

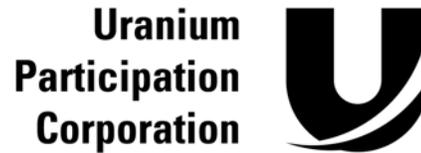
**Uranium  
Participation  
Corporation**



**2008 ANNUAL REPORT**



# 2008 Annual Report



[www.uraniumparticipation.com](http://www.uraniumparticipation.com)

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## To Our Shareholders,

Fiscal 2008 has been a year of growth in our uranium holdings and volatility in the spot price of uranium.

The Company increased its uranium investment portfolio during the year by acquiring 275,000 pounds  $U_3O_8$  at an average price of US\$130.00 per pound and 467,230 KgU as  $UF_6$  at an average price of US\$228.20. At February 29, 2008, the Company holds 4,475,000 pounds of  $U_3O_8$  at an average cost of \$43.39 per pound and 1,417,230 KgU as  $UF_6$  at an average cost of \$181.18 per KgU. The market value of all uranium is \$597,796,000 with a cost of \$450,946,000. Uranium spot prices began the year at US\$85.00 per pound  $U_3O_8$  and US\$233.00 per KgU of  $UF_6$  and closed the year down to US\$73.00 per pound  $U_3O_8$  and US\$200.00 per KgU as  $UF_6$ . During the year, the spot prices showed much volatility and peaked at US\$136.00 per pound  $U_3O_8$  and US\$360.00 per KgU as  $UF_6$  in June 2007. Throughout this period, the long-term price as quoted by Ux Consulting, LLP has remained steady at \$95.00 per pound  $U_3O_8$ .

Despite the recent spot price volatility, we continue to believe that the long-term outlook for uranium prices is positive. We believe that the spot price for uranium is at or near the bottom of the current price cycle, although this is getting much tougher to predict because of the recent involvement of hedge funds and the changing role of one of the large trading companies. Uranium is used primarily for nuclear power production. The low operating cost for nuclear power generation and the increasing concern for the environment and climate change are driving a nuclear renaissance. The world's operating nuclear power reactors require approximately 180 million pounds of  $U_3O_8$  per year. As nuclear power capacity increases, uranium fuel requirements also increase and is estimated to rise 2% to 3% each year through 2020. 2007 annual mine production is estimated to be 107 million pounds  $U_3O_8$ . Secondary sources of supply, which include inventories held by producers and utilities, government inventories, uranium recycled from government stockpiles and uranium recycled from nuclear weapons, make up the difference between current demand and supply. These secondary supply sources are finite. Based upon recent assessments of future secondary uranium supply, the uranium industry's current mine production and expected nuclear generating capacity, there is a growing requirement for increased uranium production to meet the forecast needs of reactors world-wide. The tight market conditions are expected to result in strong uranium prices for the foreseeable future.

The net asset value of the Company as determined using the Ux Consulting, LLP quoted spot price of uranium was \$582.5 million at February 29, 2008 up from \$579.4 million at February 28, 2007. However, basic net asset value per share decreased by \$2.99 to \$8.96 from \$11.95 at February 28, 2007 which reflected the decrease in the value of our uranium assets based upon the quoted spot price at the end of the year. Revenue from investment lending was \$7.0 million from the loan of 500,000 KgU as  $UF_6$  entered into in fiscal 2007.

Expenses from the year totaled \$9.4 million of which \$2.2 million was transaction costs from the purchase of additional uranium and \$3.4 million was foreign exchange losses. The Company also recorded a future tax recovery of \$55.7 million related to the decrease in net assets for the year.

Despite the volatile uranium price, market acceptance of Uranium Participation Corporation has remained strong. In April 2007, the Company issued 6.5 million shares at \$14.60 per share raising gross proceeds of \$94.9 million. In October 2007, the Company issued 5.1 million shares at \$11.20 raising gross proceeds of \$57.5 million. Subsequent to year end, in March 2008, the Company issued 7.3 million shares at \$10.20 raising gross proceeds of \$74.8 million.

Your company will continue to provide a vehicle for equity investment in uranium. The spot price for uranium will continue to have some volatility in the near future but the market dynamics dictate a narrowing of the gap between the spot price and the long term price. We would expect the spot price to increase fairly significantly by this time next year.

A handwritten signature in black ink, appearing to be 'E. Peter Farmer', with a long horizontal flourish extending to the right.

E. Peter Farmer  
President

April 25, 2008

**Uranium Participation Corporation  
Annual Management Report of Fund Performance  
February 29, 2008**

**DISCLOSURE**

This Annual Management Report of Fund Performance contains financial highlights but does not contain the complete Audited Annual Financial Statements of Uranium Participation Corporation ("Uranium Corp" or "Corporation"). You can get a copy of the Audited Annual Financial Statements at your request, and at no cost, by calling 416-979-1991, by writing to us at 595 Bay Street, Suite 402, Toronto, Ontario, M5G 2C2, or by visiting our website at [www.uraniumparticipation.com](http://www.uraniumparticipation.com) or SEDAR at [www.sedar.com](http://www.sedar.com). You may also contact us to obtain a copy of Uranium Corp's quarterly portfolio disclosure.

Uranium Corp holds physical commodities and not equity security investments. As a result, Uranium Corp does not have an investment proxy voting disclosure record, nor does it have proxy voting policies and procedures.

This Annual Management Report of Fund Performance is current as of April 25, 2008. All amounts are in Canadian dollars unless otherwise indicated.

**CAUTION REGARDING FORWARD LOOKING INFORMATION**

This Annual Management Report of Fund Performance contains certain forward looking statements and forward looking information that are based on the company's current internal expectations, estimates, assumptions and beliefs. Forward looking statements generally can be identified by the use of forward looking terminology such as "may", "will", "expect", "intent", "estimate", "anticipate", "plan", "should", "believe" or "continue" or the negative thereof or variations thereon or similar terminology.

By their very nature, forward looking statements involve numerous assumptions and estimates. A variety of factors, many of which are beyond the control of Uranium Corp, may cause actual results to differ materially from the expectations expressed in the forward looking statements. See "RISK FACTORS" included later in the Annual Management Report of Fund Performance for a further description of the principal risks of Uranium Corp.

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, Uranium Corp does not undertake to update any forward looking information.

**URANIUM PARTICIPATION CORPORATION**

Uranium Corp was incorporated on March 15, 2005 under the Ontario Business Corporations Act. Uranium Corp was created to invest in, hold and sell uranium oxide in concentrates ("U<sub>3</sub>O<sub>8</sub>") and uranium hexafluoride ("UF<sub>6</sub>") (collectively "uranium"). Uranium Corp invests in and holds physical uranium through its wholly-owned subsidiaries, Uranium Participation Alberta Corp. and Uranium Participation Cyprus Limited (the "Subsidiaries"). Uranium Participation Alberta Corp. was

incorporated on May 4, 2005 under the Alberta Business Corporations Act and Uranium Participation Cyprus Limited (“UPCL”) was incorporated on September 10, 2006 under the laws of the Republic of Cyprus. In August 2007, UPCL obtained a business license and established a branch office in Luxembourg through which the operations of UPCL are conducted. Unless otherwise indicated or where the context otherwise requires, references to “Uranium Corp” or the “Corporation” includes the Subsidiaries.

Uranium Corp is governed by its board of directors (the “Board of Directors”) and administered by Denison Mines Inc. (the “Manager”) pursuant to a management services agreement (the “Management Services Agreement”). The common shares of Uranium Corp trade publicly on the Toronto Stock Exchange under the symbol “U”.

Uranium Corp established an Independent Review Committee (“IRC”) from its qualified independent Board members in October 2007. The IRC has adopted a mandate that provides that the IRC must provide a recommendation or approval of transactions in which there is a conflict of interest between the Corporation and its Manager, as contemplated by National Instrument 81-107, Independent Review Committee for Investment Funds of the Canadian Securities Administrators (“NI 81-107”). The IRC will prepare a report to shareholders on at least an annual basis. The report will be available on the Corporation’s website at [www.uraniumparticipation.com](http://www.uraniumparticipation.com) and is also available to shareholders at no cost by contacting the Corporation at [info@uraniumparticipation.com](mailto:info@uraniumparticipation.com).

Uranium Corp is an investment fund as defined by the Canadian securities regulatory authorities in National Instrument 81-106 “Investment Fund Continuous Disclosure”. Unlike many investment funds, Uranium Corp does not qualify as a mutual fund trust under the provisions of the Income Tax Act (Canada) (the “Act”) and, accordingly, follows the general corporate income tax provisions of the Act.

## **INVESTMENT OBJECTIVES AND STRATEGY**

The primary investment objective of Uranium Corp is to achieve long-term appreciation in the value of its uranium holdings through a buy and hold investment strategy and not actively speculate with regard to short-term changes in uranium prices. While it is not the current intention of Uranium Corp to do so in the short term, it may subsequently sell some or all of its uranium holdings. Ownership of the corporation’s common shares represents an indirect interest in ownership of physical uranium. This provides an investment alternative for investors interested in investing in these commodities without incurring the risks associated with investments in companies that explore for, mine and process uranium related products.

In implementing the investment strategy of the corporation, at least 85% of the gross proceeds of any common share offerings will be invested in, or set aside for future purchases of uranium. In strictly limited circumstances, the Corporation can enter into borrowing arrangements to facilitate the purchases of uranium where the current cash on hand is not adequate to cover such commitments. The maximum amount of any such borrowing cannot exceed 15% of the net assets of Uranium Corp. The corporation may also enter into uranium lending transactions in order to earn additional returns.

For a more detailed description of the corporation’s investment policies and by-laws, please refer to the Company’s Annual Information Form available on SEDAR.

## INVESTMENT RISK

There are a number of factors that could negatively affect Uranium Corp.'s business and the value of Uranium Corp'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 Uranium Corp that could have a material impact on the financial condition of Uranium Corp. This information, by its nature, is not all-inclusive. It is not a guarantee that other factors will not affect Uranium Corp in the future.

### *Uranium Price Volatility from Demand and Supply Factors*

Since almost all of Uranium Corp's activities involve investing in uranium, the value of its securities will be highly sensitive to fluctuations in the spot prices of uranium. Historically, the fluctuations in these prices have been, and will continue to be, affected by numerous factors beyond Uranium Corp's control. Such factors include, among others: demand for nuclear power; improvements in nuclear reactor efficiencies; reprocessing of used reactor fuel and the re-enrichment of depleted uranium tails; sales of excess civilian and military inventories (including from the dismantling of nuclear weapons) by governments and industry participants; purchases and sales by brokers and traders of uranium; and production levels and production costs in key uranium producing countries.

Since UF<sub>6</sub> is a different commodity than U<sub>3</sub>O<sub>8</sub>, its price is affected by its own supply/demand balance as well as the supply/demand balances of U<sub>3</sub>O<sub>8</sub> and for conversion services. As a result, the UF<sub>6</sub> price may move differently than the spot price of U<sub>3</sub>O<sub>8</sub> or the spot conversion price alone. The factors that affect the UF<sub>6</sub> price will affect the net asset value per common share ("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 for U<sub>3</sub>O<sub>8</sub> per pound, and the UF<sub>6</sub> price per KgU at December 31 for the five calendar years ended December 31, 2007, and as at February 29, 2008<sup>(1)</sup>.

	December 31					February 29
	2003	2004	2005	2006	2007	2008
U <sub>3</sub> O <sub>8</sub>	\$14.50	\$20.70	\$36.25	\$72.00	\$90.00	\$73.00
UF <sub>6</sub>	\$43.14 <sup>(2)</sup>	\$63.09 <sup>(2)</sup>	\$105.00	\$199.00	\$240.00	\$200.00

<sup>(1)</sup> As published by UxCo in U.S. dollars.

<sup>(2)</sup> UF<sub>6</sub> prices for 2003 and 2004 were not published by UxCo. Amounts shown for those years are the UF<sub>6</sub> value, which is obtained by adding (i) the spot price for U<sub>3</sub>O<sub>8</sub> multiplied by 2.61285; and (ii) the spot conversion price of UF<sub>6</sub>.

### *No Public Market for Uranium*

There is no public market for the sale of uranium. The uranium futures market on NYMEX does not provide for physical delivery of uranium, only cash on settlement; and the trading forum by certain buyers does not offer a formal market but rather facilitates the introduction of buyers to sellers. Uranium Corp may not be able to acquire uranium, or once acquired, sell uranium for a number of months. The pool of potential purchasers and sellers is limited and each transaction may require the negotiation of specific provisions. Accordingly, a purchase or sale cycle may take several months to complete. In addition, as the supply of uranium is limited, with average spot market sales over the last ten years being only approximately 22 million pounds of U<sub>3</sub>O<sub>8</sub> per year, Uranium Corp 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 Uranium Corp.

From time to time, the Corporation enters into commitments to purchase  $U_3O_8$  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 contemplated by such commitments will be completed.

#### *Uranium Industry Competition and International Trade Restrictions*

The international uranium industry, including the supply of uranium concentrates, is competitive. Supplies are available from a relatively small number of western world uranium mining companies, from certain republics of the former Soviet Union and the People's Republic of China, from excess inventories, including inventories made available from decommissioning of nuclear weapons, from reprocessed uranium and plutonium, from used reactor fuel, and from the use of excess Russian enrichment capacity to re-enrich depleted uranium tails held by European enrichers in the form of  $UF_6$ . The supply of uranium from Russia and from certain republics of the former Soviet Union is, to some extent, impeded by a number of international trade agreements and policies. These agreements and any similar future agreements, governmental policies or trade restrictions are beyond the control of the Corporation and may affect the supply of uranium available for sale and use in the United States and Europe, which are the largest markets for uranium in the world.

#### *Foreign Exchange Rates*

Uranium Corp maintains its accounting records, reports its financial position and results, pays certain operating expenses and its securities trade in Canadian currency. As the prices of uranium are 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 purchase price from a Canadian currency perspective. Because exchange rate fluctuations are beyond Uranium Corp's control, there can be no assurance that such fluctuations will not have an adverse effect on Uranium Corp's operations or on the trading value of its common shares or its outstanding warrants.

#### *Risks Associated with the Facilities*

Under the Management Services Agreement, the Manager is required to arrange for all uranium to be stored at licensed uranium conversion or enrichment facilities (the "Facilities") and to ensure that the Facilities provide satisfactory indemnities for the benefit of Uranium Corp or ensure that Uranium Corp has the benefit of insurance arrangements obtained on standard industry terms. There is no guarantee that either the indemnities or insurance in favour of Uranium Corp will fully cover or absolve Uranium Corp in the event of loss or damage. Uranium Corp 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 Uranium Corp.

All uranium is stored at licensed Facilities. As the number of duly licensed Facilities is limited, there can be no assurance that new arrangements that are commercially beneficial to Uranium Corp 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 Uranium Corp.

#### *Lack of Operational Liquidity*

The expenses of Uranium Corp are funded from cash on hand that is not otherwise invested in uranium and revenue from the lending of uranium. Once such cash available has been expended, Uranium Corp may either generate cash from the lending or sale of uranium, or the sale of additional equity securities, which includes the exercise of outstanding warrants. There is no guarantee that Uranium Corp will be able to sell additional equity or equity related securities on terms acceptable to Uranium Corp in the future, that the outstanding warrants will be

exercised, that Uranium Corp will be able to sell uranium in a timely or profitable manner or that Uranium Corp will be able to generate revenue through lending arrangements.

#### *Competition from Other Energy Sources and Public Acceptance of Nuclear Energy*

Nuclear energy competes with other sources of energy, including oil, natural gas, coal and hydro-electricity. These other energy sources are to some extent interchangeable with nuclear energy, particularly over the longer term. 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.

Furthermore, growth of the uranium and nuclear power industry will depend upon continued and increased acceptance of nuclear technology as a means of generating electricity. Because of unique political, technological and environmental factors that affect the nuclear industry, the industry is subject to public opinion risks which could have an adverse impact on the demand for nuclear power and increase the regulation of the nuclear power industry. An accident at a nuclear reactor anywhere in the world could impact on 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 Uranium Corp.

#### *Lack of Investment Liquidity*

Uranium Corp is not a mutual fund, and an investment in its common shares and warrants is not redeemable. Uranium Corp's liquidity will rely principally on sales or lending by Uranium Corp of uranium. Accordingly, Uranium Corp 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.

Since inception, the Corporation has not declared any dividends and the Corporation has no current intention to declare any dividends.

#### *Net Asset Value*

The net asset value reported by Uranium Corp is based on the spot price of uranium published by UxCo. Accordingly, the net asset value may not necessarily reflect the actual realizable value of uranium held by Uranium Corp.

The NAV is calculated by deducting the Corporation's liabilities from its assets as at the relevant period end and dividing the result by the number of common shares outstanding. These liabilities include liabilities for future income taxes. Unlike most investment funds, the Corporation does not qualify as a mutual fund trust, and, accordingly, follows general income tax provisions of the Canadian Income Tax Act.

The exercise of the outstanding warrants will have a dilutive effect on the NAV in the event that the NAV exceeds the exercise price of these warrants. As at February 29, 2008, the September 2006 equity unit warrants (the "2006 Warrants") were not dilutive to the NAV of the Corporation. The 2006 Warrants expire on September 14, 2008 and have an exercise price of \$12.00.

#### *Market Price of Common Shares*

It appears that the market price of the common shares is related to the NAV. Uranium Corp cannot predict whether the common shares will, in the future, trade above, at or below the NAV.

The market price of the common shares and any outstanding warrants may also be affected by the management expense ratio, which is calculated for each reporting period as the total

investment operation expenses (including income tax provisions) for the period over the average net asset value of the Corporation.

#### *Reliance on Board of Directors and Manager*

Uranium Corp is a self-governing corporation that is governed by the Board of Directors appointed and elected by the holders of common shares. Uranium Corp will, therefore, be dependent on the services of its Board for investment decisions and the Manager for management services.

#### *Resignation by Manager*

The Manager may terminate the Management Services Agreement after the initial term in accordance with the terms thereof. Uranium Corp may not be able to readily secure similar services to, or at management fees comparable to those under the Management Services Agreement, and its operations may therefore be adversely affected.

#### *Conflict of Interest*

Directors and officers of Uranium Corp may provide investment, administrative and other services to other entities and parties. The directors and officers of Uranium Corp 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 Uranium Corp as they arise from time to time.

#### *Uranium Lending*

The Corporation has and may enter again into uranium lending arrangements. It has, and will in the future, ensure that adequate security is provided for any loaned uranium. However, there is a risk that the borrower may not be able to return the uranium and may, in lieu, repay the equivalent value of borrowed uranium in cash. In such circumstances, given the limited supply of U<sub>3</sub>O<sub>8</sub> and UF<sub>6</sub>, the Corporation may not be able to replace the uranium loaned from its portfolio.

#### *Regulatory Change*

Uranium Corp may be affected by changes in regulatory requirements, customs, duties or other taxes. Such changes could, depending on their nature, benefit or adversely affect Uranium Corp.

## **RESULTS OF OPERATIONS**

Uranium Corp's basic NAV decreased from \$11.95 per share at February 28, 2007 to \$8.96 at February 29, 2008 representing a basic NAV loss of 25.0%. Over the comparable time period, Uranium Corp's benchmark, the S&P/TSX Composite Index, increased by 4.1%.

Uranium Corp's net assets at February 29, 2008 were \$582,545,000 representing a 0.5% increase from the net assets of \$579,364,000 at February 28, 2007. Of the net asset value increase of \$3,181,000 over the period, \$177,926,000 was attributable to the after-tax net proceeds of additional equity issues and warrant exercises, offset by a \$174,745,000 decrease in investment operation performance.

#### *Equity Financing*

In April 2007, Uranium Corp issued 6,500,000 shares at \$14.60 per share for gross proceeds of \$94,900,000.

In October 2007, Uranium Corp issued 5,134,750 shares at \$11.20 per share for gross proceeds of \$57,509,000.

As at February 29, 2008, Uranium Corp had 64,991,841 common shares and 2,828,799 warrants issued and outstanding. The outstanding warrants were issued in September 2006 and are exercisable into common shares at \$12.00 per warrant.

Since inception, Uranium Corp has raised gross proceeds of \$468,660,000 through common share and equity unit financings and \$31,136,000 from the exercise of warrants. Uranium Corp invested \$450,946,000 or 90.2% of these amounts into its portfolio of uranium investments.

#### *Investment Portfolio*

During the year, Uranium Corp increased its U<sub>3</sub>O<sub>8</sub> holdings by 275,000 pounds, raising its total holdings to 4,475,000 pounds at February 29, 2008. The total average cost of this investment was \$194,180,000 or \$43.39 per pound. The fair value of this investment at February 29, 2008 was \$320,076,000 or \$71.53<sup>(1)</sup> per pound, representing an increase of 64.8%. On a U.S dollar basis, the fair value of this investment has increased by 95.4%.

During the year, Uranium Corp increased its UF<sub>6</sub> holdings by 467,230 KgU, raising its total holdings to 1,417,230 KgU at February 29, 2008. The total average cost of this investment was \$256,766,000 or \$181.18 per KgU. The fair value of this investment at February 29, 2008 was \$277,720,000 or \$195.96<sup>(1)</sup> per KgU, representing an increase of 8.2%. On a U.S dollar basis, the fair value of this investment has increased by 20.0%.

The Company entered into a lending arrangement effective January 1, 2007 to loan 500,000 KgU as UF<sub>6</sub> to a producer for a period of three years. This arrangement will generate loan fee revenues and reduce storage costs and is collateralized by an irrevocable letter of credit.

(1) Reflects spot prices published by Ux Consulting Company, LLC on February 25, 2008 of US\$73.00 per pound for U<sub>3</sub>O<sub>8</sub> and US\$200.00 per KgU for UF<sub>6</sub> translated at a foreign exchange rate of 0.9798.

#### *Investment Performance*

Investment operation results of a \$174,745,000 loss for the year ended February 29, 2008 have been largely driven by unrealized losses on uranium investments of \$228,594,000 net of tax recovery movements of \$55,738,000.

Unrealized losses on investments are reflective of the spot price volatility experienced in the year with U<sub>3</sub>O<sub>8</sub> prices starting the year at US\$85.00 per pound, rising to a high of US\$136.00 in June 2007 before dropping to close the financial year at US\$73.00, as reported by Ux Consulting Company, LLC ("UxCo"). Similarly, UF<sub>6</sub> spot prices experienced the same volatility climbing from US\$233.00 at the start of the year to its peak of US\$360.00 in June 2007 prior to closing the year at US\$200.00. Prices have dropped subsequent to this reporting date (refer to "RECENT DEVELOPMENTS" section below).

Uranium Corp does not qualify as a mutual fund trust under the provisions of the Canadian Income Tax Act and therefore it is subject to income tax on its taxable income, computed in accordance with the ordinary rules and at rates ordinarily applicable to public corporations. Currently, Uranium Corp accrues future income taxes payable based on the unrealized gains on investments. Tax recovery movements reflect an effective tax rate of approximately 24 percent for the year compared to provision movements of approximately 25 percent in the prior year. Uranium investments made through its wholly owned subsidiary, UPCL, and substantively enacted corporate tax rate reductions in Canada caused the decline in Uranium Corp's effective future tax rate. The resulting revaluation of Uranium Corp's future tax assets and liabilities using

the substantively enacted lower tax rates of between 3% and 29% have resulted in a favourable impact on the in period effective tax rate.

## **RECENT DEVELOPMENTS**

In February 2008, the Manager agreed to purchase, for and on behalf of Uranium Corp, 900,000 pounds of U<sub>3</sub>O<sub>8</sub> for a total price of US\$64,900,000 (excluding commissions). 200,000 pounds of this purchase was delivered in March 2008 with the remainder anticipated to be delivered on or before May 31, 2008.

In March 2008, the Manager agreed to purchase, for and on behalf of Uranium Corp, 75,000 KgU as UF<sub>6</sub> for a total price of US\$14,625,000 (excluding commissions) with delivery in June 2008.

On March 19, 2008, Uranium Corp closed an aggregate offering of 7,331,250 common shares at \$10.20 per share for total gross proceeds of \$74,779,000. The proceeds from the offering together with existing cash on hand was and will be used to fund the above noted purchase commitments.

As reported by UxCo as at April 21, 2008, the spot price of U<sub>3</sub>O<sub>8</sub> has declined to US\$65.00 per pound from US\$73.00 per pound on February 25, 2008 a decrease of 11.0%.

## **RELATED PARTY TRANSACTIONS**

Uranium Corp is a party to a Management Services Agreement with its Manager. Under the terms of the agreement, Uranium Corp will pay the following fees to the Manager: a) a commission of 1.5% of the gross value of any purchases or sales of uranium completed at the request of the Board of Directors; b) a minimum annual management fee of \$400,000 (plus reasonable out-of-pocket expenses) plus an additional fee of 0.3% per annum based upon Uranium Corp's net asset value between \$100,000,000 and \$200,000,000 and 0.2% per annum based upon Uranium Corp's net asset value in excess of \$200,000,000; c) a fee of \$200,000 upon the completion of each equity financing where proceeds payable to Uranium Corp exceed \$20,000,000; d) a fee of \$200,000 for each transaction or arrangement (other than the purchase or sale of uranium) of business where the gross value of such transaction exceeds \$20,000,000 ("an initiative"); and e) an annual fee up to a maximum of \$200,000, at the discretion of the Board, for on-going maintenance or work associated with an initiative.

In accordance with the Management Services Agreement, all uranium investments owned by Uranium Corp are held in accounts with conversion facilities in the name of Denison Mines Inc. as manager for and on behalf of Uranium Corp.

Uranium Corp entered into two credit agreements with the Manager. A \$25,000,000 revolving credit facility entered into in March 2006 ("March 2006 credit facility") and a \$15,000,000 revolving credit facility entered into in September 2006 ("September 2006 credit facility"). The March 2006 credit facility charged interest of Canadian bank prime plus 2% with standby fees of 1% of the committed facility amount. The September 2006 credit facility charged interest of Canadian bank prime plus 1% with standby fees of 1% of the committed facility amount. Both credit agreements have since been terminated with \$10,000,000 drawn and repaid under the March 2006 credit facility and \$11,600,000 drawn and repaid under the September 2006 credit facility.

In June 2007, Uranium Corp purchased 75,000 pounds of U<sub>3</sub>O<sub>8</sub> from the Manager at a price of US\$130.00 per pound for total consideration of \$10,368,000 (US\$9,750,000).

The following transactions were incurred with the Manager during the years ended February 29, 2008 and February 28, 2007:

(in thousands of Canadian dollars)	February 2008	February 2007
Fees incurred with the Manager:		
Management fees	\$ 1,901	\$ 997
Facility arrangement fees	–	400
Equity financing fees <sup>(1)</sup>	400	400
Transaction fees – uranium purchase commissions	2,246	2,456
Shareholder Information and other compliance	6	30
General office and miscellaneous	4	12
Interest and other debt related expenses		
Interest on loan payable	91	313
Standby fees on line of credit	4	63
<b>Total fees incurred with the Manager</b>	<b>\$ 4,652</b>	<b>\$ 4,671</b>

(1) Equity financing fees incurred with the Manager have been recorded as share issue costs and are included in the value reported for common shares.

As at February 29, 2008, accounts payable and accrued liabilities included \$162,000 due to the Manager with respect to the fees indicated above.

## PAST PERFORMANCE

The following tables show the past performance for the NAV attributable to common shares (“net asset value return”) and the past performance of the share price (“market value return”) of Uranium Corp and will not necessarily indicate how Uranium Corp will perform in the future. Net asset return is the best representation of the performance of Uranium Corp while market value return is the best representation of the return to a shareholder of the Uranium Corp.

### *Year by Year Returns*

The table below shows the annual performance in net asset value return and market value return of Uranium Corp for each period indicated. The table shows, in percentage terms, how much an investment held on the first day of each financial period would have increased or decreased by the last day of each financial year.

	February 2008 <sup>(1)</sup>	February 2007 <sup>(1)</sup>	February 2006 <sup>(2)</sup>
Net asset value return (loss) – basic	(25.0%)	110.0%	18.3%
Net asset value return (loss) – diluted	(21.6%)	100.9%	18.3%
Market value return (loss)	(18.4%)	94.1%	40.2%

(1) For the twelve months ended.

(2) Period from completion of initial public offering on May 10, 2005 through to February 28, 2006.

## Annual Compounded Returns

The table below shows the annual compounded return in net asset value return and market value return of Uranium Corp from inception through to the end of the indicated period, compared with the TSX Composite Index calculated on the same compounded basis.

	February 2008 <sup>(1)</sup>	February 2007 <sup>(1)</sup>	February 2006 <sup>(1)</sup>
Net asset value return – basic	86.3%	148.4%	18.3%
Net asset value return – diluted	86.3%	137.6%	18.3%
Market value return	122.1%	172.1%	40.2%
S&P / TSX Composite Index <sup>(2)</sup>	43.1%	37.4%	23.1%

(1) Period from completion of initial public offering on May 10, 2005 through to February month-end of indicated year.

(2) The S&P / TSX Composite Index is a market capitalization-weighted index that provides a broad measure of performance of the Canadian equity market.

## SUMMARY OF INVESTMENT PORTFOLIO

Uranium Corp's investment portfolio consists of the following as at February 29, 2008:

(in thousands of Canadian dollars, except quantity amounts)	Quantity of Measure	Cost <sup>(3)</sup>	Market Value <sup>(1)</sup>
<b>Investments in Uranium:</b>			
Uranium oxide in concentrates ("U <sub>3</sub> O <sub>8</sub> ")	4,475,000 lbs	\$ 194,180	\$ 320,076
Uranium hexafluoride ("UF <sub>6</sub> ") <sup>(2)</sup>	1,417,230 KgU	\$ 256,766	\$ 277,720
		\$ 450,946	\$ 597,796
U <sub>3</sub> O <sub>8</sub> average cost and market value per pound:			
- In Canadian dollars		\$ 43.39	\$ 71.53
- In United States dollars		\$ 37.35	\$ 73.00
UF <sub>6</sub> average cost and market value per KgU:			
- In Canadian dollars		\$ 181.18	\$ 195.96
- In United States dollars		\$ 166.73	\$ 200.00

(1) The market values have been translated to Canadian dollars using the February 29, 2008 noon foreign exchange rate of 0.9798.

(2) Of the UF<sub>6</sub> holding described above, 500,000 KgU has been lent to a third party.

(3) The average cost of the portfolio has been adjusted to exclude transaction costs incurred since Uranium Corp's inception in March 2005.

## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about Uranium Corp and is intended to help you understand Uranium Corp's financial performance for the last five reporting periods (if applicable). This information is derived from the corporation's audited annual financial statements.

### **Net Asset Value per Share**

	February 2008 <sup>(1)</sup>	February 2007 <sup>(1)</sup>	February 2006 <sup>(2)</sup>
<b>Net Asset Value per Share – Basic:</b>			
Net asset value, beginning of period <sup>(3)</sup>	\$ 11.95	\$ 5.69	\$ 4.81
Increase (decrease) from operations <sup>(3)</sup> :			
Total revenue	\$ 0.13	\$ 0.03	\$ 0.03
Total expenses before taxes <sup>(4)</sup>	\$ (0.16)	\$ (0.15)	\$ (0.22)
Income tax recovery (provision)	\$ 0.93	\$ (2.06)	\$ (0.38)
Realized gains (losses) for the period	\$ –	\$ –	\$ –
Unrealized gains (losses) for the period <sup>(4)</sup>	\$ (3.81)	\$ 8.45	\$ 1.30
Total increase (decrease) from operations	\$ (2.91)	\$ 6.27	\$ 0.73
Net asset value, end of period <sup>(3)</sup>	\$ 8.96	\$ 11.95	\$ 5.69
<b>Net asset value per share – diluted:</b>			
Net asset value, beginning of period <sup>(3)</sup>	\$ 11.43	\$ 5.69	\$ 4.81
Increase (decrease) from operations <sup>(3)</sup> :			
Total revenue	\$ 0.13	\$ 0.03	\$ 0.03
Total expenses before taxes <sup>(4)</sup>	\$ (0.16)	\$ (0.14)	\$ (0.22)
Income tax recovery (provision)	\$ 0.93	\$ (1.97)	\$ (0.38)
Realized gains (losses) for the period	\$ –	\$ –	\$ –
Unrealized gains (losses) for the period <sup>(4)</sup>	\$ (3.81)	\$ 8.08	\$ 1.30
Total increase (decrease) from operations	\$ (2.91)	\$ 6.00	\$ 0.73
Net asset value, end of period <sup>(3)</sup>	\$ 8.96	\$ 11.43	\$ 5.69

(1) For the twelve months ended.

(2) Period from completion of initial public offering on May 10, 2005 through to February 28, 2006.

(3) Net asset values are based upon the actual number of common shares outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of common shares outstanding over the financial period.

(4) The cost bases of the investments have been adjusted to exclude transaction costs since the Company's inception in March 2005.

### **Ratios and Supplemental Data**

	February 2008 <sup>(1)</sup>	February 2007 <sup>(1)</sup>	February 2006 <sup>(2)</sup>
Total net asset value, end of the period (000's)	\$582,545	\$579,364	\$175,010
Average net asset value for the period (000's)	\$708,476	\$336,589	\$116,015
Number of common shares outstanding (000's)	64,992	48,474	30,751
Management expense ratio <sup>(3)</sup>			
Total expenses before taxes <sup>(4)</sup>	1.33%	1.84%	4.20%
Income tax provision (recovery)	(7.87%)	25.05%	7.26%
Portfolio turnover rate	—	—	—
Trading expense ratio <sup>(5)</sup>	0.32%	0.73%	1.75%
Closing market price per common share on the TSX	\$ 11.55	\$ 14.15	\$ 7.29

(1) For the twelve months ended.

(2) Period from completion of initial public offering on May 10, 2005 through to February 28, 2006.

(3) The management expense ratio for total expenses represents total investment operation expenses for the period over the average net asset value of the fund for the period.

(4) The cost bases of the investments have been adjusted to exclude transaction costs since the Company's inception in March 2005.

(5) Represents total commission expenses for the period over the average net asset value of the fund for the period. Warehousing and custodian costs have been included in the expense amount for the management expense ratio calculation.

## **Responsibility for Financial Reporting**

### **To the Shareholders of Uranium Participation Corporation,**

The Company's management is responsible for the integrity and fairness of presentation of these consolidated financial statements. The consolidated financial statements have been prepared by management, in accordance with Canadian generally accepted accounting principles for review by the Audit Committee and approval by the Board of Directors.

The preparation of financial statements requires the selection of appropriate accounting policies in accordance with generally accepted accounting principles and the use of estimates and judgments by management to present fairly and consistently the consolidated financial position of the Company. Estimates are necessary when transactions affecting the current period cannot be finalized with certainty until future information becomes available. The Company's management is also responsible for maintaining systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide assurance that the financial information is accurate and reliable in all material respects and that the Company's assets are appropriately accounted for and adequately safeguarded. The Company's management believes that such systems are operating effectively and has relied on these systems of internal control in preparing these financial statements.

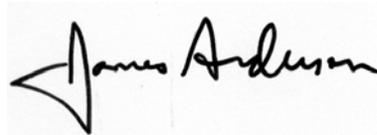
PricewaterhouseCoopers LLP, Chartered Accountants, are independent external auditors appointed by the shareholders to issue a report regarding the consolidated financial statements of the Company. PricewaterhouseCoopers' audit report outlines the extent and nature of their examination and expresses their opinion on the consolidated financial statements.

The Board of Directors of the Company is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements and the accompanying annual management report of fund performance. The Board carries out this responsibility principally through its Audit Committee, which is appointed annually and consists of three Directors, none of whom are members of management.

The Audit Committee meets at least twice per year with management, together with the independent auditors, to satisfy itself that management and the independent auditors are each properly discharging their responsibilities. The independent external auditors have full access to the Audit Committee with and without management present. The Committee, among other things, reviews matters related to the quality of internal control, audit and financial reporting issues. The Audit Committee reviews the consolidated financial statements and the independent auditors' report, as well as any public disclosure document that contains financial information, and reports its findings to the Board of Directors, prior to the Board approving such information for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or reappointment of the Company's independent auditors.



E. Peter Farmer  
President



James R. Anderson  
Chief Financial Officer

April 25, 2008

## **Independent Auditors' Report**

### **To the Shareholders of Uranium Participation Corporation**

We have audited the accompanying consolidated statements of net assets of Uranium Participation Corporation (the Company) as at February 29, 2008 and February 28, 2007, the consolidated statements of operations, changes in net assets and cash flows for the years ended February 29, 2008 and February 28, 2007 and the consolidated statement of investment portfolio as at February 29, 2008. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at February 29, 2008 and February 28, 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*PricewaterhouseCoopers LLP*

**Chartered Accountants, Licensed Public Accountants**

Toronto, Canada  
April 25, 2008

**URANIUM PARTICIPATION CORPORATION  
CONSOLIDATED STATEMENT OF NET ASSETS  
AS AT FEBRUARY 29, 2008 AND FEBRUARY 28, 2007**

(in thousands of Canadian dollars, except per share amounts)	February 2008	February 2007
<b>Assets</b>		
Investments at market value (at cost: 2008-\$450,946; 2007-\$301,226)	\$ 597,796	\$ 676,670
Cash and cash equivalents	13,687	867
Sundry receivables and other assets	1,113	1,038
Income taxes receivable	23	275
Future income taxes (note 3)	10,570	7,081
	<b>\$ 623,189</b>	<b>\$ 685,931</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	1,030	1,031
Income taxes payable	390	106
Loan payable (note 5)	-	11,600
Future income taxes (note 3)	39,224	93,830
<b>Net assets</b>	<b>\$ 582,545</b>	<b>\$ 579,364</b>
<b>Net assets represented by</b>		
Common shares (note 4)	\$ 481,203	\$ 299,759
Warrants (note 4)	2,455	6,003
Contributed surplus (note 4)	30	-
Retained earnings	98,857	273,602
	<b>\$ 582,545</b>	<b>\$ 579,364</b>
<b>Common shares</b>		
Issued and outstanding (note 4)	64,991,841	48,473,727
<b>Net asset value per common share</b>		
Basic	\$ 8.96	\$ 11.95
Diluted	\$ 8.96	\$ 11.43

The accompanying notes are an integral part of these financial statements.

ON BEHALF OF THE BOARD OF URANIUM PARTICIPATION CORPORATION



Richard H. McCoy  
Director



Garth A. C. MacRae  
Director

**URANIUM PARTICIPATION CORPORATION**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR THE YEARS ENDED FEBRUARY 29, 2008 AND FEBRUARY 28, 2007**

(in thousands of Canadian dollars)	February 2008	February 2007
<b>Income</b>		
Interest	\$ 435	\$ 472
Income from investment lending (note 6)	7,080	942
Unrealized gains (losses) on investments	(228,594)	346,461
	(221,079)	347,875
<b>Operating expenses</b>		
Transaction fees (note 5)	2,246	2,456
Management fees (note 5)	1,901	1,397
Storage fees	954	780
Audit fees	49	17
Directors fees	120	106
Legal and other professional fees	188	94
Shareholder information and other compliance	206	222
General office and miscellaneous	242	123
Interest and other debt related expenses	95	378
Foreign exchange loss	3,403	618
	9,404	6,191
<b>Increase (decrease) in net assets from operations before taxes</b>	(230,483)	341,684
Income tax provision (recovery) (note 3)	(55,738)	84,310
<b>Increase (decrease) in net assets from operations after taxes</b>	(174,745)	257,374
Opening retained earnings	273,602	16,228
<b>Closing retained earnings</b>	98,857	273,602
<b>Increase (decrease) in net assets from operations per common share</b>		
Basic	\$ (2.91)	\$ 6.28
Diluted	\$ (2.91)	\$ 6.01
<b>Weighted average common shares outstanding (note 4)</b>		
Basic	60,007,756	40,991,927
Diluted	60,007,756	42,851,473

The accompanying notes are an integral part of these financial statements.

**URANIUM PARTICIPATION CORPORATION**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED FEBRUARY 29, 2008 AND FEBRUARY 28, 2007**

(in thousands of Canadian dollars)	February 2008	February 2007
<b>Net assets at beginning of year</b>	\$579,364	\$175,010
Net proceeds from issue of units and shares, and exercise of warrants, after tax	177,926	146,980
Increase (decrease) in net assets from operations after taxes	(174,745)	257,374
<b>Net assets at end of year</b>	<b>\$582,545</b>	<b>\$579,364</b>

**URANIUM PARTICIPATION CORPORATION**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED FEBRUARY 29, 2008 AND FEBRUARY 28, 2007**

(in thousands of Canadian dollars)	February 2008	February 2007
<b>Operating Activities</b>		
Increase (decrease) in net assets from operations after taxes	\$(174,745)	\$ 257,374
Adjustments for non-cash items:		
Unrealized losses (gains) on investments	228,594	(346,461)
Future income tax provision (recovery)	(56,027)	84,380
Changes in non-cash working capital:		
Change in sundry receivables and other assets	(75)	(866)
Change in income taxes receivable	252	(275)
Change in accounts payable and accrued liabilities	(1)	695
Change in income taxes payable	284	(218)
<b>Net cash used in operating activities</b>	<b>(1,718)</b>	<b>(5,371)</b>
<b>Investing Activities</b>		
Purchases of uranium investments	(149,720)	(163,720)
<b>Net cash used in investing activities</b>	<b>(149,720)</b>	<b>(163,720)</b>
<b>Financing Activities</b>		
Additions (repayments) of loans payable	(11,600)	11,600
Share and warrant issues net of issue costs	175,858	144,362
<b>Net cash generated by financing activities</b>	<b>164,258</b>	<b>155,962</b>
Increase (decrease) in cash and cash equivalents	12,820	(13,129)
Cash and cash equivalents – beginning of year	867	13,996
<b>Cash and cash equivalents - end of year</b>	<b>\$ 13,687</b>	<b>\$ 867</b>

The accompanying notes are an integral part of these financial statements.

**URANIUM PARTICIPATION CORPORATION**  
**CONSOLIDATED STATEMENT OF INVESTMENT PORTFOLIO**  
**AS AT FEBRUARY 29, 2008**

(in thousands of Canadian dollars, except quantity amounts)	Quantity of Measure	Cost <sup>(3)</sup>	Market Value <sup>(1)</sup>
<b>Investments in Uranium:</b>			
Uranium oxide in concentrates ("U <sub>3</sub> O <sub>8</sub> ")	4,475,000 lbs	\$ 194,180	\$ 320,076
Uranium hexafluoride ("UF <sub>6</sub> ") <sup>(2)</sup>	1,417,230 KgU	\$ 256,766	\$ 277,720
		\$ 450,946	\$ 597,796
U <sub>3</sub> O <sub>8</sub> average cost and market value per pound:			
- In Canadian dollars		\$ 43.39	\$ 71.53
- In United States dollars		\$ 37.35	\$ 73.00
UF <sub>6</sub> average cost and market value per KgU:			
- In Canadian dollars		\$ 181.18	\$ 195.96
- In United States dollars		\$ 166.73	\$ 200.00

<sup>(1)</sup> The market values have been translated to Canadian dollars using the February 29, 2008 noon foreign exchange rate of 0.9798.

<sup>(2)</sup> Of the UF<sub>6</sub> holding described above, 500,000 KgU has been lent to a third party. See note 6 for further details of this arrangement.

<sup>(3)</sup> The average cost of the portfolio has been adjusted to exclude transaction fees incurred since the Company's inception in March 2005. See note 2 "Accounting Changes" for more details.

The accompanying notes are an integral part of these financial statements.

**URANIUM PARTICIPATION CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED FEBRUARY 29, 2008 AND FEBRUARY 28, 2007**

**1. URANIUM PARTICIPATION CORPORATION**

Uranium Participation Corporation ("Uranium Corp") was established under the Business Corporations Act (Ontario) ("OBCA") on March 15, 2005. Uranium Corp is an investment fund as defined by the Canadian securities regulatory authorities in National Instrument 81-106 "Investment Fund Continuous Disclosure". Uranium Corp was created to invest substantially all of its assets in uranium oxide in concentrates ("U<sub>3</sub>O<sub>8</sub>") and uranium hexafluoride ("UF<sub>6</sub>") (collectively "uranium") with the primary investment objective of achieving appreciation in the value of its uranium holdings. Uranium Corp trades publicly on the Toronto Stock Exchange under the symbol U.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The accompanying consolidated financial statements include the assets, liabilities, revenues and expenses of Uranium Corp and its wholly owned subsidiaries, Uranium Participation Alberta Corp. and Uranium Participation Cyprus Limited. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All significant intercompany balances and transactions have been eliminated on consolidation.

**Use of Estimates**

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from those estimates.

**Significant Accounting Policies**

*(a) Investments*

The fair value of investments in uranium are based on the most recent spot prices for uranium published by Ux Consulting Company, LLC prior to the applicable reporting period converted to Canadian dollars using the month end foreign exchange rate.

The cost of investments in uranium is accounted for on the date that significant risks and rewards to the uranium passes to Uranium Corp and is converted to Canadian dollars at the rate of exchange prevailing on that date.

Realized and unrealized gains or losses in uranium represents the difference between the fair value and average cost of uranium investments, adjusted for foreign exchange rate fluctuations, in Canadian dollars.

*(b) Investments Lending*

Income earned from investments lending is included in the consolidated statement of operations and is recognized when earned.

*(c) Foreign Exchange Translation*

The financial statements of Uranium Corp are expressed in Canadian dollars. Foreign currency monetary assets and liabilities are translated to Canadian dollars at the rate of exchange prevailing on the date of the applicable reporting period. Foreign currency income and expense transactions are translated into

Canadian dollars at the rate of exchange prevailing on the date of the transaction. Changes in the foreign exchange rates between the transaction date and the applicable reporting period date used to value monetary assets and liabilities are reflected in the statement of operations as a foreign exchange gain or loss.

(d) *Cash and Cash Equivalents*

Cash and cash equivalents consist of cash on deposit and highly-liquid short-term investments in government or investment grade corporate debt. Short-term investments are carried at cost which, together with accrued interest, approximates fair value.

(e) *Income Taxes Payable*

Uranium Corp follows the liability method of accounting for future income taxes. Under this method, current income taxes are recognized from the estimated income taxes payable for the current period. Future income tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities, and are measured using the substantively enacted tax rates and laws that are expected to apply when the differences are expected to reverse. The benefit of tax losses which are available to be carried forward are recognized as assets to the extent that they are more likely than not to be recoverable from future taxable income.

### **Comparative Numbers**

Certain classifications of the comparative figures have been changed to conform to those used in the current period.

### **Accounting Changes**

During fiscal 2007, Uranium Corp adopted the provisions of Section 3855, "Financial Instruments – Recognition and Measurement" of the Canadian Institute of Chartered Accountants ("CICA") Handbook. Section 3855 establishes standards for the fair valuation of investments as well as the accounting treatment of transaction costs as follows:

- (a) Fair value measurement - the new standard requires that the fair value of financial instruments, which are traded in active markets, be measured on bid price. Prior to this standard, common practice was to fair value financial instruments based on the last traded price for the day, when available. Adoption of this standard did not impact the Company's valuation of its investments.
- (b) Transaction fees - the new standard requires that transaction fees, such as purchase commissions, incurred in the purchase and sale of investments, be recorded as an expense in the consolidated statement of operations. Prior to this standard, the Company was following a practice of adding purchase commission expenses to the cost of the uranium investments acquired. There are no income tax implications and no impact on the net asset value of the Company in using either of these methods.

The Company has adopted the provisions of Section 3855 retroactively without restatement. There is no impact on the fair value measurement of its uranium investments, its net asset value and its tax liabilities. Purchase commissions are now expensed in the statement of operations as a separate line item. In the statement of investment portfolio at February 29, 2008, the Company has decreased the average cost of its uranium investments to exclude any purchase commissions paid since its inception in March 2005. Prior to the adoption of Section 3855, the average cost of the Company's uranium investments would have included purchase commissions of \$6,765,000 (2008 - \$2,246,000; 2007 - \$2,456,000; 2006 - \$2,063,000).

### **Recent Pronouncements**

The CICA issued the following accounting standards that are effective for the Company's fiscal years beginning on or after March 1, 2008:

- a) Section 1535 “Capital Disclosures” requires the disclosure of both qualitative and quantitative information that enable users to evaluate the company’s objectives, policies and processes for managing capital. This standard is effective for fiscal years beginning on or after October 1, 2007. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.
- b) Section 3862 “Financial Instruments – Disclosures” and Section 3863 “Financial Instruments – Presentation” replace Section 3861 “Financial Instruments – Disclosure and Presentation” and establish standards for increased disclosure and presentation about the nature and extent of risks arising from financial instruments and how the Company manages those risks. These standards are effective for fiscal years beginning on or after October 1, 2007. The Company is currently evaluating the impact of adopting these standards on its consolidated financial statements.
- c) International Financial Reporting Standards – the CICA plans to converge Canadian GAAP with International Financial Reporting Standards (“IFRS”) for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The impact on the transition to IFRS on Uranium Corp’s financial statements has not yet been determined.

### 3. INCOME TAXES

Unlike most investment funds, Uranium Corp does not qualify as a mutual fund trust and, accordingly, follows the general corporate income tax provisions of the Canadian Income Tax Act. Uranium Corp operates in multiple tax jurisdictions and the related income is subject to varying rates of taxation. The following is a reconciliation of income taxes, calculated at the combined Canadian federal and Ontario provincial rate, to the income tax expense included in the consolidated statement of operations for the years ended February 29, 2008 and February 28, 2007:

(in thousands of Canadian dollars)	February 2008	February 2007
Increase (decrease) in net assets from operations before income taxes	\$(230,483)	\$341,684
Combined federal and Ontario provincial income tax rate	35.69%	36.12%
Computed income tax expense (recovery)	(82,259)	123,416
Large corporations tax in excess of surtax	–	(65)
Operating loss carry-back	(23)	(112)
Difference between combined federal and Ontario provincial income tax rate and rates applicable to subsidiaries in other jurisdictions	17,000	(29,300)
Difference due to use of future tax rates rather than current tax rates in applicable jurisdictions	9,596	(9,718)
Other	(52)	89
<b>Provision for (recovery of) income taxes</b>	<b>\$(55,738)</b>	<b>\$ 84,310</b>
Provision for (recovery of) income taxes comprised of:		
Current tax expense (recovery)	\$ 289	\$ (70)
Future tax expense (recovery)	(56,027)	84,380
	<b>\$(55,738)</b>	<b>\$ 84,310</b>

The components of the Company's future tax balances as at February 29, 2008 and February 28, 2007 are as follows:

(in thousands of Canadian dollars)	February 2008	February 2007
Future tax assets:		
Tax benefit of share issue costs	\$ 4,095	\$ 3,893
Tax benefit of loss carryforwards	4,567	3,188
Unrealized loss on investments	1,908	–
<b>Future tax assets</b>	<b>\$ 10,570</b>	<b>\$ 7,081</b>
Future tax liabilities:		
Unrealized gain on investments	\$ 39,953	\$ 94,109
Tax benefit of loss carryforwards	(729)	(279)
<b>Future tax liabilities</b>	<b>\$ 39,224</b>	<b>\$ 93,830</b>

#### 4. COMMON SHARES, WARRANTS AND INCREASE IN NET ASSETS PER SHARE

##### Common Shares

Uranium Corp is authorized to issue an unlimited number of common shares without par value.

The movement in common shares for the years ended February 29, 2008 and February 28, 2007 is as follows:

(in thousands of Canadian dollars)	February 2008	February 2007
Common shares – beginning of year	\$299,759	\$155,183
Shares issued pursuant to:		
Common share financings		
Gross proceeds on new issues	152,409	151,751
Less: Allocation of proceeds to issued warrants	–	(2,466)
Less: Issue costs	(7,133)	(7,934)
Add: Tax effect of issue costs	2,068	2,618
Warrant activity		
Gross proceeds from exercises	30,582	545
Add: Fair value transfer from warrants	3,518	62
<b>Common shares – end of year</b>	<b>\$481,203</b>	<b>\$299,759</b>

The movement in the number of common shares for the years ended February 29, 2008 and February 28, 2007 is as follows:

(in number of shares)	February 2008	February 2007
Common shares – beginning of year	48,473,727	30,751,325
Shares issued pursuant to:		
New issues	11,634,750	17,636,440
Warrant exercises	4,883,364	85,962
<b>Common shares – end of year</b>	<b>64,991,841</b>	<b>48,473,727</b>

### Common share financings

In October 2007, Uranium Corp issued 5,134,750 shares at \$11.20 per share for total gross proceeds of \$57,509,000.

In April 2007, Uranium Corp issued 6,500,000 shares at \$14.60 per share for total gross proceeds of \$94,900,000.

In September 2006, Uranium Corp issued 11,363,650 equity units at \$8.80 per unit for total gross proceeds of \$100,000,000. Each unit consisted of one common share and one-quarter purchase warrant. Each whole warrant allows the holder to purchase one common share at \$12.00 exercisable prior to September 14, 2008. Approximately \$2,466,000 of the proceeds were allocated as the value of the issued warrants.

In May 2006, Uranium Corp issued 6,272,790 shares at \$8.25 per share for total gross proceeds of \$51,751,000.

### Warrants

The movement in warrants for the years ended February 29, 2008 and February 28, 2007 is as follows:

(in thousands of Canadian dollars)	February 2008	February 2007
Warrants – beginning of year	\$ 6,003	\$ 3,599
Warrants issued during the year	–	2,466
Warrants exercised during the year	(3,518)	(62)
Warrants expired during the year	(30)	–
Warrants – allocated fair value end of year	\$ 2,455	\$ 6,003
Warrant allocated fair value comprised of:		
May 2005 equity unit financing	–	3,538
September 2006 equity unit financing	2,455	2,465
	\$ 2,455	\$ 6,003

The movement in the number of warrants for the years ended February 29, 2008 and February 28, 2007 is as follows:

(in number of warrants)	February 2008	February 2007
Warrants – beginning of year	7,753,624	4,998,675
Warrants issued during the year	–	2,840,911
Warrants exercised during the year	(4,883,364)	(85,962)
Warrants expired during the year	(41,461)	–
Warrants – end of year	2,828,799	7,753,624
Warrants outstanding by issue:		
May 2005 equity unit financing	–	4,914,150
September 2006 equity unit financing	2,828,799	2,839,474
	2,828,799	7,753,624

When the net asset value from operations per common share of the fund exceeds the exercise prices of the warrants, the warrants will have a dilutive impact. The May 2005 equity unit financing warrants were fully exercised or expired as of May 10, 2007. As at February 29, 2008, none of the outstanding warrants are dilutive to the net asset value of the fund.

## Increase in Net Assets from Operations per Share

The calculation of the basic and diluted increase (decrease) in net assets from operations per common share was based on the following weighted average number of shares outstanding for the years ended February 29, 2008 and February 28, 2007:

(in number of shares)	February 2008	February 2007
Weighted average number of shares outstanding:		
Basic	60,007,756	40,991,927
Add: Warrant Dilution	–	1,859,546
Diluted	60,007,756	42,851,473

## 5. RELATED PARTY TRANSACTIONS

Uranium Corp is a party to a management services agreement with Denison Mines Inc., (the “Manager”). Under the terms of the agreement, Uranium Corp will pay the following fees to the Manager: a) a commission of 1.5% of the gross value of any purchases or sales of uranium completed at the request of the Board of Directors; b) a minimum annual management fee of \$400,000 (plus reasonable out-of-pocket expenses) plus an additional fee of 0.3% per annum based upon Uranium Corp's net asset value between \$100,000,000 and \$200,000,000 and 0.2% per annum based upon Uranium Corp's net asset value in excess of \$200,000,000; c) a fee of \$200,000 upon the completion of each equity financing where proceeds payable to Uranium Corp exceed \$20,000,000; d) a fee of \$200,000 for each transaction or arrangement (other than the purchase or sale of uranium) of business where the gross value of such transaction exceeds \$20,000,000 (“an initiative”); and e) an annual fee up to a maximum of \$200,000, at the discretion of the Board, for on-going maintenance or work associated with an initiative.

In accordance with the management services agreement, all uranium investments owned by Uranium Corp are held in accounts with conversion facilities in the name of Denison Mines Inc. as manager for and on behalf of Uranium Corp.

Uranium Corp entered into two credit agreements with the Manager. A \$25,000,000 revolving credit facility entered into in March 2006 (“March 2006 credit facility”) and a \$15,000,000 revolving credit facility entered into in September 2006 (“September 2006 credit facility”). The March 2006 credit facility charged interest of Canadian bank prime plus 2% with standby fees of 1% of the committed facility amount. The September 2006 credit facility charged interest of Canadian bank prime plus 1% with standby fees of 1% of the committed facility amount. Both credit agreements have since been terminated with \$10,000,000 drawn and repaid under the March 2006 credit facility and \$11,600,000 drawn and repaid under the September 2006 credit facility.

In June 2007, Uranium Corp purchased 75,000 pounds of U<sub>3</sub>O<sub>8</sub> from the Manager at a price of US\$130.00 per pound for total consideration of \$10,368,000 (US\$9,750,000).

The following transactions were incurred with the Manager during the years ended February 29, 2008 and February 28, 2007:

(in thousands of Canadian dollars)	February 2008	February 2007
Fees incurred with the Manager:		
Management fees	1,901	997
Facility arrangement fees	–	400
Equity financing fees <sup>(1)</sup>	400	400
Transaction fees – uranium purchase commissions	2,246	2,456
Shareholder Information and other compliance	6	30
General office and miscellaneous	4	12
Interest and other debt related expenses		
Interest on loan payable	91	313
Standby fees on line of credit	4	63
<b>Total fees incurred with the Manager</b>	<b>\$ 4,652</b>	<b>\$ 4,671</b>

<sup>(1)</sup> Equity financing fees incurred with the Manager have been recorded as share issue costs and are included in value reported for common shares.

As at February 29, 2008, accounts payable and accrued liabilities included \$162,000 due to the Manager with respect to the fees indicated above.

## 6. INVESTMENTS LENDING

As at February 29, 2008, the outstanding value of investments on loan and collateral held is as follows:

(in thousands of Canadian dollars, except quantity amounts)	Quantity of Measure	Market Value of Investments on Loan	Collateral Held
Uranium hexafluoride (“UF <sub>6</sub> ”)	500,000 KgU	\$ 97,980	\$ 152,582

The UF<sub>6</sub> loaned is subject to a loan fee of 5% per annum based upon the adjusted quarterly value of the material. Collateral held is in the form of an irrevocable letter of credit from a major financial institution, that is subject to adjustment on an annual basis.

## 7. SUBSEQUENT EVENTS

In February 2008, the Manager agreed to purchase, for and on behalf of Uranium Corp, 900,000 pounds of U<sub>3</sub>O<sub>8</sub> for a total price of US\$64,900,000 (excluding commissions). 200,000 pounds of this purchase was delivered in March 2008 with the remainder anticipated to be delivered on or before May 31, 2008.

In March 2008, the Manager agreed to purchase, for and on behalf of Uranium Corp, 75,000 KgU as UF<sub>6</sub> for a total price of US\$14,625,000 (excluding commissions) with delivery in June 2008.

On March 19, 2008, Uranium Corp closed an aggregate offering of 7,331,250 common shares at \$10.20 per share for total gross proceeds of \$74,779,000. The proceeds from the offering together with existing cash on hand was and will be used to fund the above-noted purchase commitments.

# Uranium Participation Corporation



## BOARD OF DIRECTORS

Paul J. Bennett  
President and Chief Executive Officer  
Energen Resources Ltd.  
President and Chief Executive Officer  
Rodinia Oil Corp.

Jeff Kennedy  
Chief Financial Officer  
Cormark Securities Inc.

Garth A. C. MacRae  
Independent Financial Consultant

Richard H. McCoy  
Chairman of the Board  
Retired; formerly Vice Chairman Investment Banking  
TD Securities Inc.

## OFFICERS

E. Peter Farmer  
President

James R. Anderson  
Chief Financial Officer

Donald C. Campbell  
Vice President, Marketing

Brenda R. Lazare  
Corporate Secretary

## MANAGER

Denison Mines Inc.  
595 Bay Street, Suite 402  
Toronto, Ontario  
M5G 2C2  
[www.denisonmines.com](http://www.denisonmines.com)

## OFFICE OF THE CORPORATION

Atrium on Bay  
595 Bay Street, Suite 402  
Toronto, Ontario M5G 2C2

Telephone: 416-979-1991  
Facsimile: 416-979-5893

Website: [www.uraniumparticipation.com](http://www.uraniumparticipation.com)

## AUDITORS

PricewaterhouseCoopers LLP  
Toronto

## REGISTRAR AND TRANSFER AGENT

Computershare Investor Services Inc.  
100 University Avenue, 9<sup>th</sup> Floor  
Toronto, Ontario M5J 2Y1

Telephone:  
Canada and U.S.: 1-800-564-6253  
Overseas: 1-514-982-7555

## STOCK EXCHANGE LISTING

The Toronto Stock Exchange  
Trading Symbol: U

Website: [www.tsx.com](http://www.tsx.com)

## ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

The Annual and Special Meeting of the Shareholders of Uranium Participation Corporation will be held at The Gallery of the TSX Broadcast & Conference Centre, The Exchange Tower, 130 King Street West, Toronto, Ontario on Monday, the 23rd day of June, 2008 at 10:30 a.m. (Eastern Time)

Managed by:



Atrium on Bay, 595 Bay Street, Suite 402, Toronto, Ontario M5G 2C2  
[www.denisonmines.com](http://www.denisonmines.com)