

URANIUM PARTICIPATION CORPORATION

Transferring Corp to a Trust, Targeting U.S. Listing

EVENT

This morning Uranium Participation Corp. (UPC) entered into an agreement with Sprott Asset Management (SAM), a wholly owned subsidiary of Sprott Inc. (SII-NYSE/TSX, Not Covered) whereby UPC shareholders will become unitholders of the newly formed Sprott Physical Uranium Trust.

BOTTOM LINE

Modest Positive – The Trust will be managed by SAM who will target a U.S. listing. The structure will be similar to the Sprott Physical Gold Trust (PHYS-NYSE, Not Covered) and the Sprott Physical Silver Trust (PSLV-NYSE, Not Covered). The transaction is expected to close in late Q2/21 or early Q3/21 up until which point Uranium Participation Corp. will continue to trade status-quo under the symbol U-TSX. Our Buy rating and C\$6.50/share target price on U is unchanged.

FOCUS POINTS

- **U.S. Listing a Net Positive** – The Trust structure will carry lower annual costs relative to those of a Canadian Corp. and a U.S. listing will significantly improve the visibility and liquidity of what will continue to be a premier vehicle for investing in physical uranium.
- **Management Change** – Denison Mines (DNN-NYSE/DML-TSX, Buy - \$2.25/C\$2.75 target) who currently serve as custodian for UPC will receive a termination fee of C\$5.3 MM upon closing of the transaction and transfer of management from Denison to Sprott.
- **Uranium Market Impact** – As a U.S. listed Trust, the pro-forma entity will enjoy a much lower cost of capital that will allow it to acquire more physical uranium at a far quicker pace. We expect the Trust will put an at-the-market (ATM) equity program in place upon closing of the transaction which would provide near constant support for spot uranium prices.

Recommendation:

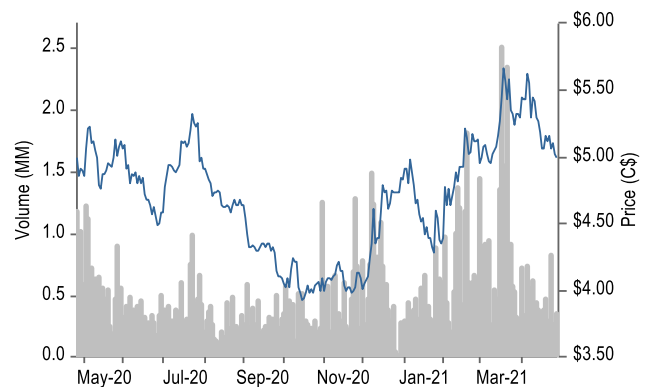
BUY

Symbol/Exchange:	U/TSX
Sector:	Metals & Mining
<i>All dollar values in US\$ unless otherwise noted.</i>	
Current price	C\$4.99
One year target:	C\$6.50
Return target	30.3%

Company Summary

Shares O/S (MM)	134.9	52-week range	C\$3.93 - C\$5.83
Market cap (MM)	C\$673.3	Avg. vol. (MM)	0.701
Market float (MM)	C\$672.7	Fiscal year-end	28-Feb
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Inventory	Quantity	Mkt Price Mkt Value	
(lb, KgU)	(MM)	(\$)	(MM\$)
U3O8	16.3	\$28.75	\$467.8
UF6	0.3	\$98.00	\$29.4
Net Working Capital			C\$2.7
Net Asset Value			\$499.3
NAVPS			C\$4.59
Current Premium/Discount to Market NAV			8.7%

Source: Company Reports and Cantor Fitzgerald Canada Estimates



Company profile: Uranium Participation Corp. is a Canadian investment holding company that acquires and stores physical stock of U3O8 and UF6 for investment purposes.

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See disclosure and a description of our recommendation structure at the end of this report.

MARKET IMPLYING +8% MOVE HIGHER IN U₃O₈ SPOT

At Uranium Participation's and Yellow Cake's (YCA-LSE, Buy - £3.25 target) most recent trading prices of C\$4.99/share and £2.44/share, based on current spot uranium prices and FX rates, the two companies are trading at 1.09x and 1.08x NAVPS, respectively, well above intrinsic value. Historically, this has proven to be an excellent leading indicator of a sustainable move higher in spot uranium prices. Based on Uranium Participation Corp's most recent closing price, the market is implying a U₃O₈ spot price of \$31.26/lb, 8.8% higher than the current U₃O₈ spot price of \$28.75/lb. Based on Yellow Cake's most recent closing price, the market is implying a U₃O₈ spot price of \$31.12/lb, 8.3% higher than the current U₃O₈ spot price. Premiums and discounts to NAVPS are commonplace and indicative of market sentiment as it relates to the direction of uranium prices. NAVPS premiums indicate pending strength in U₃O₈ spot prices, and NAVPS discounts indicate the opposite.

URANIUM PARTICIPATION CORP OVERVIEW

Uranium Participation Corp holds inventories of 17.3 MMlb in U₃O₈ equivalent (in the form of U₃O₈ and UF₆). Based on its existing cash balance, U₃O₈ in inventory, current C\$/US\$ FX rates and the current U₃O₈ spot price of \$28.75/lb, Uranium Participation Corp. commands a NAVPS of C\$4.59/share.

Exhibit 1. Uranium Participation NAV Based on Current U₃O₈ Prices

U-TSX	Unit	Inventory	Spot Price \$	Spot Price C\$	Market Value (C\$'000)
U3O8	lb	16,269,658	\$28.75	C\$35.65	C\$580,050
UF6	kg	300,000	\$98.00	C\$121.53	C\$36,458
Inventory					C\$616,509
Net Working Capital					C\$2,680
Net Asset Value					C\$619,189
Net Asset Value Per Share					C\$4.59
P/NAVPS					1.09x

Source: FactSet, Cantor Fitzgerald Estimates, Uranium Participation Corp.

POSITIVE SENTIMENT IN URANIUM ACCELERATING

Over the last 4-5 months, sentiment in the uranium sector has turned increasingly positive, as we originally highlighted in our January 25 Macro Report: *A Green Economy and Electric Vehicles Start with Metals* (link [here](#)). As a reminder, under the Biden Administration, the United States has rejoined the Paris Climate Agreement that calls for net-zero carbon emissions for most of the developed-world by 2050. With uranium currently generating 80% of carbon-free grid power in the United States, coupled with the aggressive nuclear power expansion plans of China (the world's second largest economy), it has become abundantly clear that nuclear power has a critically important and *growing* role to play in the energy mix of the future.

MAINTAINING BUY RATING AND C\$6.50 TARGET

We are maintaining our Buy rating and C\$6.50/share price target on Uranium Participation Corp. Note that this is based on a near-term spot price forecast of

\$40/lb U_3O_8 and a 1.0x NAVPS target price multiple. At longer-term incentive pricing for uranium supply to ultimately meet demand (\$55/lb U_3O_8 Cantor estimate) our target price (based on 1.0x NAVPS) on Uranium Participation Corp would increase to C\$8.75/share.

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The analysts responsible for this research report *do not have*, either directly or indirectly, a long or short position in the shares or options of Uranium Participation Corp.

The analyst responsible for this report *has* visited the material operations of Uranium Participation Corp. including the Toronto head office. No payment or reimbursement was received for the related travel costs.

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BUY: The stock is attractively priced relative to the company’s fundamentals and we expect it to appreciate significantly from the current price over the next 6 to 12 months.

BUY (Speculative): The stock is attractively priced relative to the company’s fundamentals, however investment in the security carries a higher degree of risk.

HOLD: The stock is fairly valued, lacks a near term catalyst, or its execution risk is such that we expect it to trade within a narrow range of the current price in the next 6 to 12 months. The longer term fundamental value of the company may be materially higher, but certain milestones/catalysts have yet to be fully realized.

SELL: The stock is overpriced relative to the company’s fundamentals, and we expect it to decline from the current price over the next 6 to 12 months.

TENDER: We believe the offer price by the acquirer is fair and thus recommend investors tender their shares to the offer.

UNDER REVIEW: We are temporarily placing our recommendation under review until further information is disclosed.

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