

Uranium Participation Corporation



MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE YEAR ENDED FEBRUARY 28, 2021

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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 for the year ended February 28, 2021 to those of the previous year. This MD&A is dated as of April 1, 2021 and should be read in conjunction with the Corporation's audited annual consolidated financial statements and related notes for the year ended February 28, 2021. The audited annual consolidated financial statements are prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'). 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.

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.



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

Fiscal 2021 was an eventful year for the uranium industry. At the start of the year, the uranium market was impacted by significant and unexpected supply disruptions resulting from the COVID-19 pandemic. While uranium demand remained relatively steady as the world responded to the pandemic and nuclear power plants continued to operate largely without disruption, the supply side of the market experienced significant disruptions from the world's largest and most influential uranium producers. This supply disruption marked the beginning of a meaningful price recovery through the first quarter of the fiscal year. The unexpected supply reaction catalyzed by the pandemic was layered on top of a uranium supply/demand picture that had already begun to change over the past couple of years, with demand outstripping supply from primary production and the shortfall being made up by inventories and other secondary supplies. As this dynamic has played out, sentiment regarding a recovery in the uranium price has improved, particularly with the high-profile shutdown and curtailment of many supply sources across the industry, including the world's largest and highest grade uranium mine, Cameco Corporation's ('Cameco') McArthur River Mine in northern Saskatchewan, Canada, which was placed into care and maintenance indefinitely in July 2018.

COVID-19's short term effect on uranium supply has been dramatic, with additional production cuts announced by several of the world's largest uranium producers. In March 2020, Cameco and Orano announced the closure of the lone remaining uranium production centre in Canada – the Cigar Lake Mine and the McClean Lake Mill. In April 2020, the world's largest producer of uranium, National Atomic Company Kazatomprom ('Kazatomprom'), announced that it would reduce operational activities across all its uranium mines for an expected period of three months. Kazatomprom indicated that production was expected to decrease by up to 4,000 tU (10.4 million pounds U_3O_8) over this period. Together, these supply shocks resulted in the uranium price quickly rising almost 38%, from the fiscal year opening price of US\$24.70 per pound U_3O_8 in mid-March 2020, to a high of US\$34.00 per pound U_3O_8 in May 2020.

In July 2020, Cameco announced that it would reopen its Cigar Lake mine in September. This news surprised many market participants and moving into August the uranium price slowly fell from above US\$32.20 at the time of the announcement, to US\$30.65 by month end. The spot price remained relatively stable for the remainder of the calendar year, with the market registering the highest ever spot market volumes for a single year. By the end of December, the spot volume transacted during calendar 2020 reached 93.6 million pounds U_3O_8 , breaking the previous annual spot volume record from 2018 of 88.7 million pounds U_3O_8 .

In August 2020, Kazatomprom announced that it had decided to maintain its 20% reduction in production below the planned levels in its subsoil use contracts through 2022. Kazatomprom also confirmed that it had purchased uranium in the spot market and could continue to do so through the rest of the year. These announcements seemed to help stabilize general market sentiment following the unexpected restart of Cigar Lake.

Based on these events, and other significant COVID-19 related production disruptions, large volumes of inventories and other secondary supplies were depleted faster than expected in fiscal 2021, accelerating the supply-demand rebalancing that was put into motion with the shutdown of the McArthur River mine in 2018. This, coupled with the fact that nuclear power plants around the globe have remained online operating largely without disruption, is expected to help move the market towards a long-term sustainable price increase sooner than it otherwise would have, absent COVID-19.

In December 2020, Cameco announced another temporary suspension of production at Cigar Lake as a result of rising COVID-19 cases in Saskatchewan's far north. While the uranium price increased immediately following this decision, the lack of buying activity, as the market slowed for the holiday season, seemingly flattened the impact of the announcement.

Going into calendar 2021, the spot market saw continued demand weakness, attributed, in part, to low levels of utility uncovered requirements in 2021 and 2022. This demand weakness resulted in competition among sellers which led to a further weakening in the spot price, which fell to US\$28.20 per pound U_3O_8 at the end of the fiscal year, before rebounding to US\$30.65 per pound U_3O_8 in the second half of March 2021 following announcements from several industry participants regarding plans for strategic uranium purchases.



Several trade issues in the United States ('US') have impacted the nuclear fuel market over the past few years, and the resolution of those matters in 2020 has brought growing market stability. In 2018, a petition was filed with the US Department of Commerce ('DOC') to investigate the import of uranium into the US under Section 232 of the 1962 Trade Expansion Act. In July 2019, the US President ultimately concluded that uranium imports do not threaten national security and no trade actions were implemented. In conjunction with this, a further review was ordered of the nuclear supply chain in the US, and the Nuclear Fuels Working Group ('NFWG') was established. The NFWG reported its findings in April 2020, which, among other recommendations, included a plan to budget US\$150 million per year, in each of the next 10 years, for uranium and conversion purchases from US producers to stock the nation's strategic reserve. In December 2020, review and discussion around this matter ended when the US Congress passed a Bill that included initial funding of US\$75 million to begin building a US uranium reserve. The Bill passed the US House and Senate with bipartisan support, and was signed into law in late December 2020.

The review of the Agreement Suspending the Antidumping Investigation on Uranium from the Russian Federation (also known as the Russian Suspension Agreement or 'RSA') also created uncertainty in the uranium market during 2020, as the RSA was due to expire at the end of the year. A draft amendment, however, was announced in September 2020 and finalized in October 2020. The new arrangement extends the agreement until 2040 and aims to reduce US reliance on Russian uranium products over the next 20 years. The deal negotiated between the US DOC and 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 brought significant clarity and stability to many nuclear fuel market participants.

Overall, uranium demand has grown in recent years as new reactors have been started around the world and demand now exceeds the annual levels that existed prior to Japan shutting down all its nuclear units following the 2011 Fukushima Daichii nuclear incident. As of March 2021, there were 437 nuclear reactors operable in 31 countries capable of generating 389 GWe – together supplying over 10% of the world's electrical requirements. In addition, there are 54 nuclear reactors being constructed in 19 countries, with several countries acting as principal drivers of this expansion, including China, India, South Korea, Russia, and the United Arab Emirates ('UAE'). By 2035, UxC forecasts, under its base case, that operating reactors will increase to 460, generating around 448 GWe. Through this period, annual uranium demand is expected to grow from 181 million pounds U_3O_8 in 2020 to around 213 million pounds U_3O_8 by 2035. Importantly, uncovered utility uranium requirements in this period, not including typical inventory building, are over 1.35 billion pounds U_3O_8 .

Early in 2020, the UxC outlook for annual global uranium production was expected to be approximately 142 million pounds U_3O_8 . This changed materially with the curtailment of additional production as a result of COVID-19. Actual production for 2020 is now estimated by UxC to have been 124 million U_3O_8 pounds which has created an even greater shortfall to 2020 estimated global annual demand of 181 million pounds U_3O_8 . Though rebounding a little from 2020, UxC estimates that primary production in 2021 will remain low at 127 million pounds U_3O_8 as COVID-19 restarts are offset by the planned shutdown of long-standing production sources at Energy Resources of Australia's Ranger mine and Orano's COMINAK project in Niger. With annual demand projected by UxC to be 175 million pounds U_3O_8 in 2021, the 2021 differential between primary production and annual demand is projected to remain high, at approximately 48 million pounds U_3O_8 .

With primary mine production in 2020 estimated by UxC to have supplied approximately 67% of the year's estimated base case demand, the balance of demand is expected to have been supplied from secondary sources. These sources include commercial inventories, reprocessing of spent fuel, sales by uranium enrichers and inventories held by governments, such as those held by the US Department of Energy, and the Russian government. Secondary supplies remain a complex aspect of the uranium market. UxC estimated that 64 million pounds U_3O_8 entered the market from secondary supplies in 2020, leaving a surplus of approximately 7 million pounds U_3O_8 compared to annual demand of 181 million pounds – meaning that the market demand would be met by those secondary sources of supply and that there would not be an imminent supply shortage. That being the case, UxC expects that secondary sources of supply will fall significantly from this level to 17 million pounds U_3O_8 per year by 2035 – which suggests that increased primary sources of production will be important in the market over the next decade.

The process of inventory drawdowns is indicative of a market that is approaching an inflection point – where the surplus material that has been easy to procure in past years is diminished and end-users of uranium begin to question where long-term uranium supplies will come from and how secure that supply will be over the long lives of their nuclear reactors. There is a growing sense that market participants are beginning to look beyond near-term market conditions in an attempt to understand what the supply environment will look like in the mid-2020s and beyond. With a renewed focus on nuclear energy as a critical element in the 'energy transition' that many nations are looking to in order to battle climate change, it is expected that global utilities will be looking to source future supply from operations that are not only low-cost, reliable, and situated in stable jurisdictions (the typical criteria for a good supplier), but also those which are flexible and environmentally responsible.



Future and growing reliance on nuclear energy is again being considered by policy makers and interest groups around the world. As many industries were shut down around the globe in fiscal 2021 under the strain of COVID-19 related problems, nuclear electricity generation worldwide remained steadfast, providing the secure, baseload electricity needed to drive key infrastructure, including hospitals – all the while producing little to no carbon emissions. Building on the growing world view of the reliability and clean nature of nuclear power, there continued to be many positive news stories emerging on the demand side of the nuclear fuel market throughout fiscal 2021, including the following:

The UAE announced that its first nuclear power plant, Barakah unit 1 achieved initial criticality in July 2020. By December, the unit reached 100% power and is now generating 1400 MW of electricity. Once the other units are operational, the four-unit plant will generate around 25% of the UAE's electricity, preventing the release of up to 21 million tonnes of carbon emissions annually.

China National Nuclear Corp ('CNNC') has seen several of its reactor projects reach significant milestones in fiscal 2021. In July 2020, CNNC announced that Unit 5 at its Tianwan nuclear power plant, had attained initial criticality. Construction of the unit began in December 2015. Unit 6 at the site began construction in September 2016. Both are expected to attain full commercial operation before the end of 2021. In addition, the Fuqing 5 reactor, whose construction commenced in May 2015, at the Fuqing Nuclear Power Plant, attained initial criticality in October 2020, was connected to the grid in November 2020, and achieved first commercial operation in 2021.

China continues to be a bright spot in the industry having recently reiterated in-country nuclear growth plans. The government indicated that it would build six to eight nuclear reactors each year between 2020 and 2025 in an effort to get back on track with past goals – aiming to have total capacity installed and under construction to be around 200 GW by 2035. And in March 2021, China's National People's Congress released details from the country's 14th Five Year Plan, which includes an ambitious goal of achieving 70 GWe of gross nuclear power capacity by 2025, and increase of almost 50% from its current levels. According to the World Nuclear Association, as of March 2021, China has approximately 49 nuclear reactors in operation, generating approximately 47 GWe, and 16 under construction. According to China's Nuclear Energy Association, Chinese nuclear reactors produced 366.2 TWh of electricity in 2020, which represents an increase of roughly 5% compared to 2019. Nuclear power's share of electricity in China was 4.9% in 2020.

Russia's Rosatom reported, in August 2020, that Unit 2 of the Leningrad II plant successfully reached the minimum controlled power level, meaning that a controlled, self-sustaining reaction had begun in the new reactor, and in late February 2021, the reactor entered its final testing phase.

In the US, 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 approximately 96% complete, with fuel loading expected in April 2021. The company also added itself to a growing list of US utilities to announce a commitment to a long-term reduction in greenhouse gas emissions to net-zero emissions by 2050 – its ability to reach that goal will be enhanced by completion of its new Vogtle Units 3 & 4.

In Canada, following the recent reconnection of Unit 2 at Ontario Power Generation's ('OPG') Darlington Nuclear Generating Station, OPG announced another major milestone in September when work commenced on the refurbishment of Unit 3 following a brief postponement related to the COVID-19 pandemic.

OPG also added its name to the list of utilities committing to achieving net-zero carbon emissions – committing to reach that goal by 2040 and committing to help the markets in which they operate achieve net-zero carbon economies by 2050. The company also announced in November that it would begin advancing plans to locate a small modular reactor ('SMR') at its Darlington site in order to support its net-zero goals. This built 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.

The Canadian federal government also reinforced its support for nuclear energy and the development of SMRs, as a pillar in its plans for achieving the country's climate change goals. Federal energy minister, Seamus O'Regan, highlighted the importance of nuclear power multiple times in 2020, including as part of a statement while releasing Canada's national SMR Action Plan which calls for the development, demonstration, and deployment of SMRs. Provincial governments in Canada have also continued to show their support for SMRs, most recently with the Government of New Brunswick announcing that it would invest another \$20 million to advance development of ARC Clean Energy Canada Inc.'s ('ARC Canada') SMR technology. This funding is contingent on ARC Canada obtaining matching funding for other investors.

Positive nuclear news also emerged from Japan late in 2020 as the country's new leader, Prime Minister Yoshihide Suga, pledged that the country will become carbon neutral by 2050. 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, 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.

France's President Macron indicated that nuclear will 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 previously said it will cut its reliance on nuclear energy from 75% to 50% by 2035, it is also considering building next-generation EPR nuclear reactors.

In Poland, the country's deputy prime minister has indicated that the country is in discussion with several suppliers to construct up to six nuclear reactors in that country by 2043. Poland does not currently have any nuclear power plants.

In February 2021, it was announced the first unit at Belarus' first nuclear power plant, Ostrovets 1 is expected to be accepted for operation in April or May of 2021. When the unit begins operating, Belarus will become the 32nd nuclear power generating country.

In other nuclear industry news, also in February 2021, Honeywell International Inc. announced its intention to start its Metropolis Works plan, restarting US domestic production of UF₆. The Metropolis facility was shutdown indefinitely in October 2017 as a result of a global oversupply of UF₆ which had resulted in weak prices for UF₆ conversion services. ConverDyn, the marketing agent for the plant's output, has been meeting its supply contracts through the purchase of conversion from various sources since the 2017 shut down of the Metropolis plant. These purchasing efforts, along with the supply impact of shutting down one of only three uranium conversion facilities in Western Europe and North America, and the only facility in the U.S., have resulted in the price of conversion services increasing almost 380% from US\$4.50 at the time of the announcement of the plant closure, to US\$21.50 at the time of the restart announcement. Honeywell expects the plant to be ready for full production by 2023.

Taken together, the market sentiment towards nuclear energy has seen a marked uptick in the last months of the fiscal year, in part due to the impact of renewed and high-profile support for the industry by climate change enthusiasts, including Bill Gates and the new US Administration, which has reentered the Paris Agreement and identified nuclear power as a critical clean energy technology.

SELECTED ANNUAL FINANCIAL INFORMATION

(in thousands, except per share amounts)	February 28, 2021	February 29, 2020	February 28, 2019
Unrealized gains (losses) on investments in uranium	\$ 40,370	\$ (61,160)	\$ 174,201
Net gain (loss) for the year	\$ 40,383	\$ (58,673)	\$ 170,652
Net gain (loss) per common share – basic and diluted	\$ 0.30	\$ (0.42)	\$ 1.25
Total Assets	\$ 623,408	\$ 598,106	\$ 656,763
Total Liabilities	\$ 679	\$ 1,001	\$ 985
NAV⁽¹⁾	\$ 622,729	\$ 597,105	\$ 655,778

(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.



SUMMARY OF QUARTERLY FINANCIAL INFORMATION

	February 28, 2021	November 30, 2020	August 31, 2020	May 31, 2020
Uranium related gain (loss) (in thousands)	\$ (41,043)	\$ (29,744)	\$ (112,710)	\$ 230,794
Net gain (loss) for the period (in thousands)	\$ (43,197)	\$ (31,166)	\$ (114,758)	\$ 229,504
Net gain (loss) per common share – basic and diluted	\$ (0.32)	\$ (0.23)	\$ (0.84)	\$ 1.67
NAV⁽¹⁾ per share	\$ 4.61	\$ 4.93	\$ 5.16	\$ 6.00
U ₃ O ₈ spot price (US\$)	\$ 28.20	\$ 29.45	\$ 30.65	\$ 34.00
UF ₆ spot price (US\$)	\$ 94.00	\$ 97.00	\$ 98.25	\$ 102.50
Foreign exchange rate (US\$ to CAD\$)	1.2685	1.2965	1.3042	1.3787

	February 29, 2020	November 30, 2019	August 31, 2019	May 31, 2019
Uranium related gain (loss) (in thousands)	\$ (24,228)	\$ 17,779	\$ 20,623	\$ (66,697)
Net gain (loss) for the period (in thousands)	\$ (26,205)	\$ 16,307	\$ 19,272	\$ (68,047)
Net gain (loss) per common share – basic and diluted	\$ (0.19)	\$ 0.12	\$ 0.14	\$ (0.49)
NAV⁽¹⁾ per share	\$ 4.32	\$ 4.51	\$ 4.40	\$ 4.26
U ₃ O ₈ spot price (US\$)	\$ 24.70	\$ 26.00	\$ 25.30	\$ 24.10
UF ₆ spot price (US\$)	\$ 85.95	\$ 89.90	\$ 86.00	\$ 80.50
Foreign exchange rate (US\$ to CAD\$)	1.3429	1.3289	1.3295	1.3257

(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 gain or loss of the Corporation is primarily driven by the unrealized net gains or losses 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

The net gain for the year ended February 28, 2021 was mainly driven by unrealized net gains on investments in uranium of \$40,370,000, realized gains on the sale of conversion components of \$5,154,000, and income from uranium lending and relocation agreements of \$1,536,000, slightly offset by operating expenses of \$6,914,000 (2020 – net loss due to unrealized net losses on investments in uranium of \$61,160,000 and operating expenses of \$6,150,000, offset by realized gains from the sale of conversion components of \$8,095,000 and income from uranium relocation agreements of \$542,000).

Unrealized net gains on investments in uranium during the year ended February 28, 2021 were mainly due to the increase in the spot prices for uranium. The spot prices during the fiscal year increased from US\$24.70 per pound U₃O₈ and US\$85.95 per KgU as UF₆ at February 29, 2020, to US\$28.20 per pound U₃O₈ and US\$94.00 per KgU as UF₆ at February 28, 2021. The impact of the increase in spot prices on the unrealized net loss on investments in uranium was slightly offset by a 6% decrease in the U.S. dollar to Canadian dollar exchange rate during fiscal 2021. Unrealized net losses on investments in uranium during the year ended February 29, 2020 were mainly due to the decrease in spot prices from US\$28.00 per pound U₃O₈ and US\$87.00 per KgU as UF₆ at February 28, 2019, to US\$24.70 per pound U₃O₈ and US\$85.95 per KgU as UF₆ at February 29, 2020. The impact of the decrease in spot prices on the unrealized loss on investment in uranium in fiscal 2020 was slightly offset by a 2% increase in the U.S. dollar to Canadian dollar exchange rate.

During the fourth quarter of fiscal 2021, the Corporation recorded an unrealized net loss on investments in uranium of \$42,738,000, realized gains on the sale of conversion components of \$1,695,000, and a net loss for the period of \$43,197,000. The unrealized net loss on investments in uranium was predominantly driven by the decrease in the spot prices for uranium from US\$29.45 per pound U₃O₈ and US\$97.00 per KgU as UF₆ at November 30, 2020, to US\$28.20 and US\$94.00, respectively at February 28, 2021. The unrealized net loss on investment in uranium was also impacted



by a 1% decrease in the U.S. dollar to Canadian dollar foreign exchange rate in the period. 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_3O_8 and US\$89.90 per KgU as UF_6 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.

Total equity increased to \$622,729,000 at February 28, 2021, from \$597,105,000 at February 29, 2020.

The Corporation had an effective tax rate of nil for the years ended February 28, 2021 and February 29, 2020, primarily due to the Corporation's available tax shelter giving 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 \$4.61 at February 28, 2021, from \$4.32 at February 29, 2020.

Operating Expenses

Operating expenses are comprised of storage costs, management fees, public company expenses, and general and administrative expenses.

Storage fees were \$3,096,000 during the year ended February 28, 2021 (2020 – \$2,648,000). The increase in storage fees during fiscal 2021, 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 agreement.

Management fees were \$2,336,000 during the year ended February 28, 2021 (2020 – \$2,293,000). The increase in management fees during fiscal 2021, compared to the prior year, was due to an increase in uranium transaction commissions paid to the manager and an increase in the average NAV during the period, on which the variable portion of the management fee is based, offset by a decrease in discretionary management fees. The Corporation paid \$239,000 in uranium transaction commissions to the Manager in fiscal 2021, predominantly related to the sale of the conversion components contained in 300,000 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 fiscal 2020, the Corporation paid \$197,000 in uranium transaction commissions to the Manager related to the purchase of 176,300 pounds of U_3O_8 , as well as the sale of the conversion components contained in 417,230 KgU as UF_6 . During fiscal 2021, the manager performed non-routine activities for which a discretionary fee of \$70,000 was approved by the Board (2020 - \$300,000 discretionary fee).

Public company and general, administrative and miscellaneous expenses were \$784,000 during the year ended February 28, 2021 (2020 – \$907,000). These costs are mainly comprised of director fees, legal fees, investor relations expenses, project costs, and all other costs related to operating a public company. The decrease in public company, and general, administrative and miscellaneous costs was predominantly driven by decreased travel and investor relations expenses driven by reduced opportunities for in-person investor relations activities due to the COVID-19 pandemic.

Operating expenses of \$6,552,000 (excluding the foreign exchange loss of \$392,000), partially offset by income from lending and/or relocation of uranium of \$1,536,000 for the year ended February 28, 2021, represents approximately 0.8% of the NAV at February 28, 2021 and 0.8% of the NAV at February 29, 2020.

Investment Portfolio

UPC's investment portfolio consists of the following as at February 28, 2021:

(in thousands, except quantity amounts)	Quantity	Cost	Fair Value
Investments in Uranium:			
U_3O_8	16,269,658 lbs	\$ 768,769	\$ 581,993
UF_6	300,000 KgU	\$ 49,794	\$ 35,772
		\$ 818,563	\$ 617,765



U₃O₈ average cost⁽¹⁾ and fair value per pound:

In Canadian dollars	\$	47.25	\$	35.77 ⁽²⁾
In United States dollars	\$	42.72	\$	28.20

UF₆ average cost and fair value per KgU:

In Canadian dollars	\$	165.98	\$	119.24 ⁽²⁾
In United States dollars	\$	153.86	\$	94.00

(1) The weighted average cost per pound U₃O₈ on a consolidated basis. Each of the Corporation's subsidiaries, as well as the parent company, have different historical weighed average costs per pound.

(2) Translation to Canadian dollars calculated at period-end indicative foreign exchange rate of 1.2685.

Uranium Sales

During the year ended February 28, 2021, the Corporation completed sales of 275,000 pounds of U₃O₈, 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 U₃O₈ 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 year ended February 29, 2020, the Corporation had no uranium sales.

Purchases of Uranium

During October 2019, the Corporation entered into a contract to purchase a total of 230,000 pounds of U₃O₈ at an average price of US\$26.04 (the 'October 2019 Uranium Purchase'). The transaction consists of three tranches of 100,000 pounds of U₃O₈, 76,300 pounds of U₃O₈, and 53,700 pounds of U₃O₈, for delivery in October 2019, January 2020, and June 2020, respectively.

During the year ended February 29, 2020, UPC took delivery of the first two tranches of the October 2019 Uranium Purchase, which totaled 176,300 pounds of U₃O₈, and resulted in an increase of \$5,979,000 (US\$4,558,000) in the Corporation's investments in uranium at the time of purchase.

During the year ended February 28, 2021, the Corporation took delivery of the final tranche of the October 2019 Uranium Purchase, purchasing of 53,700 pounds of U₃O₈ at a price of US\$26.64 per pound U₃O₈. This transaction resulted in an increase of \$1,957,000 (US\$1,431,000) in the Corporation's investments in uranium at the time of purchase.

Sale of Conversion Components

December 2020 conversion sale:

In December 2020, the Corporation entered in an agreement to sell the conversion components contained in 100,000 KgU as UF₆, which resulted in the exchange of 100,000 KgU as UF₆ for cash consideration of \$2,727,000 (US\$2,130,000) and the 261,285 pounds of U₃O₈. The Corporation recorded a gain on sale of conversion components of \$1,695,000, which was calculated as the difference between the cash proceeds received and the historical costs of the conversion components. The majority of proceeds from this sale of conversion components were used to fund share repurchases under the 2020 NCIB. See Liquidity and Capital Resources below for further details.

October 2019 conversion sale:

During October 2019, the Corporation entered into commitments to sell the conversion components contained in 300,000 KgU as UF₆ (the 'October 2019 Conversion Sale'). This transaction resulted in the exchange of 300,000 KgU as UF₆ for 783,856 pounds of U₃O₈ and cash consideration of US\$6,087,000. The transaction consisted of three equal tranches of 100,000 KgU as UF₆ for delivery in January 2020, June 2020, and July 2020.

During the year ended February 29, 2020, the Corporation completed the first tranche of the October 2019 Conversion Sale, which resulted in the exchange of 100,000 KgU as UF₆ for 261,286 pounds of U₃O₈ and cash consideration of \$2,675,000 (US\$2,029,000). The Corporation recorded a gain on sale of conversion components of \$1,644,000, which was calculated as the difference between the cash proceeds received and the historical costs of the conversion components.

During the year ended February 28, 2021, the Corporation completed the second and third tranches of the October



2019 Conversion Sale, which resulted in the exchange of 200,000 KgU as UF₆ for 522,572 pounds of U₃O₈ 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.

August 2019 conversion sale:

In August 2019, the Corporation also entered into an agreement with a primary UF₆ conversion supplier to sell the conversion components contained in 417,230 KgU as UF₆. This transaction resulted in the exchange of 417,230 KgU as UF₆ for 1,090,162 pounds of U₃O₈ as well as cash consideration of \$5,489,000 (US\$4,151,000) and beneficial storage and other arrangements valued at \$5,264,000 (US\$3,982,000). The gain on the sale of the conversion components was \$6,451,000, based on the difference between the total value of the cash proceeds plus the fair value of the beneficial storage and other arrangements received, and the historical cost of the conversion components.

As at February 28, 2021, the statement of financial position included \$3,220,000 in prepaid expenses and other assets related to the August 2019 conversion sale. The amount recorded as prepaid expenses and other reflects the value of beneficial storage and other arrangements which will reduce the Corporation's storage fees over a five-year period.

Uranium Lending Agreement

In May 2020, the Corporation entered into an agreement to loan 500,000 pounds of U₃O₈ 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 U₃O₈ and 105,971 KgU as UF₆. During the year ended February 28, 2021, the Corporation recorded \$547,000 in income from uranium lending related to this agreement (2020 – \$nil).

Uranium Relocation Agreement

In June 2020, the Corporation entered into a location swap with an independent third party whereby the Corporation delivered 200,000 pounds of U₃O₈ to the counterparty at a storage facility and received 220,000 pounds of U₃O₈ at an alternate storage facility, including an exchange fee of 20,000 pounds of U₃O₈. In the year ended February 28, 2021, the Corporation recorded income from the location swap of \$889,000 in income from uranium relocation, which was the fair value of the 20,000 pounds of U₃O₈ received as consideration (2020 – \$nil).

In July 2016, the Corporation entered into an agreement with an independent third party to relocate a total of 700,000 KgU as UF₆ to an alternate storage facility. The relocations took place over a two year period, in three separate tranches, in exchange for a fee payable to the Corporation of US\$1.00 per KgU for the initial 12 months of each transfer and US\$0.50 per KgU for each subsequent year after the end of the initial 12 month period. The fees received under this agreement are recorded as income from relocation of uranium in the statement of comprehensive loss.

Pursuant to the relocation agreement, the Corporation transferred a total of 700,000 KgU as UF₆ in exchange for an equivalent amount of KgU as UF₆ contained in enriched uranium product ('EUP') and, in May 2020, the full 700,000 KgU as UF₆ was transferred back to the Corporation, in accordance with the relocation agreement.

For the year ended February 28, 2021, the Corporation recorded \$100,000 in income from the relocation of uranium under this agreement (2020 – \$542,000).

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were \$1,634,000 at February 28, 2021 (2020 - \$3,166,000). The decrease of \$1,532,000 was predominantly due to \$5,019,000 in cash used in operations and \$14,759,000 cash used in financing activities, offset by \$18,473,000 in cash provided by investing activities. The decrease in cash and cash equivalents was also impacted by unfavourable foreign exchange movements on cash and cash equivalents of \$277,000.

During the year ended February 28, 2021, the Corporation received cash proceeds of \$12,181,000 related to the sale of 275,000 pounds of U₃O₈ and \$8,249,000 from the sale of the conversion components contained in 200,000 KgU as UF₆. In addition, during the year ended February 28, 2021, the Corporation spent \$1,957,000 to purchase 53,700 pounds of U₃O₈.

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 February 28, 2021, a total of 3,121,062 shares have been purchased under the 2020 NCIB at an average cost of \$4.72 per share for a total cash outflow of \$14,734,000, which includes brokers' commissions of



\$31,000. The Corporation's Share Capital account has been reduced by \$5,879,000, which reflects the weighted average per share book value of the repurchased shares. The difference of \$8,855,000 between the cash outflow of \$14,734,000 for the share repurchases and the weighted average book value of the purchased shares of \$5,879,000 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, and at least 85% of the gross proceeds of certain share offerings completed by the Corporation, in the aggregate, are invested in, or set aside for, purchases of uranium. At February 28, 2021, the Corporation has invested or committed more than 85% of its aggregate gross proceeds of share offerings in uranium. 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 2018 Prospectus qualified the issuance of 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. The Corporation did not issue any securities pursuant to the 2018 Prospectus, which expired in January 2021.

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 management fees paid to the Manager for the years ended:

(in thousands)	February 28, 2021	February 29, 2020
Fees incurred with the Manager:		
Base and variable fees	\$ 2,027	\$ 1,796
Discretionary fees	70	300
Commission fees	239	197
Total fees incurred with the Manager	\$ 2,336	\$ 2,293

As at February 28, 2021, trade and other payables included \$285,000 (February 29, 2020 – \$683,000) due to the Manager with respect to the management fees indicated above.

Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. The Corporation's key management personnel are the members of its Board of Directors.



The following compensation was awarded to key management personnel for the years ended:

(in thousands)	February 28, 2021	February 29, 2020
Directors' fees & expenses	\$ 276	\$ 308
Total key management personnel compensation	\$ 276	\$ 308

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

Commodity Price Risk

The Corporation's NAV is directly tied to the spot price of uranium published by UxC. At February 28, 2021, a 10% increase in the uranium spot price would have increased the Corporation's total equity by \$61,000,000, while a 10% decrease would have decreased the Corporation's total equity by \$61,000,000.

Currency Risk

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

As the prices of uranium are quoted in U.S. currency, fluctuations in the Canadian dollar relative to the U.S. dollar can significantly impact the valuation of uranium from a Canadian dollar perspective. At February 28, 2021, a 10% increase in the U.S. dollar to Canadian dollar exchange rate would have increased the Corporation's total equity by \$61,800,000, while a 10% decrease would have decreased the Corporation's total equity by \$61,800,000.

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

Credit Risk

Credit risk is the risk of loss due to a counterparty's inability to meet its obligations under a financial instrument or contractual agreement that will result in a financial loss to the Corporation. The Corporation's credit risk exposure includes the carrying amounts of cash and cash equivalents, trade and other receivables, and investments in uranium. Investments in uranium are held with licensed storage facilities owned by different organizations. The risk that these organizations are not able to continue as a going concern could have a significant impact on UPC's ability to recover its investments in uranium held with the organizations.

To limit the credit risk exposure on its cash and cash equivalents, the Corporation holds its cash and cash equivalents in credit worthy financial institutions. In order to ensure recoverability on the Corporation's investments in uranium, the Corporation holds its investments in uranium at facilities that are owned by organizations that are credible, financially stable, and/or essential to the global nuclear fuel cycle. Credit risk exposure on its trade and other receivables related to uranium loans, relocations or similar agreements is limited since the Corporation typically transacts with large organizations and ensures that adequate security is provided for any loaned uranium. The Corporation regularly assesses the credit profile of these organizations for any indications of financial difficulty.

Liquidity Risk

Financial liquidity represents the Corporation's ability to fund future operating activities. The Corporation funds its ongoing operations with its existing cash balance. The Corporation's cash and cash equivalent balance as at February 28, 2021 is not expected to be sufficient to meet its working capital requirements for fiscal 2022. The Corporation may generate cash from the lending, relocation, or sale of uranium, or the sale of additional equity securities. Although the Corporation enters into commitments to purchase uranium periodically, the commitments are normally funded by the Corporation's available cash or are contingent on its ability to raise funds through the sale of additional equity securities.



Fair Value of Investments, Financial Assets and Financial Liabilities

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

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

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

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

The Corporation has not offset financial assets with financial liabilities.

OFF-BALANCE SHEET ARRANGEMENTS

The Corporation does not have any off-balance sheet arrangements.

OUTSTANDING SHARE DATA

At April 1, 2021, there were 134,939,651 common shares issued and outstanding. There are no stock options or other instruments issued and outstanding.

OUTLOOK

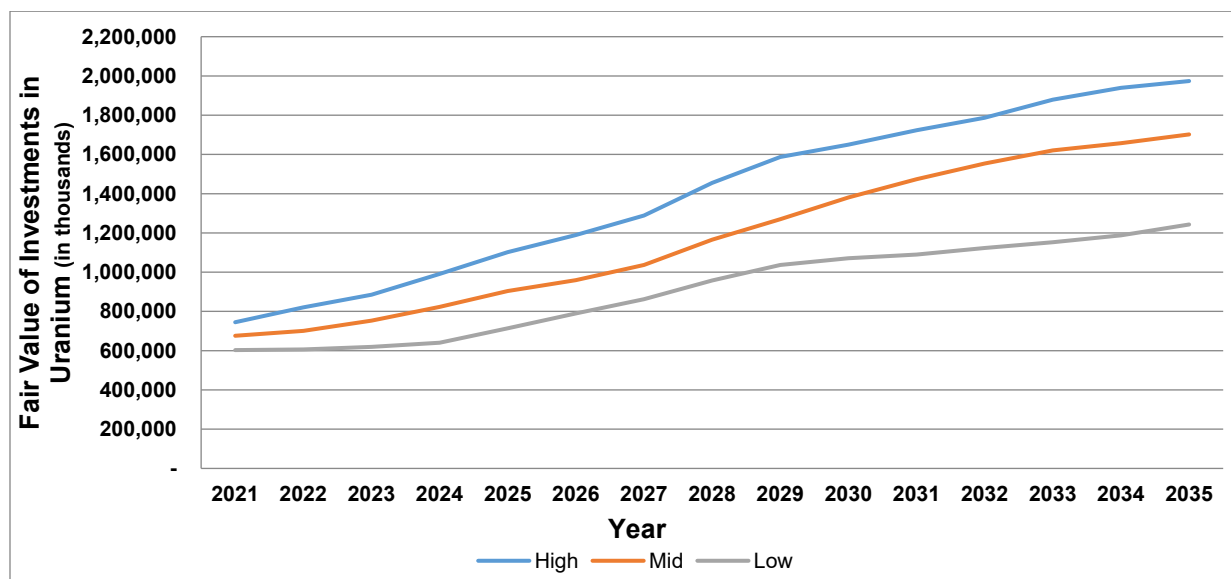
The Corporation's NAV is directly linked to the spot price of uranium published by UxC. According to UxC's 2021 Q1 Outlook, the spot price of U_3O_8 is projected to rise over the next 15 years. The following chart displays the projected future fair value of investments in uranium held by UPC, based on the low to high spot price projections from UxC. Based on UxC's projections, the Corporation's estimated future fair value of investments in uranium, based on the Corporation's current holdings, is projected to increase up to a high of \$1.1 billion by 2025, and up to a high of almost \$2.0 billion by 2035.

The estimated future fair value of investments in uranium held by the Corporation is projected as follows:

(in thousands)	2025 ⁽¹⁾	2030 ⁽¹⁾	2035 ⁽¹⁾
High Spot Price Projections ⁽²⁾	\$ 1,102,000	\$ 1,650,000	\$ 1,974,000
Mid Spot Price Projections ⁽³⁾	\$ 904,000	\$ 1,381,000	\$ 1,702,000
Low Spot Price Projections ⁽⁴⁾	\$ 714,000	\$ 1,071,000	\$ 1,243,000



Projected Fair Value of Investments in Uranium ⁽¹⁾



The estimated fair value of investments in uranium calculated above are based on the following:

- Spot price projections from UxC's 2021 Q1 Outlook and noted in (2), (3) and (4) below;
- The US to Canadian dollar indicative foreign exchange rate at February 28, 2021 of 1.2685; and
- The investments in uranium held by the Corporation on February 28, 2021.

- (1) High spot price projections per pound U_3O_8 for 2025, 2030 and 2035 were US\$50.55, US\$75.82, and US\$90.77 respectively.
- (2) Mid spot price projections per pound U_3O_8 for 2025, 2030 and 2035 were US\$41.40, US\$63.41 and US\$78.19, respectively.
- (3) Low spot price projections per pound U_3O_8 for 2025, 2030 and 2035 were US\$32.59, US\$49.07 and US\$56.97, respectively.
- (4) The Corporation's UF_6 holdings are valued based on the long term U_3O_8 spot projections above and the February 28, 2021 conversion price of US\$21.00, adjusted for inflation.

ADDITIONAL INFORMATION

CONTROLS AND PROCEDURES

The Corporation carried out an evaluation, under the supervision and with the participation of its management, of the effectiveness of the design and operation of the Corporation's 'disclosure controls and procedures' (as defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*) as of the end of the period covered by this report. Based on that evaluation, the President and Chief Executive Officer and Chief Financial Officer concluded that the Corporation's disclosure controls and procedures are effective.

The Corporation's management is responsible for establishing and maintaining an adequate system of internal control over financial reporting and conducted an evaluation of the effectiveness of internal control over financial reporting based on the *Internal Control – Integrated Framework, 2013* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, the President and Chief Executive Officer and Chief Financial Officer concluded that the Corporation's internal control over financial reporting was effective as of February 28, 2021.

There has not been any change in the Corporation's internal control over financial reporting that occurred during the year ended February 28, 2021 that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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



Investments in Uranium

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

RISK FACTORS

An investment in securities of UPC is highly speculative and involves significant risks, which should be carefully considered by prospective investors before purchasing such securities. There are a number of factors that could negatively affect UPC's business and the value of UPC's securities, including the factors listed below. Such factors could materially affect the Corporation's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Corporation. The following information pertains to the outlook and conditions currently known to UPC that could have a material impact on the financial condition of UPC. This information, by its nature, is not all-inclusive and is not a guarantee that other factors will not affect UPC in the future.

Uranium Price Volatility from Demand and Supply Factors

Since almost all of the Corporation's activities involve investing in uranium, the value of its securities will be highly sensitive to fluctuations in the prices of uranium. Historically, the fluctuations in these prices have been, and are expected to continue to be, affected by numerous factors beyond the Corporation's control. Such factors include, among others: demand for nuclear power; political and economic conditions in uranium producing and consuming countries; public and political response to a nuclear accident; improvements in nuclear reactor efficiencies; and fluctuations in the supply and demand of uranium.

Uranium supplies are available from a number of sources, including: a relatively small number of uranium mining companies in key uranium producing countries; excess inventory from government and industry participants; reprocessed uranium and plutonium from used reactor fuel; and excess enrichment capacity, which can be used for underfeeding or re-enriching depleted uranium tails. Any number of these sources can be impacted by changes in economic and political conditions, thereby impacting the overall supply and/or demand of uranium and, in turn, the spot price for U_3O_8 and UF_6 .

In addition, since UF_6 is a different commodity than U_3O_8 , its price is affected by its own supply/demand balance as well as the supply/demand balances of U_3O_8 and the conversion component contained in UF_6 . As a result, the UF_6 spot price may move differently compared to the spot price of U_3O_8 or the spot price for conversion. The factors that affect the UF_6 spot price will affect the NAV of the Corporation, which in turn may affect the price of the Corporation's securities.

Set out in the table below is the spot price (in US dollars) for U_3O_8 per pound and UF_6 per KgU at the end of the last five fiscal years⁽¹⁾.

	2017	2018	2019	2020	2021
$U_3O_8^{(1)}$	\$22.25	\$21.25	\$28.00	\$24.70	\$28.20
$UF_6^{(1)}$	\$64.00	\$62.00	\$87.00	\$85.95	\$94.00

(1) As published by UxC in US dollars.

Public Acceptance of Nuclear Energy and Competition from Other Energy Sources

The growth of the uranium and nuclear power industries will depend upon continued and increased acceptance of nuclear technology as a means of generating electricity. The nuclear industry is affected by unique political, technological and environmental factors. Accordingly, the industry is subject to public opinion risks which could have an adverse impact on the demand for nuclear power and result in increases in government regulation. An accident at a nuclear reactor anywhere in the world could impact the continued acceptance, by the public and regulatory authorities, of nuclear energy and the future prospects for nuclear generators, which could have a material adverse effect on the Corporation.

Nuclear energy competes with other sources of energy, including oil, natural gas, coal, renewables and hydro-electricity. These other energy sources are, to some extent, interchangeable with nuclear energy. Sustained lower prices of oil, natural gas, coal and hydro-electricity, as well as the possibility of developing other low cost sources for energy, may result in lower demand for uranium. Technical advancements in renewable and other alternate forms of energy, such as wind and solar power, could make these forms of energy more commercially viable and ultimately put additional pressure on the demand for uranium concentrates. Improvements in electricity storage and battery technologies could also have a significant impact on electricity generation and usage, thus impacting the importance of nuclear energy in the energy mix.



Risks Associated with Facilities

All uranium is stored at licensed uranium conversion, enrichment, or fuel fabrication facilities owned by different organizations (each one, a 'Facility' or collectively, the 'Facilities').

As the number of duly licensed Facilities is limited, there can be no assurance that new arrangements that are commercially beneficial to the Corporation will be readily available. Failure to negotiate commercially reasonable storage terms with the Facilities may have a material adverse effect on the financial condition of the Corporation.

By holding its investments in uranium with various licensed Facilities, the Corporation is exposed to the credit risks of these Facilities and their operators. There is no guarantee that the Corporation can fully recover all of its investments in uranium held with the Facilities. Failure to recover all uranium holdings could have a material adverse effect on the financial condition of the Corporation.

Under the management services agreement, the Manager is required to arrange for all uranium to be stored at Facilities and to ensure that the Facilities provide satisfactory indemnities for the benefit of the Corporation or ensure that the Corporation has the benefit of insurance arrangements obtained on standard industry terms. There is no guarantee that either the indemnities or insurance in favour of the Corporation will fully cover or absolve the Corporation in the event of loss or damage. The Corporation may be financially and legally responsible for losses and/or damages not covered by indemnity provisions or insurance. Such responsibility could have a material adverse effect on the financial condition of the Corporation.

COVID-19 Outbreaks

The social and economic disruptions associated with the COVID-19 pandemic may cause disruptions to the Corporation's business and operational plans, and may impact the trading value of the Corporation's securities. These disruptions may include disruptions resulting from (i) interruption of services at uranium storage location, (ii) changes to uranium production and processing, and the availability of uranium in the spot market (iii) restrictions that governments impose to address the COVID-19 pandemic, (iv) restrictions that the Company and its contractors impose to ensure the safety of employees and others, and (v) the capital markets response to the uncertain economic impact of the pandemic. Further, it is presently not possible to predict the likelihood, extent or duration of any such disruptions and/or impacts to the Corporation's business or securities. Any such disruption could have a material adverse effect on the Corporation's business, financial condition, results of operations, and the trading value of its securities. Such adverse effect could be rapid and unexpected.

Foreign Exchange Rates

The Corporation maintains its accounting records, reports its financial position and results, and pays certain operating expenses in Canadian currency. In addition, its securities trade in Canadian currency. As the price of uranium is quoted in U.S. currency, fluctuations in the U.S. currency exchange rate relative to the Canadian currency can significantly impact the valuation of uranium and the associated market value from a Canadian currency perspective. In addition, purchases of uranium are generally made in U.S. dollars and the storage costs from the Facilities, at present, are paid in either U.S. dollars or Euros. As a consequence, the activities and the financial results of UPC are directly affected by changes in the relative exchange rates with the Canadian dollar. Because exchange rate fluctuations are beyond the Corporation's control, there can be no assurance that such fluctuations will not have an adverse effect on the Corporation's operations or on the trading value of its securities.

Industry Subject to Influential Political and Regulatory Factors, including International Trade Restrictions

The international nuclear fuel industry, including the supply of uranium concentrates, is relatively small (compared to other minerals), and is generally highly competitive, and heavily regulated. Worldwide demand for uranium is directly tied to the demand for electricity produced by the nuclear power industry, which is also subject to extensive government regulation and policies.

In addition, the international marketing and trade of uranium is subject to governmental policies and international trade restrictions, including those related to the International Atomic Energy Agency's nuclear non-proliferation regime.

International trade restrictions may include trade agreements, customs, duties, quotas, and/or taxes. For example, the supply and marketing of uranium from Russia is limited by international trade agreements, such as the RSA.

Over the past two years, policy related reviews in the United States have impacted the nuclear fuel market. In 2018, certain uranium producers filed a petition with the DOC to investigate the import of uranium into the U.S. under Section 232 of the 1962 Trade Expansion Act. The Nuclear Fuels Working Group convened to review the matter recommended



that the US build a strategic uranium reserve and, in December 2020, the US Congress passed a Bill that included funding for the first year of the acquisitions for the strategic reserve of uranium. This long-awaited resolution ended a period of uncertainty and disruption in the nuclear fuel market. Similarly, a 2020 extension to the RSA ended a period of uncertainty in the uranium market regarding potential changes to restrictions on Russian uranium supplies entering the United States.

In general, trade agreements, governmental policies and/or trade restrictions are beyond the control of the Corporation and may affect the Corporation's ability to buy, sell or hold uranium in the United States and Europe, which are currently the largest markets for uranium in the world. Similarly, trade restrictions or foreign policy have the potential to impact the ability to buy from or supply uranium to developing markets, such as China and India. Substantial changes to government policy, regulatory requirements, or trade agreements impacting the nuclear power or uranium supply sectors could have a material adverse impact on the Corporation's business, financial condition and results of operations.

Uranium Lending or Relocation

The Corporation may, from time to time, enter into uranium lending or relocation arrangements. As a matter of practice, the Corporation has obtained, and expects to obtain in the future, adequate security with respect to any loaned uranium. There is a risk, however, that a borrower may not be able to pay the associated costs of the loan or relocation, and may not be able to return the uranium in accordance with the terms of the agreement. In such cases, the Corporation may have to collect on its security or the borrower may, in lieu, repay the equivalent value of borrowed uranium in cash. In such circumstances, given the replacement cost of U_3O_8 and UF_6 and the resolution options available to the Corporation, the Corporation may not be able to ultimately recover the amount of uranium holdings originally loaned or relocated, which could have a material adverse effect on the financial condition of the Corporation.

No Public Market for Uranium

There is no public market for the sale of uranium. The uranium futures market on the New York Mercantile Exchange does not provide for physical delivery of uranium, only cash on settlement, and the industry's various trading platforms do not offer a formal market, but rather facilitate the introduction of buyers to sellers. The Corporation may not be able to acquire uranium or, sell uranium at a desired price level or at a desired time. The pool of potential purchasers and sellers is limited, and each transaction may require the negotiation of specific provisions around price, origins, and the timing and location of delivery. Accordingly, a purchase or sale cycle may take several weeks to complete. In addition, as the supply of uranium is limited, the Corporation may experience additional difficulties purchasing uranium in the event that it is a significant buyer. The inability to purchase and sell on a timely basis in sufficient quantities could have a material adverse effect on the securities of the Corporation.

From time to time, the Corporation enters into commitments to purchase or sell U_3O_8 or UF_6 . Such commitments are generally subject to conditions in favour of both the vendor and the Corporation, and there is no certainty that the purchases or sales contemplated by such commitments will be completed.

Impact of Global Economic Conditions

Global financial conditions continue to be subject to volatility arising from international geopolitical developments and global economic phenomenon (including the COVID-19 pandemic), as well as general financial market turbulence. Access to public financing can be negatively impacted by the effect of these events on Canadian and global credit and financial markets. The health of the global financial and credit markets may impact the ability of the Corporation to obtain equity financing in the future and the terms at which financing is available to Corporation. These increased levels of volatility and market turmoil could adversely impact the Corporation and the trading value of its securities.

Uranium spot market volumes may also be impacted by global economic conditions, which can cause downward or upward pressure on the spot prices for uranium. Global economic conditions may influence the availability of financing or credit at various stages in the uranium market, such as the construction of new reactors, production from uranium producers or uranium exploration and development. In addition, global economic conditions can impact the amount of incremental supply of uranium made available to the market from excess inventories.

Lack of Operational Liquidity

During the fiscal year ended February 28, 2021, the Corporation had negative cash flow from operating activities. The Corporation anticipates it will continue to have negative cash flow from operating activities in future periods. The expenses of the Corporation are funded from cash on hand that is not otherwise invested in uranium and revenue from the lending or relocation of uranium. Once such available cash has been expended, the Corporation may generate additional cash from either the lending or sale of uranium, or the sale of additional equity securities. There is no



guarantee that the Corporation will be able to sell additional equity or equity related securities on terms acceptable to the Corporation in the future, that the Corporation will be able to sell uranium in a timely or profitable manner, or that the Corporation will be able to generate revenue through lending arrangements. A lack of operational liquidity has the potential to have a material adverse impact on the value of the Corporation's securities.

Stated Objectives and Benefits of Transactions

UPC's stated primary purpose is to invest in uranium, either directly or through its wholly-owned subsidiaries, such that the common shares of the Corporation represent an indirect interest in physical uranium. The Corporation has further disclosed its general approach to managing the Corporation's business activities based on the measure of NAV per share and the attributable equivalent pounds of U_3O_8 per share. While the underlying value of the Corporation's common shares, or NAV per share, is inherently linked to the estimated fair market value of the Corporation's holdings of uranium and net working capital, the common shares of the Corporation will often trade on the TSX at a value that is either at a premium or discount to the estimated NAV per share. The Corporation may have opportunities to manage its business activities, on an accretive basis, via capital market transactions, including pursuing equity financings when trading at a premium to NAV per share or selling some of its uranium holdings to fund the repurchase of common shares or operating expenses when trading at a discount to NAV per share. Despite this approach, the Corporation may not be able to take advantage of such opportunities or otherwise execute such transactions as a result of various factors including: volatility in the premium and/or discount implied by the Corporation's share price; inability to secure transactions on terms deemed advantageous to the Corporation; restrictions under its corporate policies on UPC's ability to undertake transactions at certain times; and/or other risk factors described in this MD&A. The Board and management will assess whether a given business opportunity has the potential to be accretive, which assessment can be complex and requires the consideration of many specific factors including, but not limited to, transaction costs, execution risk, risk of concentration of inventory, availability of storage capacity, and tax or other commercial implications. There is a risk that a transaction that is assessed to have potential to be accretive to the Corporation is determined not to be in the best interest of the Corporation. There is also a risk that the intended benefits and/or accretion of a transaction undertaken by the Corporation are ultimately not realized after execution.

NAV

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 divided by the total number of common shares outstanding as at a specific date. The total asset value is significantly dependent on the spot price of uranium published by UxC. The liabilities may include estimated liabilities for future income taxes. Accordingly, the NAV per share may not necessarily reflect the actual realizable value of uranium held by the Corporation attributable to each common share. In the case of a distressed liquidation of the assets of the Corporation, or disposal of the Corporation's assets at a time of low demand for uranium, it may not be possible to realize the NAV reported by the Corporation.

Market Price and Liquidity of Common Shares

The Corporation cannot predict whether the common shares will, in the future, trade above, at or below the NAV per share. Securities of companies in, or investing in, the natural resource sector have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic conditions in North America and globally, and market perceptions of the attractiveness of particular industries. The price of UPC's securities is also likely to be significantly affected by short-term changes in commodity prices, other mineral prices, currency exchange fluctuation, changes in its financial condition or results of operations as reflected in its periodic reports and changes in general market interest in UPC's securities. If an active market for the common shares does not continue, the liquidity of an investor's investment may be limited and the price of the securities of the Corporation may decline such that investors could lose their entire investment in the Corporation. As a result of any of these factors, the market price of the securities of UPC at any given point in time may not accurately reflect the long-term value of UPC.

The Corporation's principal source of funds is from the sale or lending of uranium and the issuance of equity securities. Accordingly, the Corporation may not have the resources to declare any dividends or make other cash distributions unless and until a determination is made to sell a portion of its uranium holdings for such purpose. Since inception, the Corporation has not declared any dividends, and the Corporation has no current intention to declare any dividends.

Reliance on Board of Directors and Manager

The Corporation is a self-governing corporation that is governed by the Board appointed and elected by the holders of the Corporation's common shares. The Corporation will, therefore, be dependent on the services of its Board for directing the affairs and material decisions of the Corporation, as well as the Manager for administration and management services.



Resignation by Manager

The Manager may terminate the Management Services Agreement in accordance with the terms thereof. The Corporation may not be able to readily secure services, or the level of industry experience, that is offered by the current Manager under the MSA. Additionally, the Corporation may not be able to secure the desired management services for a fee that is comparable to the fee under the current MSA. In either case, the Corporation's operations may be adversely affected.

Conflict of Interest

Directors and officers of the Corporation may provide investment, administrative and other services to other entities and parties. The directors and officers of the Corporation have devoted, and have undertaken to devote, such reasonable time as is required to properly fulfill their responsibilities in respect to the business and affairs of the Corporation as they arise from time to time. Conflicts of interest may arise from time to time, which require that the Corporation make its best efforts to mitigate any potential risk to the Corporation and its stakeholders. When faced with a potential conflict of interest, members of the Board of Directors will recuse themselves from deliberation and voting on certain matters. Similarly, the management services agreement with the Manager provides for certain procedures to apply if the Corporation enters into a uranium transaction with the Manager.

Anti-Bribery and Anti-Corruption Laws

UPC is subject to anti-bribery and anti-corruption laws, including the Corruption of Foreign Public Officials Act (Canada). Failure to comply with these laws could subject the Corporation to, among other things, reputational damage, civil or criminal penalties, other remedial measures and legal expenses which could adversely affect the Corporation's business, results in operations, and financial condition. It may not be possible for UPC to ensure compliance with anti-bribery and anti-corruption laws in every jurisdiction in which its employees, agents or sub-contractors are located or may be located in the future.

Disclosure and Internal Controls

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. Disclosure controls and procedures are designed to ensure that information required to be disclosed by a company in reports filed with securities regulatory authorities is recorded, processed, summarized and reported on a timely basis and is accumulated and communicated to company's management, including its chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of reporting, including financial reporting and financial statement preparation.

Climate Change

Due to changes in local and global climatic conditions, many analysts and scientists predict an increase in the frequency of extreme weather events such as floods, droughts, forest and brush fires and extreme storms. Such events could materially disrupt the operations of participants in the nuclear fuel industry, such as Facilities, or impact infrastructure. A material event of this nature could impact the supply and/or demand of uranium, negatively affect the nuclear fuel industry and related markets, and could result in economic harm to UPC. Nuclear electricity generation provides secure baseload electricity while producing little to no carbon emissions, and therefore could see dependence upon it increase as the world looks to reduce carbon emissions. However, increased environmental regulation and/or the use of fiscal policy by regulators in response to concerns over climate change and other environmental impacts on companies throughout the uranium fuel industry could create volatility in uranium supply and demand, which could have a material adverse effect on UPC's financial condition.

Information Systems and Cyber Security

The Corporation's operations depend upon the availability, capacity, reliability and security of its information technology (IT) infrastructure, and the IT infrastructure of the Manager, to conduct its operations. UPC and the Manager rely on various IT systems in all areas of its operations, including financial reporting, contract management and communications with employees and third parties.

These IT systems could be subject to network disruptions caused by a variety of sources, including computer viruses, security breaches and cyber-attacks, as well as network and/or hardware disruptions resulting from incidents such as unexpected interruptions or failures, natural disasters, fire, power loss, vandalism and theft. The failure of UPC's or the Manager's IT systems or a component thereof could, depending on the nature of any such failure, adversely impact the UPC's reputation and results of operations.



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.

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. Examples of such forward looking statements include: statements regarding the Corporation's investment objectives; projections regarding the uranium industry and of future uranium prices; expectations regarding the continuity of the Manager's services and the terms thereof; and the terms of UPC's contracts with third parties and the benefits to be derived from corporate transactions.

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 this MD&A.

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 contains information regarding the uranium industry generally, and certain market participants therein, derived from third-party publications and reports which UPC believes are reliable but has not independently verified.