

# Uranium Participation Corporation reports financial results for the year ended February 29, 2020

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TORONTO, April 2, 2020 - [Uranium Participation Corp.](#) ("UPC" or the "Corporation") today filed its Financial Statements and Management's Discussion & Analysis ("MD&A") for the year ended February 29, 2020. Both documents can be found on the Company's website ([www.uraniumparticipation.com](http://www.uraniumparticipation.com)) or on SEDAR ([www.sedar.com](http://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:

	February 29, 2020	February 28, 2019
Net asset value (in thousands)	\$ 597,105	\$ 655,778
Net asset value per common share	\$ 4.32	\$ 4.75
U <sub>3</sub> O <sub>8</sub> spot price <sup>(1)</sup> (US\$)	\$ 24.70	\$ 28.00
UF <sub>6</sub> spot price <sup>(1)</sup> (US\$)	\$ 85.95	\$ 87.00
Foreign exchange rate (US\$ to CAD\$)	1.3429	1.3169

<sup>(1)</sup> Spot prices as published by Ux Consulting Company, LLC ("UxC").

## Overall Performance

The net loss for the year ended February 29, 2020 was mainly driven by unrealized net losses on investments in uranium of \$61,160,000 and operating expenses of \$6,150,000, offset by realized gains on the sale of conversion components of \$8,095,000 and income from uranium relocation agreements of \$542,000 (2019 &#8211; net gain due to unrealized net gains on investments in uranium of \$174,201,000 and income from uranium relocation agreements of \$541,000, offset by operating expenses of \$4,090,000).

Unrealized net losses on investments in uranium during the year ended February 29, 2020 were mainly due to the decrease in the spot prices for uranium. The spot prices during the fiscal year decreased from US\$28.00 per pound U<sub>3</sub>O<sub>8</sub> and US\$87.00 per KgU as UF<sub>6</sub> at February 28, 2019, to US\$24.70 per pound U<sub>3</sub>O<sub>8</sub> and US\$85.95 per KgU as UF<sub>6</sub> at February 29, 2020. The impact of the decrease in spot prices on the unrealized net loss on investments in uranium was slightly offset by a 2% increase in the U.S. dollar to Canadian dollar exchange rate during fiscal 2020. Unrealized net gains on investments in uranium during the year ended February 28, 2019 were mainly due to the increase in spot prices from US\$21.25 per pound U<sub>3</sub>O<sub>8</sub> and US\$62.00 per KgU as UF<sub>6</sub> at February 28, 2018, to US\$28.00 per pound U<sub>3</sub>O<sub>8</sub> and US\$87.00 per KgU as UF<sub>6</sub> at February 28, 2019. The unrealized net loss on investments in uranium, during fiscal 2019, was also positively impacted by a 3% increase in the U.S. dollar to Canadian dollar exchange rate.

During the fourth quarter of fiscal 2020, the Corporation recorded an unrealized net loss on investments in uranium of \$25,977,000, realized gains on the sale of conversion components of \$1,644,000, and a net loss for the period of \$26,205,000. The unrealized net loss on investments in uranium was predominantly driven by the decrease in the spot prices for uranium from US\$26.00 per pound U<sub>3</sub>O<sub>8</sub> and US\$89.90 per KgU as UF<sub>6</sub> at November 30, 2019, to US\$24.70 and US\$85.95, respectively at February 29, 2020. The impact of

the decrease in spot prices on the unrealized net loss on investments in uranium was slightly offset by a 1% increase in the U.S. dollar to Canadian dollar foreign exchange rate in the period. During the fourth quarter of fiscal 2019, the Corporation recorded an unrealized net loss on investments in uranium of \$30,577,000 and a net loss for the period of \$32,171,000, predominantly driven by the decrease in the spot prices for uranium from US\$29.10 per pound U<sub>3</sub>O<sub>8</sub> and US\$89.25 per KgU as UF<sub>6</sub> at November 30, 2018, to US\$28.00 and US\$87.00 respectively at February 28, 2019, as well as a 1% decrease in the U.S. dollar to Canadian dollar foreign exchange rate in the period.

Total equity decreased to \$597,105,000 at February 29, 2020, from \$655,778,000 at February 28, 2019.

The Corporation had an effective tax rate of nil for the years ended February 29, 2020 and February 28, 2019, primarily due to the Corporation's available tax shelter giving rise to a net deductible temporary difference &#8211; for which the Corporation does not recognize deferred tax assets.

Taken together, UPC's NAV per share decreased to \$4.32 at February 29, 2020, from \$4.75 at February 28, 2019.

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#### Current Market Conditions

Much of fiscal 2020 was defined and influenced by policy matters in the United States ('US'), which have effectively created an overhang of uncertainty throughout the uranium market. In July 2019, the US Presidential Administration completed an investigation into a trade petition, launched under Section 232 of the Trade Expansion Act of 1962 ('Section 232'), and no trade actions were implemented. The US President indicated that the Administration's investigation did not agree with findings of the US Department of Commerce ('DOC') that uranium imports threaten to impair US national security. This announcement was expected to provide clarity to the uranium market; however, the Administration followed the decision with an order to review the nuclear fuel supply chain in the US. Accordingly, a Nuclear Fuel Working Group ('NFWG') was commissioned to examine the current state of domestic nuclear fuel production to reinvigorate the entire nuclear fuel supply chain, consistent with US national security and non-proliferation goals, and to make recommendations to further enable US domestic nuclear fuel production, if needed. A report from the NFWG was submitted to the White House in late 2019. To date, no official recommendations have been made public; however, the President's recent Budget Request for Fiscal Year 2021 included \$150 million in Department of Energy budget funding to establish a uranium reserve. The Budget Request also set out a schedule for a similar amount to be approved in the budget in each of the next ten years.

Another source of uranium market uncertainty stems from policies relating to Russian deliveries of nuclear fuel into the US. Since breaking from the Joint Comprehensive Plan of Action with Iran, commonly known as the Iran Nuclear Deal, the US Administration has put in place sanctions against Iran. The US has also issued waivers to certain of Iran's trading partners, allowing entities from particular nations, including Russia, to continue working with Iran on civilian nuclear programs. On December 15, 2019, one of those waivers, related to Iran's Fordow Fuel Enrichment Plant, was lifted, which raised concern among market participants regarding the possibility of other waivers being revoked. The waiver causing uranium market participants most concern relates to the Bushehr nuclear power plant, which Russia is involved in building. If this waiver is revoked, there is concern that Russia could face sanctions in the US, which would halt deliveries of Russian nuclear fuel to US utilities and represent a significant supply-side development.

Also relevant to Russian nuclear fuel supply into the US is the Agreement Suspending the Antidumping Investigation on Uranium from the Russian Federation (also known as the Russian Suspension Agreement, or the 'RSA'), which established an annual quota limiting the delivery of nuclear fuel into the US from Russia.

This agreement is set to expire at the end of 2020 and is currently under review. Before the agreement expires, a decision needs to be made by the US DOC as to whether there will be an extension and, if so, whether an extension will be under existing or revised terms. If the RSA expires, Russian-origin uranium products and services could be sold into the US without any restrictions<sup>8211</sup>; adding further uncertainty to the uranium market.

These policy matters contributed to a soft uranium price throughout fiscal 2020, with the spot uranium price trading within a narrow band and weakening over the period. The spot price started the year at US\$28.00 per pound U<sub>3</sub>O<sub>8</sub> and ending it down almost 12% at US\$24.70 per pound U<sub>3</sub>O<sub>8</sub>. During calendar 2019, spot uranium volumes remained reasonably strong at 65 million pounds of U<sub>3</sub>O<sub>8</sub>, though much of this demand was related to buying and selling between intermediary parties rather than end-user buying, which limited any positive impact on the spot price.

Despite the continued price weakness, there are several indications that uranium supply and demand fundamentals are improving underneath the cloud of uncertainty that dominated the market in fiscal 2020. This was underscored in the bi-annual Nuclear Fuel Report released by the World Nuclear Association ('WNA') at its annual symposium in September 2019. The report evaluates nuclear fuel demand and supply scenarios for the period from 2019 to 2040, using reference, low and high cases. For the first time in several years, the WNA's outlook for global uranium demand increased for all three scenarios, which is positive for the outlook on demand and reflects industry consensus that the demand picture has improved significantly in recent years.

Very recently, events related to the COVID-19 pandemic have begun to impact the nuclear fuel market. On March 23, 2020 Cameco Corp. announced the temporary suspension of production at its Cigar Lake mine in northern Saskatchewan, which is the world's largest operating uranium mine. In conjunction with this announcement, Orano Canada Inc. suspended operations at the McClean Lake mill, which is currently processing the ore from Cigar Lake under a toll milling agreement. Annual uranium production from these sites is approximately 18 million pounds U<sub>3</sub>O<sub>8</sub>. The length of the suspension of operations at the Cigar Lake mine and McClean Lake mill is unknown, but is expected to last at least four weeks. While the impact of this suspension is unknown, this is a significant unexpected supply-side event for the nuclear fuel industry. As at Monday March 30, 2020, the spot price of U<sub>3</sub>O<sub>8</sub> had risen to US\$27.40 per pound U<sub>3</sub>O<sub>8</sub>. As the COVID-19 situation develops, there is the potential for other uranium mining and processing facilities to be impacted and for the duration of the Cigar Lake suspension to be extended. In contrast, on the demand-side of the equation, nuclear power plants around the world continue to operate during the COVID-19 pandemic, providing reliable base-load energy to critical community infrastructure.

Also impacting the current outlook for nuclear energy are many positive news stories on the demand side, including increasing public recognition of the critical role nuclear energy has to play in combatting climate change.

- One of the most significant acknowledgments of this was made by the European Union ('EU'), with its leaders recently agreeing that nuclear energy must be included as part of the solution required to meet the EU's goal of becoming carbon neutral by 2050. The EU's 'European Green Deal' officially acknowledged the importance of nuclear energy in meeting the region's comprehensive climate action goals.

- In the US, there were a number of positive announcements through the course of fiscal 2020. In Ohio, a long-awaited energy bill was passed supporting the continued operation of the Davis-Besse and Perry nuclear power plants. Previous attempts to secure subsidies for these plants were unsuccessful, which had led most in the industry to believe the plants would be shut down by calendar year 2021. Recognizing the long-term viability of existing nuclear power plants, Florida Power & Light's Turkey Point nuclear units 3 and 4 received approval for an additional 20 years of operating life from the US Nuclear Regulatory Commission ('NRC'). This additional extension will take the reactors to a total of 80 years of operating life, which is the longest license ever issued by the NRC. Turkey Point 3 and 4 are now licensed to operate to 2052 and 2053, respectively. More recently, Exelon's Peach Bottom units 2 and 3 joined this trend when they were granted similar license renewals which take the operating life of the plant to 80 years. There was also positive new-build news in the US as Southern Company indicated that it is on track to meet the November 2021 and November 2022 in-service dates for its Vogtle units 3 and 4, respectively. The company also indicated that it is working to bring them online ahead of schedule; possibly by May 2021 and March 2022. And further reinforcing the growing importance of nuclear in the fight against climate change, Dominion Energy and Xcel Energy both announced plans to deliver 100% carbon-free electricity by 2050, which will include extending the lifespans of their respective nuclear plants.
- In Mexico, the country's national nuclear utility, the Federal Electricity Commission, is considering building four new nuclear reactors, to add to its existing two units at Laguna Verde. The utility shared its plans to present a feasibility study to management and the government in calendar year 2020. The study will examine a project to build 1,400 megawatts ('MWe') reactors, with an estimated cost of US\$7 billion each.
- In Canada, with the longer-term future of nuclear in mind, the provincial governments of New Brunswick, Ontario and Saskatchewan demonstrated support for future nuclear new builds. The leaders of these provinces announced that they had joined efforts to collaborate on advancing small modular reactor ('SMR') technologies. The leaders see SMR's as a practical solution to help curb carbon emissions, move away from coal-fired power generation, and create an opportunity for new economic growth in the provinces. The federal government also recently highlighted its support for nuclear energy when its Minister of Natural Resources, Seamus O'Regan, spoke at the Canadian Nuclear Association's annual conference and explained that affordable, safe nuclear power is the key to reaching Canada's climate goals.
- In Germany, positive sentiment towards nuclear also appears to be growing. In 2019 the government received escalating calls from several of the country's most prominent businesses to delay the country's plans to implement a full-scale nuclear phase-out by the end of 2022. Some of these businesses emphasized the importance of nuclear power, highlighting that Germany needs to run its nuclear power plants longer if climate protection really matters to the country.
- In India, the government continued to demonstrate its commitment to increase its use of nuclear energy. At a recent nuclear conference, the Chairman of India's Atomic Energy Commission and Secretary of the Department of Atomic Energy reinforced the country's aggressive pursuit of new nuclear power plants in order to improve the reliability of the country's power supply. The government's Union Minister for Atomic Energy also confirmed that there are currently nine reactors under construction in India and indicated that the government had given administrative and financial support to build an additional 12 new reactors with a capacity of 9,000 MWe.
- In South Korea, KHNP announced the successful start-up of its Shin Kori 4 nuclear power plant. Initial criticality was reached and the unit was connected to the grid in April 2019. The Shin Kori 4 unit is a 1,400 MWe APR-1400, which is the same design as those currently under construction in the United Arab Emirates at the Barakah nuclear power plant, which is expected to begin supplying electricity early in 2020.
- In Taiwan, sentiment has shifted away from a previous policy to eliminate nuclear power from the Taiwan energy mix. In May 2019, the country passed an amendment to eliminate the 'Nuclear Free Homeland 2025' mandate that was imposed by the anti-nuclear Democratic Progressive Party in early 2017. This amendment has opened the door for future pro-nuclear decisions to be made regarding extending the lives of existing nuclear power plants in the country, as well as the possible completion of the Lungmen nuclear power plant, where construction was halted in 2014.

Though much of the nuclear news out of Asia was positive, news emerged from Japan early in calendar 2019 that the requirements set out by the country's Nuclear Regulation Authority ('NRA') for utilities to complete anti-terrorism protection work on each reactor's emergency facilities were unlikely to be met on schedule. All three utilities currently operating nuclear power plants in Japan have said they require between

one and two and a half additional years to complete the required work. The NRA has indicated, however, that it will not extend the deadline. Due to this, it was recently announced that reactors 3 and 4 at the Takahama nuclear power plant will stop operating by the summer of 2020, with work aimed at meeting the NRA commitment about one year behind schedule

Overall, uranium demand has grown in recent years, having now exceeded the annual levels that existed prior to Japan shutting off all of its nuclear units following the 2011 Fukushima Daichii nuclear incident.

The supply side of the uranium market has also been progressing in the right direction &#8211; resulting in a growing gap between annual utility requirements and primary production, which continues to be filled by drawing down on inventories and other secondary sources of supply. Some of these positive supply indicators include:

- The world's largest and lowest cost uranium producer, National Atomic Company Kazatomprom, announced in August 2019 that it was reaffirming its commitment to reach and maintain a more commercial balance between supply and demand by extending its 20% production curtailment through to 2021.
- In Canada, Cameco continues to reinforce that it will keep its flagship McArthur River operation closed until market conditions improve, removing 18 million lbs from the market annually. Cameco confirmed in its 2019 year-end results that it would purchase between 20 and 22 million lbs in 2020 in order to meet delivery commitments.
- Other important supply side changes included Rio Tinto finalizing the sale of its Rössing operation in Namibia to China's China National Uranium Corporation. Taken together with the slow wind down of Rio Tinto's Ranger operation in Australia, we expect to see Rio Tinto, one of the world's largest mining companies and a long-term major producer in the uranium industry, completely exit the market.
- In Niger, it was announced that the Cominak mine will cease operation in March 2021, due to depletion of ore. The operation has been a source of supply to the industry since 1978.

## Subsequent Event

### COVID-19

The Manager and Board of Directors are closely monitoring the impact of the COVID-19 pandemic on the Corporation's business. At this time, it is not possible to reliably estimate the financial impact on the Corporation, in terms of duration or severity, of the COVID-19 pandemic. At present, the uranium spot price has not been significantly impacted by the pandemic, nor have any of the Corporation's storage facilities experienced any disruption of service that could impact the value of the uranium holdings; however, it is possible that circumstances could change, resulting in price movement &#8211; both up and down &#8211; and/or operational disruption at industry storage facilities. A future drop in the spot price, or an extended shutdown of any of these storage facilities, could have a materially adverse impact on the Company's financial position, liquidity and financial results for future periods.

## Outstanding Share Data

At April 2, 2020, there were 138,060,713 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 ("U<sub>3</sub>O<sub>8</sub>") and uranium hexafluoride ("UF<sub>6</sub>") (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](http://www.sedar.com) and on [Uranium Participation Corp.](#)'s website at [www.uraniumparticipation.com](http://www.uraniumparticipation.com).

## Cautionary Statement Regarding 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 MD&A dated April 2, 2020 available under UPC's profile at [www.sedar.com](http://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.

SOURCE [Uranium Participation Corp.](http://www.uraniumparticipationcorp.com)

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