

Member of the Canadian Investor Protection Fund

Uranium Participation Corp. (U-T, \$4.74)

Rating BUY
Target Price \$5.90 (from \$5.10)
Return 24%
Overall Risk Rating High

Colin Healey, MBA | 604-697-6089 | chealey@haywood.com
 Aazan Habib, CFA | 604-697-6089 | ahabib@haywood.com

Contracting NAV Premium over Uranium Spot Price Offers Good Entry Point

Company Profile

Website – www.uraniumparticipation.com

CEO – David Cates

About the Company – UPC holds physical natural uranium with the objective of increasing the value of its uranium holdings and offers investors indirect exposure to unhedged uranium commodity.

Company Data

52-Week High/Low \$4.85/\$3.47
 YTD Performance 12.1%
 Dividend Yield N/A
 Shares O/S 138.1M (basic)/
 138.1M (F/D)
 Market Capitalization \$654M
 Cash (Aug 31, '18) \$9.1M
 Debt N/A
 Working Capital (Aug 31, '18) \$8.5M
 Enterprise Value \$646M
 Daily Volume 235,955

Currency C\$ unless noted

Event | The implied premium in UPC shares to uranium price has contracted over the last 6 weeks from 8.3% to 2.1% as short-term uranium prices have appreciated 3.6%, while U-T shares pulled back ~1.2%, with the balance of the difference made up by an ~1.0% decline in the Canadian dollar vs. the US dollar.

Impact – Positive | Increasing our target on higher uranium price assumption 12-months forward lifts target as U-T trades towards par. UPC shares have done a fair job of acting as a 'leading indicator' of the direction of short-term uranium prices in 2018 (Exhibit 1). In mid 2017 UPC built up a premium over its NAV which has sustained, averaging a 7.1% over the LTM vs an average discount of 3.2% over the last 10 years.

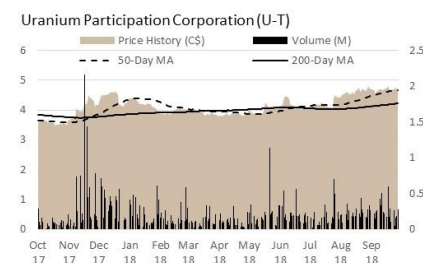
■ **Over the last 12-months, when the UPC NAV premium has fallen to near par with short-term uranium price, this has been rapidly succeeded by the next leg up in uranium price.** The current ~2.1% premium reflected in U-T's Fund Implied Price (FIP) of uranium of US\$28.09/lb represents a more attractive entry point than 6 weeks ago when the premium was at 8.3%. The potential for the premium to rebuild exists if the positive uranium price momentum continues as expected.

■ **Technicals further support attractive entry point thesis** (Exhibit 2,3,4). Weekly and monthly charts are showing improving relative strength vs. the TSX suggesting further outperformance is likely. The stock has broken through prior highs tested in 2017 and is now consolidating above these breakout levels. We expect to see support at the \$4.60 level. The monthly chart suggests the period of secular distribution since 2011 has concluded and U-T may have reached an inflection point, potentially preceding a period of secular accumulation. Lastly, we are approaching a seasonally strong period as UPC has outperformed the TSX Composite 69% of the time in November from 2005 to 2017.

Summary Market Pricing, U-TSX NAVPS & Fund Implied Pricing (FIP) – See Charts & Graphs for details

Current Price, U-TSX:	C\$4.74 (2.1% premium to NAV)
Current Haywood-calculated NAVPS:	C\$4.64 (@ UxC BAP of US\$27.50/lb U ₃ O ₈ & C\$1.3060/US\$)
Haywood Target NAVPS:	C\$5.90 (@ forecast of US\$36/lb U ₃ O ₈ & C\$1.2736/US\$)
U-TSX FIP (U ₃ O ₈ lb ⁻¹ , 11 October 2018):	US\$28.09/lb (2.1% premium to BAP)
UxC Spot Price (U ₃ O ₈ lb ⁻¹ , 8 October 2018):	US\$27.35/lb
UxC BAP (U ₃ O ₈ lb ⁻¹ , 11 October 2018):	US\$27.50/lb

Price Performance



Source: Capital IQ and Haywood Securities

■ **Forecasts** – Our valuation implements our time-weighted 12-month forward rolling average uranium price forecast of US\$36/lb U₃O₈ for valuation of U-T's physical uranium inventory, which increases from US\$31 with this report.

■ **Target Price, Ratings** – We have updated our model to reflect the rolling forward uranium price noted above raising our target to \$5.90. We maintain our 'BUY' rating.

Valuation | Based on 1.0x our corporate NAV, including valuation of UPC's inventory of physical uranium (U₃O₈) and uranium hexafluoride (UF₆) at the Haywood 12-month average forward spot uranium price forecast of \$36/lb U₃O₈, net of corporate adjustments. Our corporate NAV of \$815 million drives a target price of \$5.90.

Please see page 7 for Analyst Certification, and pages 7 to 9 for Important Information, Legal Disclaimers, Rating Structure, and notes.

Uranium Participation Corporation

October 11, 2018

TSX:U

Price: CDN \$4.74

Shares O/S (M) 138.1

Rating: Buy

Mcap (C\$ M) \$654.4

Target: \$5.90

Return: +24%

Comment: Uranium Participation Corp (TSX:U) is a uranium inventory fund holding physical natural uranium (e.g., U₃O₈ and uranium hexafluoride) with the objective of increasing the value of its uranium holdings, and offers investors indirect exposure to unhedged uranium commodity.

Investment Highlights

- Uranium Participation offers a two-fold opportunity for return:

- 1) Current market valuation implies US\$28.09 per pound U₃O₈
- 2) Our spot uranium price forecast is US\$30 per pound U₃O₈ by the end of 2018 and \$39 by the end of 2019, offering great upside based on the present spot price of \$27.50/lb

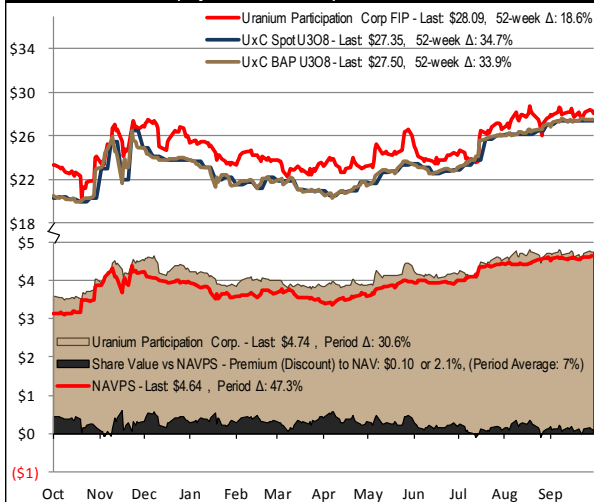
Our uranium spot forecast reflects our belief in strong long-term fundamentals in the uranium sector, with increasing global demand spurred on by developing countries (e.g., China, Russia, India) expanding nuclear power generation capacity, and finite secondary sources gradually diminishing. In addition, several production delays and successively reduced production guidance from several uranium producers and near-term producers further stimulates support for the uranium commodity market price.

Furthermore, plans for 'proposed' reactors in the globally will continue through the protracted licensing process, with the eventual commissioning of new reactors, further stimulating future demand.

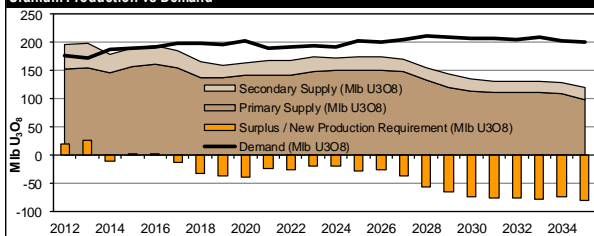
Catalysts:

- Uranium spot price movement: our 2019 U₃O₈ exit spot price is US\$39.00/lb, a 42% increase over current.
- Currency exchange variations between Canadian and United States dollars.
- HF₆ conversion rate changes (e.g., U₃O₈ to UF₆) due to bottle necks.
- Major production delays, disruptions or shuttering, and/or the re-emergence of financial players in uranium commodity trading.

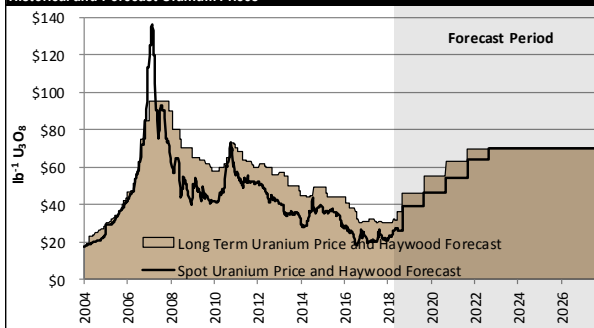
Current Market Value of Equity vs Net Asset Value per share



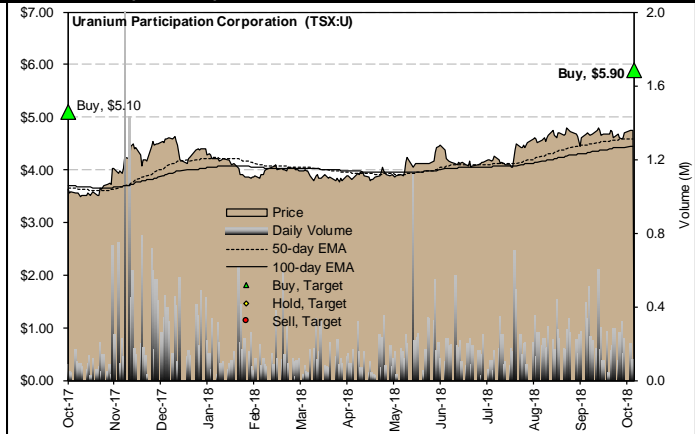
Uranium Production vs Demand



Historical and Forecast Uranium Prices



Uranium Participation Corporation Chart



Trading Statistics (C\$): Capital Structure

52 Week High / Low	\$4.85 / \$3.47	Average Daily Vol ('000)	235.955
TSX:U			

Ownership (M)	Management	Institutional	Major Shareholders
Shares	0.09	68.10	Kopernik Global Investors, LLC
% O/S	0.1%	49.3%	Wellington Management Group LLP

Last Financings

31-May-18	\$23.0 million	Bought Deal	5.6 M common shares @ \$4.10
4-Oct-17	\$40.6 million	Bought Deal	11.6 M common shares @ \$3.50

Shares O/S - Basic, F.D.	138.1	138.1
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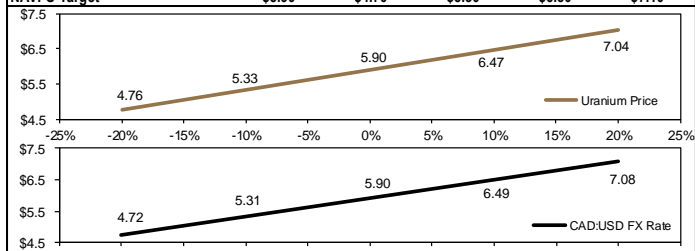
(C\$) (M)	Av Strike	Basic	ITM	Proceeds
Cash & Equiv.				\$9.1
Options	-	0.00	0.00	\$0.0
Warrants	-	0.00	0.00	\$0.0
Total Cash & ITM		0.00	0.00	\$9.1

Peer Group Companies	Price (\$)	52-week Ret	Correlation (monthly)
TSX:U	Uranium Participation Corp	\$4.74	30.6%
			Price v Spot
			89.9%
			Returns v Spot
			45.6%

TSX:CCO	Cameco Corporation	\$15.10	32.7%	80.1%	35.6%
TSX:DML	Denison Mines Corp.	\$0.80	56.9%	82.5%	63.0%
AMEX:UEC	Uranium Energy Corp.	\$1.44	20.0%	67.8%	16.3%
ASX:PDN	Paladin Energy Limited	\$0.18	283.0%	84.8%	15.4%
TSX:EFR	Energy Fuels Inc.	\$4.18	134.8%	76.2%	25.7%
TSX:NXE	NexGen Energy Ltd.	\$2.61	-4.4%	-85.9%	14.2%

Summary, Target Generation and Sensitivity

Uranium Spot Price	Base	-20%	-10%	+10%	+20%
\$US lb U ₃ O ₈	\$36.0	\$29	\$32	\$40	\$43
NAV (C\$ M)	\$815	\$658	\$736	\$894	\$972
NAV per share	\$5.90	\$4.76	\$5.33	\$6.47	\$7.04
P / NAV	1.0 x	1.0 x	1.0 x	1.0 x	1.0 x
NAVPS Target	\$5.90	\$4.80	\$5.30	\$6.50	\$7.00
CAD:USD FX Rate	Base	-20%	-10%	+10%	+20%
C\$	\$1.27	\$1.02	\$1.15	\$1.40	\$1.53
NAV (C\$ M)	\$815	\$652	\$733	\$896	\$978
NAV per share	\$5.90	\$4.72	\$5.31	\$6.49	\$7.08
P / NAV	1.0 x	1.0 x	1.0 x	1.0 x	1.0 x
NAVPS Target	\$5.90	\$4.70	\$5.30	\$6.50	\$7.10



Corporate Contact

President: David Cates	Website: www.uraniumparticipation.com
Telephone: 416-979-1991	
Colin Healey, MBA - Research Analyst	Azzan Habib - Research Associate
chealey@haywood.com 604-697-6089	ahabib@haywood.com 604-697-6030

Source: Bloomberg, Capital IQ, Company Reports, WNA, UxC, Haywood Securities



Summary of Model Changes & Valuation

Model changes were limited strictly to the impact of rolling forward our uranium price assumption through our existing price deck. We now use a 12-month forward, time-weighted average uranium price, of US\$36/lb U₃O₈ in the generation of our 12-month target for U-T. Uranium Participation Corp.'s physical uranium asset inventory includes 14,159,354 lb U₃O₈ and 1,117,230 kg of UF₆, equivalent to ~17,592,434 lb U₃O₈ at current spot uranium and UF₆ pricing.

Our revised forward uranium price assumption for U-T of US\$36/lb U₃O₈ is based on our forecast for mid-2019. Table 1 below shows our annual price forecasts for spot and long-term uranium price.

Based on a forward uranium price of US\$36/lb U₃O₈ (increasing from US\$31), our NAV increases to \$815 million (from \$705 million), increasing our 12-month target price to \$5.90 per share (↑\$0.80, from \$5.10).

Catalysts | 1) Continued fundamentals-backed uranium price improvement driven by a return of utilities to contracting; 2) Improving sentiment leading to speculative buying; 3) Continued USD strength vs CAD

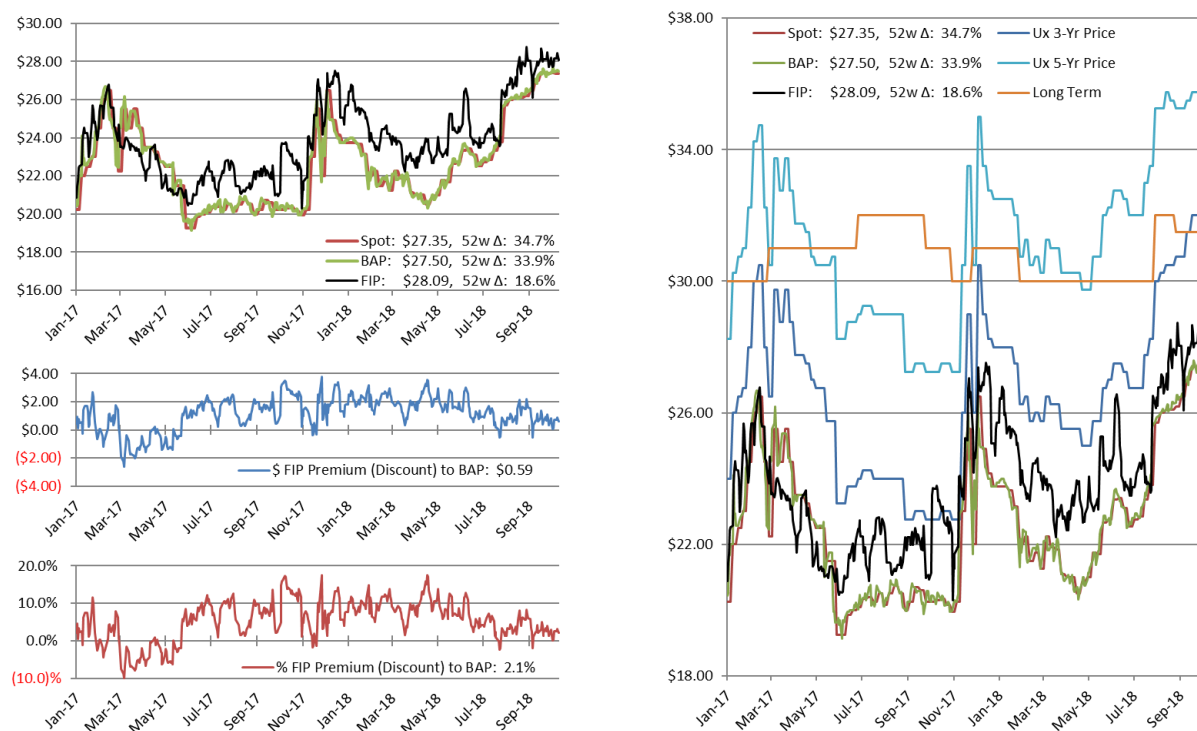
Table 1: Haywood Uranium Price Forecast

Commodity Price Forecast	Current	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Spot price (US\$/lb U ₃ O ₈)	\$27.5	\$37	\$26	\$22	\$26	\$39	\$47	\$55	\$64	\$70	\$70	\$70
Long Term price (US\$/lb U ₃ O ₈)	\$31.5	\$47	\$40	\$31	\$36	\$46	\$55	\$63	\$70	\$70	\$70	\$70

Source: Haywood Securities, UxC, Capital IQ

Recent U-T Premium/Discount to U Price & Uranium Prices & Technicals

Exhibit 1: 18-Month U-T Trading Relationship vs UxC Spot and BAP uranium prices, and UxC YTD price indicators



Source: Haywood Securities, UxC, Capital IQ



Exhibit 2: Weekly chart – Improving relative strength vs. the TSX suggests further outperformance is likely. Breakout and subsequent consolidation over prior highs over the past two years is bullish. Look for support around the ~\$4.60 level.



Source: Stockcharts, Haywood Securities Inc.

Exhibit 3: Monthly chart – Period of secular distribution since 2011 appears to have concluded and we may have reached an inflection point potentially preceding a period of secular accumulation (see circled point on bottom panel).

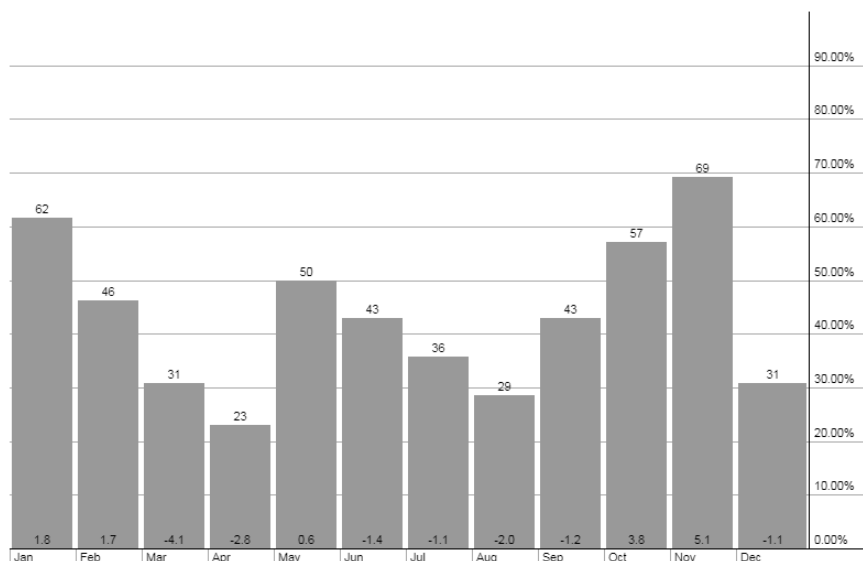


Source: Stockcharts, Haywood Securities Inc.



Exhibit 4: Seasonality – Approaching period of strong seasonality, as UPC has outperformed the TSX Composite 69% of the time in November from 2005 to 2017 with an average return of 5.1%

% of Months in Which U.TO Outperformed \$TSX From 2005 to 2018



Source: Stockcharts, Haywood Securities Inc.

Exhibit 5: 10-Year U-T Trading Relationship vs UxC Spot and BAP uranium prices (periods of exceptional premiums highlighted)



Source: Haywood Securities, UxC, Capital IQ



Investment Thesis

Uranium Participation's value is held primarily in the intrinsic value of the natural uranium inventory (U_3O_8 and UF_6) stored by the company at regulated facilities in Canada, France and USA. The Company holds 14,159,354 pounds of U_3O_8 , and 1,117,230 kg of UF_6 , equivalent to ~17,592,434 lb U_3O_8 at current spot uranium and UF_6 pricing. The company aims to deliver shareholder value through the maturation of the uranium price, and via strategic acquisitions of natural uranium at appropriate periods. Purchase of Uranium Participation Corporation is recommended to gain exposure to physical uranium in a liquid environment. We employ a simple model for the valuation of Uranium Participation based on our forecasted uranium price deck and continued generation of sustaining income through short term inventory loans. No inventory sales or purchases via fund raising are incorporated into our evaluation. We consider there to be limited geopolitical or material risk to the Company's inventory.

Risks

Significant Investment Risks

The investment to which this report relates carries various risks which are reflected in our Overall Risk Rating. We consider the following to be the most significant of these investment risks:

- Uranium Participation Corp. is an inventory fund which holds physical uranium as its primary underlying support. The Company strives to remain cash flow neutral by generating cash flow to cover management and administrative costs through the lending of the physical inventory and collecting fees. The core risk here aside from price changes in the commodity, is the potential for the Company to generate insufficient revenue from inventory lending to cover administrative costs. This situation could lead to potentially dilutive equity financings, although none are assumed in our valuation.

For further information on our Risk Rating

please visit: <http://haywood.com/what-we-offer/research/research-policy>



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- n/a

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Recommendation Rating

BUY – The analyst believes that the security will outperform other companies in their sector on a risk adjusted basis or for the reasons stated in the research report the analyst believes that the security is deserving of a (continued) BUY rating.

HOLD – The analyst believes that the security is expected to perform in line with other companies in their sector on a risk adjusted basis or for the reasons stated in the research report the analyst believes that the security is deserving of a (continued) HOLD rating.

SELL – Investors are advised to sell the security or hold alternative securities within the sector. Stocks in this category are expected to under-perform other companies on a risk adjusted basis or for the reasons stated in the research report the analyst believes that the security is deserving of a (continued) SELL rating.

TENDER – The analyst is recommending that investors tender to a specific offering for the company's stock.

RESEARCH COMMENT – An analyst comment about an issuer event that does not include a rating or recommendation.

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Overall Risk Rating

Very High Risk: Venture type companies or more established micro, small, mid or large cap companies whose risk profile parameters and/or lack of liquidity warrant such a designation. These companies are only appropriate for investors who have a very high tolerance for risk and volatility and who are capable of incurring temporary or permanent loss of a very significant portion of their investment capital.

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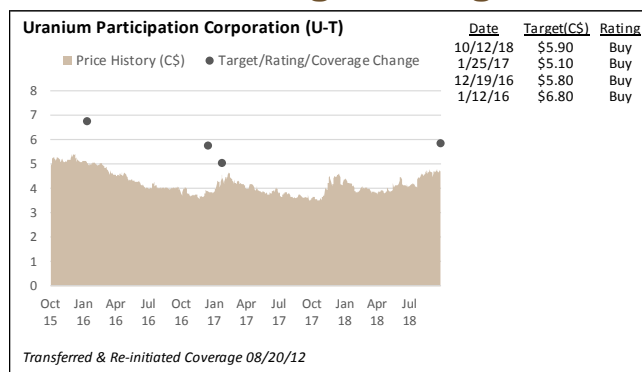
Medium-High Risk: Typically mid to large cap companies that have a medium to high investment risk. These companies will often form part of the broader senior stock market indices or sector specific indices. These companies are only appropriate for investors who have a medium to high tolerance for risk and volatility and who are prepared to accept general stock market risk including the risk of a temporary or permanent loss of some of their investment capital

Moderate Risk: Large to very large cap companies with established earnings who have a track record of lower volatility when compared against the broad senior stock market indices. These companies are only appropriate for investors who have a medium tolerance for risk and volatility and who are prepared to accept general stock market risk including the risk of a temporary or permanent loss of some of their investment capital.

Distribution of Ratings (as of October 12, 2018)

	%	#	IB Clients (TTM)
Buy	76.0%	73	90.0%
Hold	11.5%	11	3.3%
Sell	1.0%	1	0.0%
Tender	2.1%	2	3.3%
UR (Buy)	0.0%	0	0.0%
UR (Hold)	0.0%	0	0.0%
UR (Sell)	0.0%	0	0.0%
Dropped (TTM)	9.4%	9	3.3%

Price Chart, Rating and Target Price History (as of October 12, 2018)



B: Buy; H: Hold; S: Sell; T: Tender; UR: Under Review
Source: Capital IQ and Haywood Securities