Uranium Participation Corporation

# MANAGEMENT'S DISCUSSION & ANALYSIS
# FOR THE THREE AND NINE MONTHS ENDED
# NOVEMBER 30, 2020

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This Management's Discussion and Analysis ('MD&A') of Uranium Participation Corporation and its subsidiaries (collectively, 'UPC' or the 'Corporation') provides a detailed analysis of the Corporation's business and compares its financial condition and results of operations to those of the previous year. This MD&A is dated as of January 14, 2021 and should be read in conjunction with the Corporation's unaudited condensed interim consolidated financial statements and related notes for the three and nine months ended November 30, 2020.

The unaudited condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'), applicable to the preparation of the interim financial statements, including International Accounting Standards ('IAS') 34, *Interim Financial Reporting*. Readers are also encouraged to consult the audited consolidated financial statements and the MD&A 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'). For all references to the net asset value ('NAV'), please refer to the 'Non-IFRS Financial Performance Measures' section.

# ABOUT URANIUM PARTICIPATION CORPORATION

The Corporation invests substantially all of its assets in uranium, either in the form of uranium oxide in concentrates ('$U_3O_8$') or 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'.

# URANIUM INDUSTRY OVERVIEW

The uranium price demonstrated stability throughout the third fiscal quarter, remaining between US$29 and US$30 per pound $U_3O_8$ for the entire period. Buying in the spot market remained steady, albeit less frenetic than the buying activity during the summer when Cameco Corp.'s ('Cameco') Cigar Lake Mine ('Cigar Lake') was shutdown. There was also an increase in utility purchasing during the quarter, due in part to market clarity provided by the finalization of amendments to the Agreement Suspending the Antidumping Investigation on Uranium from the Russian Federation (also known as the Russian Suspension Agreement). Through November 2020, spot volume in the calendar year had already reached nearly 87 million pounds $U_3O_8$, just under the historic record for annual spot volume of 88.7 million pounds $U_3O_8$ reached in 2018. Following the restart of Cigar Lake in September, more evenly distributed buying patterns resulted in a reduction of the price differential between uranium concentrate delivery locations. On December 14, 2020, Cameco announced another temporary suspension of production at Cigar Lake as a result of the COVID-19 pandemic. The impact of this new suspension remains undetermined, but could have a significant bearing on the market in future months.

In November 2020, one of the remaining trade issues that had been overhanging the uranium market was finally resolved when the Russian Suspension Agreement, which was due to expire at the end of 2020, was renewed under terms previously announced in October 2020. The new arrangement extends the agreement to limit US reliance on Russian uranium products over the next 20 years. The arrangement negotiated between the US Department of Commerce and the Russian government reduces Russian exports of the enrichment component from the current level of approximately 20% of US enrichment demand to an average of 17% over the 20-year period, and limits Russian uranium concentrates and conversion components contained in the enriched uranium product to an average equivalent of approximately 7% of US enrichment demand. The agreement's conclusion has brought added clarity and stability to the nuclear fuel market.

There have also been several positive news developments regarding new nuclear unit start-ups in recent months. In July 2020, the United Arab Emirates ('UAE') announced that its first nuclear power plant, Barakah unit 1, had achieved initial criticality. In December 2020, the unit reached 100% power and is now generating 1400 MW of electricity. Once the other units are operational, the four-unit plant is expected to generate approximately 25% of the UAE's electricity, preventing the release of up to 21 million tonnes of carbon emissions annually.

Southern Companies' Georgia Power reached a milestone in the completion of its new reactor when it took delivery of the first nuclear fuel for Vogtle unit 3. The AP1000 reactor is about 96% complete, with fuel loading expected in April 2021. The focus at the plant will now move from cold functional tests, which were completed in October 2020, to hot functional testing.

In Canada, following the recent reconnection of Ontario Power Generation's ('OPG') refurbished Darlington Nuclear Generating Station Unit 2 to the grid, OPG announced another major milestone in September 2020 when work commenced on the refurbishment of Unit 3 of the Darlington Nuclear Generating Station. In response to the COVID-19 pandemic, OPG had postponed the commencement of the Unit 3 refurbishment from its scheduled start in May 2020.

Additionally, OPG has added its name to a growing list of utilities committing to becoming a net-zero carbon company. OPG has committed to reaching that goal by 2040 and added a commitment to help the markets in which they operate achieve net-zero carbon economies by 2050. OPG also announced in November 2020 that it would begin advancing plans to build a small modular reactor ('SMR') at its Darlington site in order to help achieve its net zero carbon goal. This announcement builds on an earlier announcement that OPG would leverage its more than 50 years of nuclear experience to advance engineering and design work with three grid-scale SMR developers – GE Hitachi Nuclear Energy, Terrestrial Energy Inc., and X-Energy LLC.

In November 2020, U.S. utility NextEra Energy Inc., operator of Wisconsin's only operating nuclear power plant, Point Beach, submitted an application to extend the plant's license for 20 years, which would see the plant run through 2050 and reach an 80-year operating life.

Some positive nuclear news also emerged from Japan in October 2020 as the country's new leader, Prime Minister Yoshihide Suga, said the country will become carbon neutral by 2050, as the world's third-largest economy seeks a bolder approach to tackling the climate emergency. Japan's current energy plan, set in 2018, calls for 22-24% of its energy to come from renewables, 20-22% from nuclear power, and 56% from fossil fuels. Suga, who replaced Shinzo Abe in mid-September 2020, did not provide details on how Japan would reduce carbon emissions to zero, but said it would promote renewable energy and prioritize safety as it seeks a bigger role for nuclear power.

In early December 2020, France reinforced its support for, and reliance on, nuclear power. In a recent speech, France's President Macron indicated that nuclear power would remain a key part of the country's energy mix, highlighting that the nuclear industry will remain the cornerstone of France's strategic autonomy. Though France has said that it will cut its reliance on nuclear energy from 75% to 50% by 2035, it is considering building next-generation EPR nuclear reactors, a decision it plans to make by 2023. In advance of that decision, the country plans to unveil a new, cheaper-to-build version of its current generation of EPR reactor by mid-2021.

The International Energy Agency ('IEA') released its first ever Electricity Market Report in December 2020. The report highlighted the decline in global electricity demand by 2% in 2020, owing to the COVID-19 pandemic. This is the biggest annual decline since the mid-20th century, and much larger than what followed the global financial crisis. Despite this decline, however, the report projected that the close of 2020 would see growth in renewable electricity generation of almost 7% in 2020, at the expense of conventional sources, such as coal-fired generation, which is expected to have seen a fall of approximately 5% in 2020, the largest decrease in coal fired generation on record. Nuclear power is also projected to have seen a 2020 decline of approximately 4%, owing to the pandemic and lower capacity availability, especially in the first half of the year. China is the exception to this nuclear power decline, however, and is expected to have seen its nuclear output increased by about 6% in 2020. A modest rebound in electricity demand is expected in 2021, with growth of around 3% expected. Renewables will continue to grow in 2021, but coal is also expected to rebound. Nuclear power is also expected to grow by 2.5%. The IEA highlighted that in advanced economies, the growth of renewables and nuclear power will continue to shrink the space remaining for fossil fuel generation. In emerging and developing economies, however, demand growth is projected to outpace increases in renewables and nuclear power, leaving some room for coal and gas to expand.

## SUMMARY OF QUARTERLY FINANCIAL INFORMATION

| | **November 30, 2020** | August 31, 2020 | May 31, 2020 | February 29, 2020 |
|---|---|---|---|---|
| Uranium related gain (loss) (in thousands) | $ (29,744) | $ (112,710) | $ 230,794 | $ (24,228) |
| Net gain (loss) for the period (in thousands) | $ (31,166) | $ (114,758) | $ 229,504 | $ (26,205) |
| Net gain (loss) per common share – basic and diluted | $ (0.23) | $ (0.84) | $ 1.67 | $ (0.19) |
| **NAV(1) per share** | **$ 4.93** | **$ 5.16** | **$ 6.00** | **$ 4.32** |
| $U_3O_8$ spot price (US$) | $ 29.45 | $ 30.65 | $ 34.00 | $ 24.70 |
| $UF_6$ spot price (US$) | $ 97.00 | $ 98.25 | $ 102.50 | $ 85.95 |
| Foreign exchange rate (US$ to CAD$) | 1.2965 | 1.3042 | 1.3787 | 1.3429 |

| | November 30, 2019 | August 31, 2019 | May 31, 2019 | February 28, 2019 |
|---|---|---|---|---|
| Uranium related gain (loss) (in thousands) | $ 17,779 | $ 20,623 | $ (66,697) | $ (30,406) |
| Net gain (loss) for the period (in thousands) | $ 16,307 | $ 19,272 | $ (68,047) | $ (32,171) |
| Net gain (loss) per common share – basic and diluted | $ 0.12 | $ 0.14 | $ (0.49) | $ (0.23) |
| **NAV(1) per share** | **$ 4.51** | **$ 4.40** | **$ 4.26** | **$ 4.75** |
| $U_3O_8$ spot price (US$) | $ 26.00 | $ 25.30 | $ 24.10 | $ 28.00 |
| $UF_6$ spot price (US$) | $ 89.90 | $ 86.00 | $ 80.50 | $ 87.00 |
| Foreign exchange rate (US$ to CAD$) | 1.3289 | 1.3295 | 1.3527 | 1.316 |

(1) The Net Asset Value or 'NAV' is calculated as the value of total assets less the value of total liabilities. See 'Non-IFRS Financial Performance Measures' section below.

The quarterly net loss or gain of the Corporation is primarily driven by unrealized net losses or gains on investments in uranium that are recognized in the period. Unrealized net losses or gains on investments in uranium are generally a result of changes in the spot price of uranium and the U.S. dollar to Canadian dollar exchange rate – both of which can fluctuate significantly between periods.

# OVERALL PERFORMANCE

| (in thousands, except per share amounts) | Three Months Ended November 30, 2020 | Three Months Ended November 30, 2019 | Nine Months Ended November 30, 2020 | Nine Months Ended November 30, 2019 |
|---|---|---|---|---|
| Unrealized gains (losses) on investments in uranium | $ (29,756) | $ 17,643 | $ 83,108 | $ (35,183) |
| Realized gains on sale of conversion components | $ - | $ - | $ 3,459 | $ 6,451 |
| Realized gains on sale of investments in uranium | $ 12 | - | $ 237 | - |
| Income from lending and/or relocation of uranium | $ - | $ 136 | $ 1,536 | $ 437 |
| Operating expenses | $ (1,422) | $ (1,472) | $ (4,760) | $ (4,173) |
| Net gain (loss) for the period | $ (31,116) | $ 16,307 | $ 83,580 | $ (32,468) |
| Net gain (loss) per common share – basic and diluted | $ (0.23) | $ 0.12 | $ 0.61 | $ (0.24) |

| (in thousands) | At November 30, 2020 | At February 29, 2020 |
|---|---|---|
| Total Assets | $ 669,979 | $ 598,106 |
| Total Liabilities | $ (1,355) | $ (1,001) |
| **NAV[(1)]** | **$** 668,624 | $ 597,105 |

(1) The Net Asset Value or 'NAV' is calculated as the value of total assets less the value of total liabilities. See 'Non-IFRS Financial Performance Measures' section below.

The net loss for the three months ended November 30, 2020 was mainly driven by unrealized net losses on investments in uranium of $29,756,000 and net operating expenses of $1,422,000.

The net gain for the nine months ended November 30, 2020 was mainly driven by unrealized net gains on investments in uranium of $83,108,000, realized gains on the sale of conversion components of $3,459,000, and income from uranium lending and relocation arrangements of $1,536,000, slightly offset by net operating expenses of $4,760,000.

Unrealized net loss on investments in uranium during the three months ended November 30, 2020 were mainly due to the decrease in the spot price of uranium, slightly offset by a decrease in the U.S. dollar to Canadian dollar exchange rate. The spot price decreased during the quarter from US$30.65 per pound $U_3O_8$ and US$98.25 per KgU as $UF_6$ at August 31, 2020 to US$29.45 per pound $U_3O_8$ and US$97.00 per KgU as $UF_6$ at November 30, 2020, while the U.S. dollar to Canadian dollar exchange rate decreased by 1%.

Unrealized net gains on investments in uranium during the nine months ended November 30, 2020 were mainly due to the increase in the spot price of uranium, partially offset by a decrease in the U.S. dollar to Canadian dollar exchange rate. The spot price of uranium increased from US$24.70 per pound $U_3O_8$ and US$85.95 per KgU as $UF_6$ at February 29, 2020 to US$29.45 per pound $U_3O_8$ and US$97.00 per KgU as $UF_6$ at November 30, 2019, while the U.S. dollar to Canadian dollar exchange rate decreased by 3%.

Total equity (or NAV) accordingly increased to $668,624,000 at November 30, 2020, from $597,105,000 at February 29, 2020.

The Corporation had an effective tax rate of nil for the three and nine months ended November 30, 2020, primarily due to the low tax rate in the jurisdiction of its subsidiaries as well as the fact that the Corporation's available tax shelter in Canada gives rise to a net deductible temporary difference – for which the Corporation does not recognize deferred tax assets.

Taken together, UPC's NAV per share increased to $4.93 at November 30, 2020, from $4.32 at February 29, 2020.

## Operating Expenses

Operating expenses are comprised of storage costs, management fees, public company expenses, general and administrative expenses, as well as other miscellaneous items.

Storage fees were $757,000 and $2,166,000 during the three and nine months ended November 30, 2020 (November 30, 2019 - $522,000 and $1,776,000). The increase in storage fees during the three and nine months ended November

31, 2020, compared to the prior year, was mainly due to a planned increase in storage rates at one storage facility, as well as an increase in storage costs related to the returned material from the $UF_6$ relocation agreement (see Investment Portfolio below for more details). This material, which was returned in May 2020, had previously been stored at no cost to the Corporation for the duration of the relocation arrangement.

Management fees were $512,000 and $1,765,000 during the three and nine months ended November 30, 2020 (November 30, 2019 - $591,000 and $1,495,000). The decrease in management fees during the three months ended November 30, 2020, compared to the same period in the prior year, was predominantly due to a decrease in uranium transaction commissions paid to the Manager. During the current period, $19,000 in uranium transaction commissions were paid to the Manager related to the sale of 50,000 pounds of $U_3O_8$ (see Investment Portfolio below for further details), while in the prior year, the Corporation paid $140,000 in commissions related to the purchase of 100,000 pounds of $U_3O_8$, as well as the sale of the conversion components contained in 417,230 KgU as $UF_6$. The decrease in commission-based fees was slightly offset by an increase in the average NAV during the period, on which the variable portion of the management fee is based. The increase in management fees during the nine months ended November 30, 2020, compared to the same period in the prior year, was due to an increase in uranium transaction commissions paid to the manager, as well as an increase in the average NAV during the period, on which the variable portion of the management fee is based. The Corporation paid $212,000 in uranium transaction commissions to the Manager in the nine months ended November 30, 2020, predominantly related to the sale of the conversion components contained in 200,000 KgU as $UF_6$, the sale of 275,000 pounds of $U_3O_8$, and the purchase of 53,700 pounds of $U_3O_8$ (see Investment Portfolio below for further details). During the nine months ended November 30, 2019, the Corporation paid $140,000 in uranium transaction commissions to the Manager related to the purchase of 100,000 pounds of $U_3O_8$, as well as the sale of the conversion components contained in 417,230 KgU as $UF_6$.

Operating expenses of $1,422,000 for the three months ended November 30, 2020, represents approximately 0.2% of the NAV at November 30, 2020 and 0.2% of the NAV at February 29, 2020.

Operating expenses of $4,760,000, partially offset by income from lending and/or relocation of uranium of $1,536,000, for the nine months ended November 30, 2020, represents approximately 0.5% of the NAV at November 30, 2020 and 0.5% of the NAV at February 29, 2020.

## Investment Portfolio

UPC's investment portfolio consists of the following as at November 30, 2020:

| (in thousands, except quantity amounts) | Quantity | Cost | Fair Value |
|---|---|---|---|
| **Investments in Uranium:** | | | |
| **$U_3O_8$** | 16,008,373 lbs | $ 753,203 | $ 611,231 |
| **$UF_6$** | 400,000 KgU | $ 66,392 | $ 50,304 |
| | | $ 819,595 | $ 661,535 |
| $U_3O_8$ average cost [(1)] and market value per pound: | | | |
| In Canadian dollars | | $ 47.05 | $ 38.18[(2)] |
| In United States dollars | | $ 42.51 | $ 29.45 |
| $UF_6$ average cost and fair value per KgU: | | | |
| In Canadian dollars | | $ 165.98 | $ 125.76[(2)] |
| In United States dollars | | $ 153.86 | $ 97.00 |

(1) The weighted average cost per pound $U_3O_8$ on a consolidated basis. Each of the Corporation's subsidiaries, as well as the parent company, have different historical weighted average costs per pound.
(2) Translation to Canadian dollars calculated at the Bank of Canada's month-end daily exchange rate of 1.2965.

*Uranium Sales*

During the three months ended November 30, 2020, the Corporation completed the sale of 50,000 pounds of $U_3O_8$ at a price of US$29.00 per pound, for total cash consideration of $1,889,000 (US$1,450,000). The Corporation recorded a gain on sale of $12,000, which was calculated as the difference between the cash proceeds received and the weighted average historical cost of the $U_3O_8$ of $37.52.

During the nine months ended November 30, 2020, the Corporation completed sales of 275,000 pounds of $U_3O_8$, in six separate transactions, at a weighted average price of US$32.29, for total cash consideration of $12,181,000 (US$8,879,000). The Corporation recorded a gain on sale of $237,000, which was calculated as the difference between the cash proceeds received and the weighted average historical cost of the $U_3O_8$ sold of $43.43.

The majority of proceeds from the sale of the uranium were used to fund share repurchases under the 2020 NCIB. See Liquidity and Capital Resources below for further details.

During the three and nine months ended November 30, 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 nine months ended November 30, 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 nine months ended November 30, 2019, the Corporation 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.

*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 nine months ended November 30, 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 nine months ended November 30, 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 (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.

*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 at the beginning of September 2020. The loan was subject to a loan fee of US$100,000 per month and was collateralized with 164,000 pounds of $U_3O_8$ and 105,971 KgU as $UF_6$. During the three and nine months ended November 30, 2020, the Corporation recorded $nil and $547,000, respectively, in income from uranium lending related to this agreement (November 30, 2019 - $nil and $nil).

*Uranium 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 $U_3O_8$. In the three and nine months ended November 30, 2020, the Corporation recorded income from the location swap of $nil and $889,000 in income from uranium relocation, which was the fair value of the 20,000 pounds of $U_3O_8$ received as consideration (November 30, 2019 – $nil and $nil).

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 nine months ended November 30, 2020, the Corporation recorded $nil and $100,000 in income from the relocation of uranium under this agreement (November 30, 2019 - $136,000 and $437,000).

## LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were $3,831,000 at November 30, 2020 (February 29, 2020 – $3,166,000). The increase of $665,000 during the nine months ended November 30, 2020, was predominantly due to $15,746,000 in net cash provided by investing activities, partially offset by $2,850,000 in cash used in operations and $12,061,000 cash used in financing activities.

During the nine months ended November 30, 2020, the Corporation received cash proceeds of $12,181,000 related to the sale of 275,000 pounds of $U_3O_8$ and $5,522,000 from the sale of the conversion components contained in 100,000 KgU as $UF_6$. In addition, during the nine months ended November 30, 2020, the Corporation spent $1,957,000 to purchase 53,700 pounds of $U_3O_8$.

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 November 30, 2020, a total of 2,504,202 shares have been purchased under the 2020 NCIB at an average cost of $4.81 per share for a total cash outflow of $12,036,000, which includes brokers' commissions of $25,000. The Corporation's Share Capital account has been reduced by $4,717,000, which reflects the weighted average per share book value of the repurchased shares. The difference of $7,319,000 between the cash outflow of $12,036,000 for the share repurchases and the weighted average book value of the purchased shares of $4,717,000 has been recorded as a reduction in contributed surplus. In addition to the brokers' commissions referred to above, the Corporation also incurred an additional $25,000 in other share repurchase expenses related to the 2020 NCIB, which were recorded as a reduction to the Share Capital account. See Subsequent Events for further details.

The Corporation's capital structure consists of share capital and contributed surplus. Uranium purchases are normally funded through common share offerings, with the gross proceeds of share offerings generally invested in, or set aside for, purchases of uranium. At November 30, 2020, the Corporation has invested in or committed to purchase uranium with a cost of acquisition of more than 85% of its aggregate gross proceeds of share offerings since incorporation. In strictly limited circumstances, the Corporation can enter into short-term borrowing arrangements for up to 15% of its net asset value to facilitate the purchases of uranium. To date, the Corporation has not entered into any short-term borrowing arrangements.

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 in Canada, other than Quebec. The Corporation may issue 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.

## 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 during the periods ended:

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| (in thousands) | **November 30, 2020** | November 30, 2019 | **November 30, 2020** | November 30, 2019 |
| Fees incurred with the Manager: | | | | |
| Base and variable fees | $ 493 | $ 451 | $ 1,553 | $ 1,355 |
| Commission fees | 19 | 140 | 212 | 140 |
| **Total fees incurred with the Manager** | **$ 512** | **$ 591** | **$ 1,765** | **$ 1,495** |

As at November 30, 2020, trade and other payables included $163,000 (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 compensation was awarded to key management personnel for the periods ended:

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| (in thousands) | **November 30, 2020** | November 30, 2019 | **November 30, 2020** | November 30, 2019 |
| Directors' fees & expense | $ 63 | $ 70 | $ 209 | $ 228 |
| **Total key management personnel compensation** | **$ 63** | **$ 70** | **$ 209** | **$ 228** |

## SUBSEQUENT EVENTS

On December 7, 2020, the Corporation sold the conversion components contained in 100,000 KgU as $UF_6$. The transaction resulted in the exchange of 100,000 KgU as $UF_6$ for 261,285 pounds of $U_3O_8$ and cash consideration of $2,727,000 (US$2,130,000). The majority of proceeds from the sale of the uranium were used to fund share repurchases under the 2020 NCIB.

During December 2020, the Corporation repurchased a total of 616,860 shares under the 2020 NCIB at an average cost of $4.37 per share for a total cash outflow of $2,698,000, including brokers' commissions of $6,000.

## OUTSTANDING SHARE DATA

At January 14, 2021, there were 134,939,651 common shares issued and outstanding. There are no stock options or other equity instruments issued and outstanding.

## CONTROLS AND PROCEDURES

The Corporation's management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to the financial statement preparation and presentation.

There has not been any change in the Corporation's internal control over financial reporting that occurred during the three and nine months ended November 30, 2020 that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

## NON-IFRS FINANCIAL PERFORMANCE MEASURES

This MD&A contains references to ‘Net Asset Value’ or ‘NAV’, which is a non-IFRS financial performance measure. The NAV is calculated as the value of total assets less the value of total liabilities. To arrive at NAV per share, the NAV is then divided by the total number of common shares outstanding as at a specific date. The term NAV does not have any standardized meaning according to IFRS and therefore may not be comparable to similar measures presented by other companies. The NAV equals the Corporation’s total equity balance as reported in the Corporation’s consolidated financial statements. NAV per share does not have a comparable IFRS financial measure presented in UPC’s consolidated financial statements and thus there is no applicable quantitative reconciliation for this non-IFRS financial performance measure. The Corporation has calculated NAV and NAV per share consistently for many years and believes these measures provide information useful to its shareholders in understanding UPC’s performance and may assist in the evaluation of the Corporation’s business relative to that of its peers.

## ADDITIONAL INFORMATION

Additional information regarding UPC, including the Corporation's press releases, quarterly and annual reports and Annual Information Form, are available under the Corporation's profile at www.sedar.com.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain information contained or incorporated by reference in this MD&A 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 MD&A contains forward-looking information pertaining to uranium spot prices, foreign exchange fluctuations, developments in the uranium industry and anticipated results thereof and other market factors and their potential impact on the Corporation’s financial results; agreements with third parties and expectations regarding the Corporation’s ability to benefit from such transactions, and the pro forma information contained herein with respect to the Corporation’s uranium holdings; the Corporation’s investment objectives; and the Corporation’s agreements and relationship with the Manager.

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 6, 2019, available under the Corporation’s profile on SEDAR 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 MD&A 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.

Uranium Participation Corporation

# CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

# FOR THE THREE AND NINE MONTHS ENDED NOVEMBER 30, 2020

TABLE OF CONTENTS

# CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| (Expressed in thousands of Canadian dollars except for share amounts) | At November 30, 2020 | At February 29, 2020 |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash and cash equivalents | $ 3,831 | $ 3,166 |
| Trade and other receivables | 28 | 121 |
| Prepaid expenses and other (note 4) | 2,015 | 1,822 |
| | 5,874 | 5,109 |
| **Non-Current** | | |
| Prepaid expenses and other (note 4) | 2,570 | 3,409 |
| Investments in uranium (note 5) | 661,535 | 589,588 |
| Total assets | **$ 669,979** | **$ 598,106** |
| **LIABILITIES** | | |
| **Current** | | |
| Trade and other payables | $ 1,355 | $ 1,001 |
| Total liabilities | 1,355 | 1,001 |
| **EQUITY** | | |
| Share capital (note 7) | 255,300 | 260,042 |
| Contributed surplus | 640,686 | 648,005 |
| Deficit | (227,362) | (310,942) |
| Total equity | 668,624 | 597,105 |
| Total liabilities and equity | **$ 669,979** | **$ 598,106** |
| **Common shares** | | |
| Issued and outstanding (note 7) | **135,556,511** | **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, 2020 | Three Months Ended November 30, 2019 | Nine Months Ended November 30, 2020 | Nine Months Ended November 30, 2019 |
|---|---|---|---|---|
| **URANIUM RELATED GAIN (LOSS)** | | | | |
| Unrealized gains (losses) on investments in uranium (note 5) | $ (29,756) | $ 17,643 | $ 83,108 | $ (35,183) |
| Gains on sale of investments in uranium (note 5) | 12 | - | 237 | - |
| Realized gains on sale of conversion components (note 5) | - | - | 3,459 | 6,451 |
| Income from lending and/or relocation of uranium (note 6) | - | 136 | 1,536 | 437 |
| | **(29,744)** | **17,779** | **88,340** | **(28,295)** |
| **OPERATING EXPENSES** | | | | |
| Storage fees | (757) | (522) | (2,166) | (1,776) |
| Management fees (note 8) | (512) | (591) | (1,765) | (1,495) |
| Public company expenses | (110) | (120) | (437) | (491) |
| General office and miscellaneous | (8) | (46) | (56) | (112) |
| Legal and other professional fees | (26) | (144) | (80) | (367) |
| Interest income | 4 | 14 | 8 | 53 |
| Foreign exchange gain (loss) | (13) | (63) | (264) | 15 |
| | **(1,422)** | **(1,472)** | **(4,760)** | **(4,173)** |
| **Net gain (loss) and comprehensive gain (loss) for the period** | **$ (31,166)** | **$ 16,307** | **$ 83,580** | **$ (32,468)** |
| **Net gain (loss) per common share** | | | | |
| Basic and diluted | **$ (0.23)** | **$ 0.12** | **$ 0.61** | **$ (0.24)** |
| **Weighted average number of common shares outstanding** | | | | |
| Basic and diluted | **135,904,190** | **138,060,713** | **136,657,732** | **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 | - | - | (32,468) | (32,468) |
| Balance at November 30, 2019 | $ 260,042 | $ 648,005 | $ (284,737) | $ 623,310 |
| 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) | (4,742) | (7,319) | - | (12,061) |
| Net gain for the period | - | - | 83,580 | 83,580 |
| **Balance at November 30, 2020** | **$ 255,300** | **$ 640,686** | **$ (227,362)** | **$ 668,624** |

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Nine Months Ended | |
|---|---|---|
| (Expressed in thousands of Canadian dollars) | **November 30, 2020** | November 30, 2019 |
| **Operating Activities** | | |
| Net gain (loss) for the period | $ 83,580 | $ (32,468) |
| Adjustment for: | | |
| Unrealized (gain) loss on revaluation of uranium investments (note 5) | (83,108) | 35,183 |
| Realized gain on sale of uranium investments (note 5) | (237) | - |
| 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 | 264 | (15) |
| Changes in non-cash working capital: | | |
| Change in trade and other receivables | 89 | 118 |
| Change in prepaid expenses and other | 523 | 187 |
| Change in trade and other payables | 387 | 271 |
| **Net cash used in operating activities** | **(2,850)** | (3,175) |
| **Investing Activities** | | |
| Purchase of uranium investments (note 5) | (1,957) | (3,358) |
| Sale of uranium investments (note 5) | 12,181 | - |
| Sale of conversion components, net of costs (note 5) | 5,522 | 5,489 |
| **Net cash generated by investing activities** | **15,746** | 2,131 |
| **Financing Activities** | | |
| Common shares repurchased, inclusive of costs (note 7) | (12,061) | - |
| **Net cash used in financing activities** | **(12,061)** | - |
| Increase (decrease) in cash and cash equivalents | 835 | (1,044) |
| Cash and cash equivalents – beginning of the period | 3,166 | 5,803 |
| Foreign exchange impact | (170) | (55) |
| **Cash and cash equivalents – end of the period** | **$ 3,831** | $ 4,704 |
| Cash | 3,655 | 2,282 |
| Cash Equivalents | 176 | 2,422 |
| **Cash and cash equivalents – end of the period** | **$ 3,831** | $ 4,704 |

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, 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 January 14, 2021.

## 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) | **November 30, 2020** | February 29, 2020 |
|---|---|---|
| Prepaid storage benefits | $ 3,647 | $ 4,523 |
| Other prepaids | 938 | 708 |
| **Ending balance prepaid expenses and other** | **$ 4,585** | $ 5,231 |
| Prepaid expenses and other-by balance sheet presentation | | |
| Current | $ 2,015 | $ 1,822 |
| Non-Current | 2,570 | 3,409 |
| **Ending balance prepaid expenses and other** | **$ 4,585** | $ 5,231 |

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) | Nine Months Ended November 30, 2020 | November 30, 2019 |
|---|---|---|
| Opening balance | $ 589,588 | $ 650,102 |
| Unrealized net gain (loss) on investments in uranium | 83,108 | (35,183) |
| Purchase of uranium – cost | 1,957 | 3,358 |
| Uranium received as consideration for relocation fee income (note 6) | 889 | - |
| Sale of conversion components – cost | (2,063) | - |
| Sale of uranium – cost | (11,944) | (4,302) |
| **Ending balance** | **$ 661,535** | $ 613,975 |

The balance of investments in uranium consists of:

| (in thousands, except quantity amounts) | Quantity | Cost | Fair Value Adjustment | Fair Value |
|---|---|---|---|---|
| **$U_3O_8$** | 16,008,373 lbs | $ 753,203 | $ (141,972 ) | $ 611,231 |
| **$UF_6$** | 400,000 KgU | 66,392 | (16,088) | 50,304 |
| **Balance at November 30, 2020** | | **$ 819,595** | **$ (158,060)** | **$ 661,535** |

Investments in uranium are categorized in Level 2 of the fair value hierarchy. Fair values as at November 30, 2020 reflect spot prices published by UxC of US$29.45 per pound $U_3O_8$ and US$97.00 per KgU as $UF_6$, translated to Canadian Dollars at the Bank of Canada's month-end daily exchange rate of $1.2965.

*Uranium Sales*

During the three months ended November 30, 2020, the Corporation completed the sale of 50,000 pounds of $U_3O_8$, at a price of US$29.00 per pound of $U_3O_8$, for cash consideration of $1,889,000 (US$1,450,000). The Corporation recorded a gain on sale of $12,000, which was calculated as the difference between the cash proceeds received and the weighted average historical cost of the $U_3O_8$ of $37.52 per pound.

During the nine months ended November 30, 2020, the Corporation completed the sale of 275,000 pounds of $U_3O_8$, in six separate transactions at a weighted average price of US$32.29, for total cash consideration of $12,181,000 (US$8,879,000). The Corporation recorded a gain on sale of $237,000, which was calculated as the difference between the cash proceeds received and the weighted average historical cost of the $U_3O_8$ of $43.43 per pound.

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 nine months ended November 30, 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 nine months ended November 30, 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 nine months ended November 30, 2019, the Corporation 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.

*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 nine months ended November 30, 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 nine months ended November 30, 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 (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 nine months ended November 30, 2020, the Corporation recorded income from the location swap of $nil and $889,000 in income from uranium relocation, which was the fair value of the 20,000 pounds of $U_3O_8$ received as consideration (November 30, 2019 - $nil and $nil).

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 nine months ended November 30, 2020, the Corporation recorded $nil and $100,000 in income from the relocation of uranium under this agreement (November 30, 2019 - $136,000 and $437,000).

*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 was subject to a loan fee of USD$100,000 per month and was collateralized with 164,000 pounds of $U_3O_8$ and 105,971 KgU as $UF_6$. The uranium was returned to UPC at the beginning of September 2020 in accordance with the agreement. During the three and nine months ended November 30, 2020, the Corporation recorded $nil and $547,000 in income from uranium lending (November 31, 2019 - $nil and $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 | (2,504,202) | | (4,717) |
| Share repurchase costs | - | | (25) |
| **Balance, issued and outstanding at November 30, 2020** | **135,556,511** | **$** | **255,300** |

In April 2020, the Corporation filed a notice of a Normal Course Issuer Bid ('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 November 30, 2020, a total of 2,504,202 shares have been purchased under the NCIB at an average cost of $4.81 per share for a total cash outflow of $12,036,000, which includes brokers' commissions of $25,000. The Corporation's Share Capital account has been reduced by $4,717,000, which reflects the weighted average per share book value of the repurchased shares. The difference of $7,319,000 between the cash outflow of $12,036,000 for the share repurchases and the weighted average book value of the purchased shares of $4,717,000 has been recorded as a reduction in contributed surplus. In addition to the brokers' commissions referred to above, the Corporation also incurred an additional $25,000 in other share repurchase expenses related to the 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 | | | | Nine Months Ended | | | |
|---|---|---|---|---|---|---|---|---|
| (in thousands) | **November 30, 2020** | | November 30, 2019 | | **November 30, 2020** | | November 30, 2019 | |
| Fees incurred with the Manager: | | | | | | | | |
| Base and variable fees | $ | 493 | $ | 451 | $ | 1,553 | $ | 1,355 |
| Commission fees | | 19 | | 140 | | 212 | | 140 |
| **Total fees incurred with the Manager** | **$** | **512** | **$** | **591** | **$** | **1,765** | **$** | **1,495** |

As at November 30, 2020, trade and other payables included $163,000 (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:

| (in thousands) | Three Months Ended November 30, 2020 | Three Months Ended November 30, 2019 | Nine Months Ended November 30, 2020 | Nine Months Ended November 30, 2019 |
|---|---|---|---|---|
| Directors' fees & expenses | $ 63 | $ 70 | $ 209 | $ 228 |
| **Total key management personnel compensation** | **$ 63** | $ 70 | **$ 209** | $ 228 |

## 9. SUBSEQUENT EVENTS

On December 7, 2020, the Corporation sold the conversion components contained in 100,000 KgU as $UF_6$. The transaction resulted in the exchange of 100,000 KgU as $UF_6$ for 261,285 pounds of $U_3O_8$ and cash consideration of $2,727,000 (US$2,130,000). The majority of the cash proceeds from the sale of the uranium were used to fund share repurchases under the NCIB.

During December 2020, the Corporation repurchased a total of 616,860 shares under the NCIB at an average cost of $4.37 per share for a total cash outflow of $2,698,000, including brokers' commissions of $6,000.

## 10. 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.