial Statements and Management's Discussion & Analysis ('MD&A') for the period ended May 31, 2020. Both documents can be found on the Company's website (www.uraniumparticipation.com) or on SEDAR (www.sedar.com). The highlights provided below are derived from these documents and should be read in conjunction with them. All amounts are in Canadian dollars, unless otherwise noted. View PDF version.

Selected financial information:

	May 31, 2020	February 29, 2020	November 30, 2019	August 31, 2019
Net asset value (in thousands)	\$ 819,823	\$ 597,105	\$ 23,310	\$ 67,003
Net asset value per common share ⁽¹⁾	\$ 6.00	\$ 4.32	\$.51	\$.40
U ₃ O ₈ spot price ⁽²⁾ (US\$)	\$ 34.00	\$ 24.70	\$ 6.00	\$ 5.30
UF ₆ spot price ⁽²⁾ (US\$)	\$ 102.50	\$ 85.95	\$ 9.90	\$ 6.00
Foreign exchange rate (US\$ to CAD\$)	1.3787	1.3429	1.3289	1.3295

(1) Net asset value per common share is calculated using the Corporation's issued and outstanding shares as at May 31, 2020 less 569,514 shares that were held for cancellation at quarter end, and cancelled in early June.

(2) Spot prices as published by Ux Consulting Company, LLC ('UxC').

Overall Performance

The net gain for the three months ended May 31, 2020 was mainly driven by unrealized net gains on the revaluation of investments in uranium of \$230,281,000, realized gains on the sale of uranium of \$274,000, and income from the uranium relocation and lending arrangements of \$239,000, slightly offset by operating expenses of \$1,290,000.

Unrealized net gains on investments in uranium during the three months ended May 31, 2020 were mainly due to the increase in the spot price for uranium. The spot price increased during the quarter from US\$24.70 per pound U₃O₈ and US\$85.95 per KgU as UF₆ at February 29, 2020, to US\$34.00 per pound U₃O₈ and US\$102.50 per KgU as UF₆ at May 31, 2020. The unrealized net gain on investments in uranium was also driven by a 3% increase in the U.S. dollar to Canadian dollar foreign exchange rate in the quarter.

Total equity increased to \$819,823,000 at May 31, 2020, from \$597,105,000 at February 29, 2020.

Taken together, UPC's NAV per issued and outstanding share less the shares repurchased by UPC under its NCIB and held for cancellation at May 31, 2020 increased to \$6.00, from \$4.32 at February 29, 2020.

Uranium Sales

During the three months ended May 31, 2020, the Corporation completed the sale of 125,000 pounds of U₃O

8, in three separate transactions at a weighted average price of USD\$33.33, for total cash consideration of \$5,867,000 (USD\$4,166,000). The Corporation recorded a gain on sale of \$274,000, which was calculated as the difference between the cash proceeds received and the weighted average historical cost of the U₃O₈. The proceeds from the sale of the uranium was used to fund share repurchases under the Normal Course Issuer Bid announced on April 16, 2020 ('2020 NCIB').

NCIB Share Repurchases

In April 2020, the Corporation filed the 2020 NCIB with the TSX, which authorized 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 May 31, 2020, a total of 1,372,402 shares have been purchased under the 2020 NCIB as detailed below:

- During April and May 2020, the Corporation purchased and cancelled 802,888 of its outstanding shares at an average cost of \$4.94 per share for a total cash outflow of \$3,970,000, excluding commissions of \$8,000. The Corporation's Share Capital account has been reduced by \$1,512,000, which reflects the weighted average per share book value of the repurchased shares. The difference of \$2,466,000 between the cash outflow of \$3,978,000 for the share repurchases and the weighted average book value of the purchased shares of \$1,512,000 has been recorded as a reduction in contributed surplus.
- During May 2020, the Corporation purchased and held for cancellation 569,514 of its outstanding shares at an average cost of \$4.92 per share for a total cash outflow of \$2,803,000, excluding commissions of \$5,000. The Corporation's Share Capital account has been reduced by \$1,073,000, which reflects the weighted average per share book value of the repurchased shares. The difference of \$1,735,000 between the cash outflow of \$2,808,000 for the share repurchases and the weighted average book value of the purchased shares of \$1,073,000 has been recorded as a reduction in contributed surplus. As at May 31, 2020, these shares were held for cancellation, as the shares had been purchased by UPC's broker on UPC's behalf, but were not yet funded or transferred to UPC for cancellation until after quarter end. Accordingly, as at May 31, 2020, the Corporation has recorded a liability of \$2,808,000 related to these share purchases. The share transactions were settled and the shares were cancelled subsequent to quarter end.

Current Market Conditions

The first fiscal quarter of 2021 was an eventful one for the uranium market – highlighted by a significant price recovery triggered by uranium supply disruptions attributed to the COVID-19 pandemic. The uranium supply/demand picture has improved considerably in recent years, with demand exceeding supply from primary production sources and the shortfall being made up by inventories and other secondary supplies well before the pandemic disrupted various active uranium mining operations. While prices have been steadily improving from the lows experienced prior to the 2017 announcement of the suspension of mining activities at Cameco Corp's ('Cameco') McArthur River Mine, prices remain cyclically depressed and well below the incentive price required for curtailed production or new production to enter the market.

COVID-19's effect on uranium supply has been dramatic, with several of the world's largest uranium producers announcing production cuts and uncertain timelines for the resumption of mining activities.

In March 2020, Cameco announced the closure of the only operating uranium mine in Canada, Cigar Lake. Cameco initially announced a four-week suspension of production at Cigar Lake in March 2020. The McClean Lake Mill, as the sole processor of Cigar Lake ore, followed suit with its own temporary shut-down. However, in April 2020, Cameco revised the timeframe of the Cigar Lake closure, announcing that the mine would stay closed for an indeterminate period. There are no indications yet as to when restart will happen, with health and safety in Saskatchewan's northern communities remaining a concern.

In April 2020, the world's largest producer of uranium, National Atomic Company Kazatomprom ('Kazatomprom'), announced that it would reduce operational activities across all of its uranium mines for an expected period of three months. Kazatomprom has indicated that production is expected to decrease by up to 4,000 tU (10.4 million pounds of U₃O₈) over this period.

While BHP Group Limited did not announce any COVID-19 related production changes at Olympic Dam, the

operation reported significantly lower production for the quarter ended March 31, 2020, with uranium production down more than 2 million pounds of U₃O₈, or 18%, compared to the previous quarter. Though not related to the pandemic, the news added to the overall supply picture for 2020, contributing to upward pressure on the uranium price.

The uranium price started the quarter at US\$24.70, fell to a low of US\$24.10 in mid-March 2020, before rising almost 40% to end the quarter at US\$34.00. With an unexpected reduction in production occurring during the period, inventories and other secondary supplies have been depleted faster and sooner than otherwise expected; coupled with the fact that nuclear power plants around the globe have remained online and continue to consume uranium through this difficult period, this is expected to accelerate the ongoing market recovery.

The quarter also saw the Nuclear Fuel Working Group ('NFWG') in the United States ('US') report its long-awaited findings in April 2020. The announcement marked the end of a long cycle of disruption in the nuclear fuel market that began more than two years ago with a trade petition, launched in the US under Section 232 of the Trade Expansion Act of 1962, investigating the possible appropriateness of trade restrictions on uranium imports into the country. Following the US Administration's rejection of the Department of Commerce's findings that uranium imports threatened US national security, the NFWG was formed to examine the entire nuclear fuel cycle and the US' domestic capabilities.

Of primary interest to those participating in the front end of the fuel cycle and, in particular, uranium production, was the outlining of a plan which would see US\$150 million per year, in each of the next 10 years, budgeted for uranium purchases from US producers, to stock a new US strategic uranium reserve. This idea had been shared for some time and was not a surprise to the industry. Each of the US\$150 million tranches over the next 10 years will be subject to budgetary approvals in the preceding year, complicating the sustainability of the plan over the long-term. The report also indicated that 6,000-7,000 tU of UF₆ would be produced each year, suggesting that Honeywell International Inc.'s ('Honeywell') UF₆ conversion facility, which has been shut for the past two years, would return to service. No announcement on this has been made by Honeywell or ConverDyn, the marketing joint venture between Honeywell and General Atomics.

Beyond its impact on the uranium market, the COVID-19 pandemic is also having a major impact on global energy demand & greenhouse gas emissions. The International Energy Agency's ('IEA') Global Energy Review has expanded its reporting and is now tracking energy data in real time. Overall global energy demand declined by 3.8% in the first calendar quarter of calendar 2020, most of which took place in March as global confinement measures took effect. Coal demand was hit the hardest, down 8%, with oil falling closely behind at 5%, while the impact on gas demand was moderate, falling 2%. Electricity demand fell significantly – as much as 20% in some countries implementing full lockdowns. Renewables were the only source that posted an increase, driven by increased installed capacity and priority dispatch, whereby many electrical transmission operators are required to give priority to dispatch energy from renewable generators ahead of energy from other sources as far as the secure operation of the electricity system permits. The IEA estimates that annual global electricity demand will reduce by 5% in 2020, with 10% reductions possible in some regions. Tied to these energy use reductions are reductions in global carbon dioxide (CO₂) emissions, which are expected to decline by 8%, comparable to levels of 10 years ago. This would be the largest ever year-on-year reduction in CO₂ emissions.

Though nuclear is playing an important role as uninterrupted baseload supply during this period, it is expected that supply from nuclear units will also decrease, as overall demand does, though less so than other baseload contributors.

In April, French nuclear utility Electricité de France ('EDF') predicted that its nuclear power output could potentially fall by 20% from usual levels due to the economic slowdown associated with COVID-19. Its actual generation numbers from May confirmed the utility's forecast, as its output declined by more than 22% in the month.

In the United States, the US Energy Information Administration ('EIA') expects that the US will consume approximately 6% less electricity in 2020 than 2019. And while nuclear generation is expected to decline slightly in both 2020 and 2021, nuclear energy's share of total US electricity generation is expected to rise from 20% in 2019 to 22% in 2020 and 21% in 2021.

Other demand developments during the quarter included an announcement in May 2020 from the United

Arab Emirates' ('UAE') Emirates Nuclear Energy Corporation ('ENEC'), which declared that it had successfully loaded fuel assemblies into its Barakah 1 reactor and that the unit is in the advanced stage of start-up. ENEC indicated that COVID-19 had not derailed their plans and that the first nuclear power facility in the UAE is expected to reach criticality very soon.

In Canada, Ontario Power Generation's Darlington Nuclear Power Plant also reached a significant milestone with Unit 2's reconnection to the Ontario electricity grid at 100 per cent power, following refurbishment of the reactor. Unit 2 represents the first of Darlington's four units to be refurbished under its 10-year project which is expected to be completed in 2026 and is intended to extend the lives of the reactors by 30 years.

In the US, Southern Company ('Southern') has added itself to a growing list of US utilities to announce a commitment to a long-term reduction in greenhouse gas ('GHG') emissions to net-zero emissions by 2050. In recent years Southern has reduced its GHG emissions significantly and has set an interim target of a 50% reduction in GHG emissions from 2007 levels by 2030. The company has already successfully reduced its footprint and expects it could meet that target in advance of 2030, perhaps as early as 2025. Southern's ability to reach its goals will be enhanced by the construction of the two new nuclear units the utility is building in Georgia – Vogtle Units 3 and 4 – which are projected for startup in November 2021 and November 2022, respectively.

SUBSEQUENT EVENT

On June 16, 2020, UPC entered into a uranium relocation agreement with an independent third party whereby the Corporation will deliver 200,000 pounds of U₃O₈ to the counterparty at a storage facility and will receive in exchange 220,000 pounds of U₃O₈ at an alternate storage facility. The exchange will occur on June 30, 2020.

Outstanding Share Data

At June 24, 2020, there were 136,688,311 common shares issued and outstanding. There are no stock options or other equity instruments issued and outstanding.

About Uranium Participation Corporation

[Uranium Participation Corp.](#) is a company that invests substantially all of its assets in uranium oxide in concentrates ('U₃O₈') and uranium hexafluoride ('UF₆') (collectively 'uranium'), with the primary investment objective of achieving appreciation in the value of its uranium holdings through increases in the uranium price. Additional information about Uranium Participation Corporation is available on SEDAR at www.sedar.com and on [Uranium Participation Corp.](http://www.uraniumparticipation.com)'s website at www.uraniumparticipation.com.

Cautionary Statement & Forward-Looking Statements

Certain information contained in this press release constitutes forward looking statements or forward looking information. These statements can be identified by the use of forward looking terminology such as 'may', 'will', 'expect', 'intend', 'estimate', 'anticipate', 'plan', 'should', 'believe' or 'continue' or the negative thereof or variations thereon or similar terminology. In particular, this press release contains forward-looking information pertaining to the value of the Corporation's investments and expectations regarding uranium spot prices and uranium market factors, including expectations regarding uranium production levels, reactor restarts, levels of uncommitted utility reactor requirements, anticipated market supply and demand, the development of new nuclear power projects, the potential impact of international trade actions, and other statements regarding the outlook for the uranium industry and market.

By their very nature, forward looking statements involve numerous factors, assumptions and estimates. A variety of factors, many of which are beyond the control of UPC, may cause actual results to differ materially from the expectations expressed in the forward looking statements. For a list of the principal risks of an investment in UPC, please refer to the 'RISK FACTORS' section in the Corporation's Annual Information Form dated May 27, 2020 available under UPC's profile at www.sedar.com. These and other factors should be considered carefully, and readers are cautioned not to place undue reliance on these forward looking

statements. Although management reviews the reasonableness of its assumptions and estimates, unusual and unanticipated events may occur which render them inaccurate. Under such circumstances, future performance may differ materially from those expressed or implied by the forward looking statements. Except where required under applicable securities legislation, UPC does not undertake to update any forward looking information.

This press release also contains information relating to third parties, including regulatory agencies, companies and other industry participants, derived from third-party publications and reports which UPC believes are reliable but have not been independently verified by UPC.

SOURCE [Uranium Participation Corp.](#)

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