

Uranium Participation Corporation



MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE YEAR ENDED FEBRUARY 29, 2016

TABLE OF CONTENTS

ABOUT URANIUM PARTICIPATION CORPORATION	2
URANIUM INDUSTRY OVERVIEW	2
OVERALL PERFORMANCE	6
OUTLOOK	11
ADDITIONAL INFORMATION	17
CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS	17

This Management's Discussion and Analysis ("MD&A") of Uranium Participation Corporation and its subsidiary (collectively, "UPC" or the "Corporation") provides a detailed analysis of the Corporation's business and compares its financial condition and results of operations for the year ended February 29, 2016 to those of the previous year. This MD&A is dated as of May 5, 2016 and should be read in conjunction with the Corporation's audited annual consolidated financial statements and related notes for the year ended February 29, 2016.

The audited annual consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All dollar amounts are expressed in Canadian dollars, unless otherwise noted. All uranium prices are based on prices published by Ux Consulting Company LLC ("UxC"). For all references to the net asset value ("NAV"), please refer to the "Non-IFRS Financial Performance Measures" section.



ABOUT URANIUM PARTICIPATION CORPORATION

UPC invests substantially all of its assets in uranium, either in the form of uranium oxide in concentrates (“U₃O₈”) or uranium hexafluoride (“UF₆”) (collectively “uranium”), with the primary investment objective of achieving appreciation in the value of its uranium holdings through increases in the uranium price. Denison Mines Inc. (the “Manager”), under the direction of the Corporation’s Board of Directors, provides general administration and management services to the Corporation. The common shares of the Corporation are listed and trade on the Toronto Stock Exchange (“TSX”) under the symbol “U”.

UPC was created to invest in uranium. The common shares of the Corporation represent an indirect interest in physical uranium owned by UPC. As a result, an investment in the common shares of the Corporation provides an investment alternative for investors interested in investing directly in uranium, in a manner that does not directly include risks associated with investments in companies that engage in the exploration, mining and processing of uranium. The strategy of UPC is to invest in holdings of uranium and not to actively speculate on changes in uranium prices by entering into exchange and/or investment contracts or derivative arrangements.

URANIUM INDUSTRY OVERVIEW

In 2015, the focus of the nuclear energy and uranium industries remained on Japan. During the year, however, attention was focused on the number of Japanese nuclear reactors that were brought back on to the grid, as opposed to the 54 reactors that were shut down following the Fukushima Daichii nuclear incident, which occurred in March 2011. In June 2015, the Japanese government approved a draft plan for electricity generation to 2030, which calls for nuclear to provide roughly 20-22% of the country’s power, and in September 2015, the Japanese nuclear energy industry achieved a significant milestone with the commercial restart of Kyushu Electric Power Company’s Sendai Unit 1 reactor. The restart at Sendai Unit 1 was followed by the restart of the Sendai Unit 2 reactor in November 2015, and the subsequent resumption of two Takahama units of Kansai Electric Power. While continuing to face legal challenges to their continued commercial operation, these restarts provide significant encouragement for the participants in the nuclear energy industry in Japan, which are in the process of completing modifications, and obtaining licences and approvals to bring over 20 additional nuclear power plants online.

With Japan returning to nuclear power generation in 2015, the focus for the industry has started to turn to China, India and Russia – each of which have adopted ambitious plans to increase the use of nuclear power. In China and India, nuclear power is seen as a preferred choice to provide reliable base load power and addresses the emerging crisis around a lack of clean air and a growing problem with greenhouse gas emissions. Reports from China’s 13th 5-Year plan continue to be positive for the nuclear industry, highlighting plans to accelerate the building of new reactors as a way to combat crisis-level air pollution. A significant increase in the projected capacities for nuclear power generation is expected, as well as additional purchases to expand China’s strategic uranium stockpile.

According to the World Nuclear Association (“WNA”), as of March 1, 2016, China had 30 operable nuclear reactors capable of producing 26.8 gigawatts of electricity. A further 24 reactors are under construction and an additional 178 reactors are either planned or proposed. UxC estimates that 122 reactors are expected to be operable and capable of producing up to 129 gigawatts of electricity by 2030, representing 5 times as much power capacity as is currently available from nuclear. To achieve this level of production, China’s fleet of nuclear reactors will have to increase by between 6 and 7 reactors each year for the next 15 years. The WNA is projecting a similar growth profile for India, where 21 reactors were operable as of March 1, 2016, capable of producing 5.3 gigawatts of power. Taken together, 66 reactors are either under construction, planned or proposed in India. UxC estimates that over 22 gigawatts could be operable by 2030, representing over 4 times as much power capacity as is currently available from nuclear. To achieve this level of production, India’s fleet of nuclear reactors will have to increase by 19 reactors over the next 15 years – meaning that at least one additional reactor will have to join the fleet each year.

Throughout 2015, the spot price of uranium has sustained itself well above the lows of US\$28 per pound U₃O₈ range noted in mid-2014. While the spot price increased during the beginning of the fiscal 2016 year, to near US\$40 per pound U₃O₈, it softened somewhat during the fiscal year, to finish the fiscal 2016 year at US\$32.15 per pound U₃O₈. The softness in the spot market continues to reflect the fact that the market is currently oversupplied, as a result of a combination of factors, including production being sold into higher-priced long term contracts, supply coming from secondary sources, and the impact of a strengthening US dollar. The strengthening of the US dollar provides several producers with the opportunity to sell into the spot market at significantly higher prices in their local currency, than would have been possible in past years.

Although the uranium market is currently oversupplied, the long term growth projections for the nuclear industry combined with the expected depletion of uranium resources in operation today, continue to suggest that a significant



long term supply shortage could emerge, even with new production sources expected to come online. With a sustained period of low commodity prices, the uranium mining industry has been challenged to discover and advance the new production sources necessary to meet the expected increase in demand in future years. Higher prices are expected to be required to justify the construction of new mines, and in the absence of a significant price increase in the near term, it is possible that even the most ambitious development plans could leave the market with an unavoidable supply shortage as soon as the early 2020s.

Uranium Demand

The WNA reports that there are 440 nuclear reactors operable in 30 countries as of March 1, 2016. These reactors can generate 384 gigawatts of electricity and supply over 11% of the world's electrical requirements. As of March 1, 2016, 65 nuclear reactors are under construction in 14 countries with the principal drivers of this expansion being China (24 reactors under construction), Russia (8), India (6), the United States (5), South Korea (3) and UAE (4). Based on the most recent statistics from the WNA, there are a total of 238 reactors that are either under construction, or planned around the world, and an additional 337 reactors that are proposed, with the potential to be operating by 2030.

According to UxC, in its "Uranium Market Outlook – Q1 2016" (the "Q1 Outlook"), global nuclear power capacities are projected to increase by 39%, from 379.4 gigawatts in 2015 to 527.8 gigawatts in 2030. Of the net growth in nuclear generation capacities, China accounts for 70% while India, South Korea and Russia collectively make up a further 25%. The Q1 Outlook also estimates that uranium demand, including estimated inventory buildup, could grow by over 30% to as high as 257.0 million pounds U_3O_8 by 2025. This represents an increase of over 50% from estimated demand, excluding inventory buildup, of 168.5 million pounds of U_3O_8 in 2015.

Primary Uranium Supply

According to the Q1 Outlook, uranium production increased year over year from 145.3 million pounds U_3O_8 in 2014 to 158 million pounds U_3O_8 in 2015. Factoring out the additional production associated with the ramp up of activities at the Cigar Lake mine, global production remained roughly flat from 2014. Production from Africa and the United States declined in 2015, while production from Australia, Russia and Kazakhstan remained relatively consistent. Cigar Lake increased production from Canada. Canada remains the second largest producing nation with nearly 22% of the world's production in 2015. Kazakhstan continues to be the world's largest producer of uranium, representing nearly 40% of production in 2015.

UxC has estimated in its Q1 Outlook that existing mine production, plus new planned and potential mine production, will increase primary uranium supply from 158.0 million pounds U_3O_8 in 2015 to 165.7 million pounds U_3O_8 by 2025. This represents an increase of approximately 4.9%, as compared to the dramatic increases in uranium demand noted above. In past years, UxC projected that Kazakhstan was expected to continue to be one of the principal drivers for the increases in primary mine production. In the Q1 Outlook, the main drivers are now limited to the Cigar Lake mine in Canada, which is expected to increase production up to 18 million pounds U_3O_8 , per year, and the Husab mine in Namibia, which is being built by a Chinese utility as a source of captive supply, and continues to be projected to start production in 2016. For other projects to move forward to meet the production forecasts, uranium prices will need to increase appreciably to support their higher cost production profiles and the significant capital expenditures that will be required.

Secondary Uranium Supply

Primary mine production supplies approximately 94% of current demand, excluding inventory buildup. The balance of demand is supplied from secondary sources such as commercial inventories, reprocessing of spent fuel, sales by uranium enrichers and inventories held by governments, in particular the U.S. Department of Energy.

Excess commercial inventories, which were once one of the major sources of secondary supplies during the period from the early 1970s to the early 2000s, have largely been consumed; however, as a result of the shutdown of the German nuclear program and the continued shut down of the majority of the Japanese nuclear fleet, commercial inventories could become a more significant factor. A large source of secondary supplies continues to be government inventories, particularly in the U.S. and Russia. The disposition of these inventories may have a market impact over the next 10 to 20 years, although, the rate and timing of this material entering the market is uncertain.

Reprocessing of spent fuel is another source of secondary supply but is expected to satisfy roughly 6% of demand. Expansion of this secondary source would require major investments in facilities which could only be supported by a significant increase in long-term uranium prices.

UxC expects that secondary sources of supply will fall from 2015 levels of 44.3 million pounds U_3O_8 per year to 30.8 million pounds U_3O_8 per year by 2025.



Uranium Prices

Nuclear utilities purchase uranium primarily through long-term contracts. These contracts usually provide for deliveries to begin two to four years after they are signed and provide for delivery from four to ten years thereafter. In awarding medium and long-term contracts, electric utilities consider the producer's uranium reserves, record of performance and production cost profile, in addition to the commercial terms offered. Prices are established by a number of methods, including base prices adjusted by inflation indices, reference prices (generally spot price indicators, but also long-term reference prices) and annual price negotiations. Contracts may also contain annual volume flexibility, floor prices, ceiling prices and other negotiated provisions. Under these contracts, the actual price mechanisms are usually confidential.

The long-term demand that actually enters the market is affected in a large part by utilities' uncovered requirements. UxC estimates that uncovered demand in 2016 is only 3.4 million pounds U_3O_8 or 2% of projected demand, including inventory buildup. Uncovered demand, however, is projected by UxC to increase significantly over the period of 2016 to 2020, such that up to 72.9 million pounds remains uncovered for 2020, representing roughly 38% of projected demand in that year. Uncovered demand rises rapidly for years after 2020 to 173.6 million pounds for 2025, representing over 80% of projected total demand. At 173.6 million pounds, the uncovered demand in 2025 is estimated to be over 100% of total demand in 2015, excluding inventory buildup, and approximately 7.9 million pounds U_3O_8 greater than the total production expected from new and existing mine production in 2025 – some of which is already committed to the covered portion of the demand projected in 2025. In order to address the rising portion of demand that is uncovered, utilities will have to return to the market and enter into long-term contracts.

From 2006 to 2010, on average, roughly 40 million pounds U_3O_8 equivalent were purchased on the spot market per year and approximately 200 million pounds U_3O_8 equivalent were contracted in the long term market each year. By comparison, from 2011 to 2015, on average, roughly 48 million pounds U_3O_8 equivalent have been purchased on the spot market per year, while less than 100 million pounds U_3O_8 equivalent were contracted in the long term market each year. In 2014 and 2015, long term contracting volumes were roughly 78 million pounds U_3O_8 per year. With low contract volumes in recent years and increasing uncovered requirements, we expect that long term contracting activity will have to increase in the future as utilities look to secure supply and move U_3O_8 through the nuclear fuel cycle in order to fuel the world's growing fleet of nuclear reactors.

The long-term price is published on a monthly basis and began fiscal 2015 at US\$49.00 per pound U_3O_8 . On historically low volumes, as noted above, the long-term price declined to US\$44.00 per pound U_3O_8 by the end of the fiscal year.

Electric utilities procure their remaining uranium requirements through spot and near-term purchases from uranium producers, traders and other suppliers. Historically, spot prices are more volatile than long-term prices. The spot price began the fiscal year at US\$38.75 per pound U_3O_8 . It rose to US\$39.50 per pound U_3O_8 during the beginning of the fiscal year and then declined to US\$32.15 per pound U_3O_8 by the end of the fiscal year and was last quoted at US\$27.50 per pound U_3O_8 on May 2, 2016.

Given the strengthening of the US dollar relative to the currencies of the majority of the uranium producing countries (including Kazakhstan, Canada, and Australia), a relatively flat US dollar denominated spot price for uranium could reflect the fundamental strength of the uranium market. While other commodities have declined significantly in both US dollar terms and foreign currency terms, in particular oil, uranium has remained relatively flat in US dollar terms and has seen significant increases in foreign currency terms.

Current Market Conditions

Despite very positive long term supply and demand fundamentals, the first three months of 2016 have seen the spot uranium price fall below the mid-2014 lows (US\$27.50 per pound as of May 2, 2016). Spot prices were trading above US\$36.00 per pound U_3O_8 as recent as December 2015. While disappointing, and somewhat unforeseen by market analysts, this correction has been driven by unusually low trading volumes. Utility fuel buyers who have unfilled requirements emerging in the coming years are watching the market closely, looking for an entry point, but appear to be content to sit out as long as the price is flat or falling. Sellers with available spot material have therefore been forced to mark down their prices to entice a sale during this relatively inactive market.

Two things may result from the recent fall in the spot price: (1) On the supply side, it could further discourage increases in existing production capacity and may then delay, or cancel, new mine development plans. While not surprising, this is noteworthy given the very significant, and looming, increases in uranium demand that have been described above; and (2) On the demand side, it could bring both speculators and utilities (buying for actual forward needs) back into the market. Low prices have already sparked some mid-term utility buying interest for those eager



to lock in bargain prices as far into the future as the carry-trade economics will allow. These mid-term deals create demand in the spot market when traders backfill their forward commitments.

The market direction for the remainder of 2016 will depend on the timing and volume of utility near term purchasing and discretionary demand. However, it is important to note that the ongoing stockpiling activities of major emerging sovereign players, such as China and India, can dwarf this more traditional activity and should be followed closely, as both countries have recently announced plans to add to their strategic uranium inventories.

SELECTED ANNUAL FINANCIAL INFORMATION

(in thousands, except per share amounts)	February 29, 2016	February 28, 2015
Unrealized (losses) gains on investments in uranium	\$ (71,181)	\$ 134,606
Net (loss) gain for the year	\$ (75,072)	\$ 128,680
Net (loss) gain per common share – basic and diluted	\$ (0.65)	\$ 1.10
Total Assets	651,550	733,413
Total Liabilities	2,071	2,355
NAV⁽¹⁾	\$ 649,479	\$ 731,058

(1) The Net Asset Value or "NAV" is calculated as the value of total assets less the value of total liabilities. See "Non-IFRS Financial Performance Measures" section below.

SUMMARY OF QUARTERLY FINANCIAL INFORMATION

	February 29, 2016	November 30, 2015	August 31, 2015	May 31, 2015
Uranium related (loss) gain (in thousands)	\$ (62,263)	\$ (8,563)	\$ 68,190	\$ (67,101)
Net (loss) gain for the period (in thousands)	\$ (63,467)	\$ (9,928)	\$ 66,694	\$ (68,371)
Net (loss) gain per common share – basic and diluted	\$ (0.55)	\$ (0.09)	\$ 0.57	\$ (0.59)
NAV per share – basic and diluted	\$ 5.62	\$ 6.16	\$ 6.24	\$ 5.67
U ₃ O ₈ spot price (US\$)	\$ 32.15	\$ 36.00	\$ 36.75	\$ 35.00
UF ₆ spot price (US\$)	\$ 90.00	\$ 99.00	\$ 101.00	\$ 98.50
Foreign exchange noon-rate (US\$ to CAD\$)	1.3523	1.3333	1.3223	1.2465

	February 28, 2015	November 30, 2014	August 31, 2014	May 31, 2014
Uranium related gain (loss) (in thousands)	\$ 36,178	\$ 178,992	\$ 39,629	\$ (120,280)
Net gain (loss) for the period (in thousands)	\$ 34,807	\$ 177,395	\$ 38,466	\$ (121,988)
Net gain (loss) per common share – basic and diluted	\$ 0.30	\$ 1.52	\$ 0.33	\$ (1.04)
NAV per share – basic and diluted	\$ 6.26	\$ 5.96	\$ 4.44	\$ 4.11
U ₃ O ₈ spot price (US\$)	\$ 38.75	\$ 40.00	\$ 31.00	\$ 28.25
UF ₆ spot price (US\$)	\$ 107.00	\$ 112.50	\$ 87.00	\$ 81.00
Foreign exchange noon-rate (US\$ to CAD\$)	1.2508	1.1427	1.0858	1.0867



OVERALL PERFORMANCE

The net loss for the year ended February 29, 2016 was mainly due to unrealized net losses on investments in uranium of \$71,181,000, storage fees of \$2,347,000 and management fees of \$2,216,000, slightly offset by the realized gain on sale of uranium of \$1,027,000. The net gain for the year ended February 28, 2015 was mainly due to unrealized net gains on investments in uranium of \$134,606,000, slightly offset by storage fees of \$2,431,000, management fees of \$1,871,000 and transaction fees of \$919,000.

Unrealized net losses on investments in uranium during the year ended February 29, 2016 were caused by an overall decrease in spot prices, partly offset by the increase in the U.S. dollar to Canadian dollar exchange rate to 1.3523 from 1.2508 during the fiscal year. The spot prices during the fiscal year decreased to US\$32.15 per pound U₃O₈ and US\$90.00 per KgU as UF₆ at February 29, 2016, from US\$38.75 per pound U₃O₈ and US\$107.00 per KgU as UF₆ at February 28, 2015.

Unrealized net gains on investments in uranium during the year ended February 28, 2015 were caused by an overall increase in spot prices from US\$35.50 per pound U₃O₈ and US\$99.00 per KgU as UF₆ at February 28, 2014, as well as an increase in the U.S. dollar to Canadian dollar foreign exchange noon-rate from 1.0867 during the fiscal year.

UPC's NAV per share decreased to \$5.62 at February 29, 2016, from \$6.26 at February 28, 2015. Total equity decreased to \$649,479,000 at February 29, 2016, from \$731,058,000 at February 28, 2015.

The Corporation had an effective tax rate of nil for the years ended February 29, 2016 and February 28, 2015, primarily due to the fact that the Company's available tax shelter and cost basis related to its investments in uranium give rise to a net deductible temporary difference – for which the Company does not recognize deferred tax assets.

Investment Portfolio

UPC's investment portfolio consists of the following as at February 29, 2016:

(in thousands, except quantity amounts)	Quantity	Cost	Fair Value
Investments in Uranium:			
U ₃ O ₈	9,470,024 lbs	\$ 454,486	\$ 411,723
UF ₆	1,903,471 KgU	\$ 311,862	\$ 230,390 ⁽¹⁾
		\$ 766,348	\$ 642,113
U ₃ O ₈ average cost and market value per pound:			
In Canadian dollars		\$ 47.99	\$ 43.48 ⁽²⁾
In United States dollars		\$ 43.97	\$ 32.15
UF ₆ average cost and fair value per KgU:			
In Canadian dollars		\$ 163.84	\$ 121.04 ⁽¹⁾⁽²⁾
In United States dollars		\$ 151.62	\$ 89.50 ⁽¹⁾

(1) Includes a \$1,276,000 fair value adjustment for UF₆ inventory held with the United States Enrichment Facility.

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

Purchases of Uranium

No purchases were made during the year ended February 29, 2016. During the year ended February 28, 2015, the Corporation purchased 1,090,000 pounds of U₃O₈ at an average price of US\$35.07 per pound of U₃O₈, for a total cash consideration of \$42,424,000 (US\$38,225,000).

Sale of Uranium

Given the significant discount of the Corporation's share price relative to its NAV per share during October 2015, the Corporation completed the sale of 100,000 pounds of U₃O₈ for cash consideration of \$4,743,000 (US\$3,625,000) and used the proceeds from the sale of the uranium to fund the purchase of the Corporation's shares during the same month. The Corporation was able to purchase 867,700 of its outstanding shares at an average cost of \$5.185 per share, which represented a discount of 16.8% when compared to the NAV per share of \$6.23 at the beginning of the month of October 2015. The realized gain on the sale of the uranium in October 2015 was \$1,027,000. No sales were made during the year ended February 28, 2015.



Sale of Conversion Components

The Corporation sold conversion component in UF₆ as outlined below, in order to convert some of its UF₆ holdings to U₃O₈.

In November 2014, the Corporation agreed to the sale of the conversion component contained in 250,000 KgU as UF₆ to occur over three tranches:

- 1) conversion component contained in 100,000 KgU as UF₆ in return for 261,285 pounds of U₃O₈ and cash consideration of US\$700,000 that was completed in December 2014;
- 2) conversion component contained in 50,000 KgU as UF₆ in return for 130,643 pounds of U₃O₈ and cash consideration of US\$357,500 that was completed in February 2015; and
- 3) conversion component contained in 100,000 KgU as UF₆ in return for 261,285 pounds of U₃O₈ and cash consideration of US\$715,000 that was completed in May 2015.

Losses on the sales of the conversion components in December 2014, February 2015 and May 2015 were \$247,000, \$68,000 and \$140,000, respectively. Transaction fees relating to the transactions completed in December 2014 and February 2015 totaled \$28,000. There were no transaction fees relating to the sale completed in May 2015.

Uranium Lending Arrangement

In March 2015, the Corporation entered into an agreement to loan 1,300,000 pounds of U₃O₈ to an independent third party with a return date in April 2017. The loan was subject to a loan fee of 1.0% per annum, with payments calculated quarterly based on the average of the U₃O₈ spot price per pound, as defined and published by UxC at the end of each month for the previous three months. Collateral for the loan, in the form of an irrevocable bank guarantee, was provided in the amount of US\$56,000,000, which can be adjusted based on movements in the uranium price. At February 29, 2016, the market value of the 1,300,000 pounds of U₃O₈ loaned was \$56,519,000 (US\$41,795,000). In March 2016, the loan was terminated early by mutual agreement. Refer to SUBSEQUENT EVENTS for more details.

In 2009, the Corporation entered into a loan of the conversion component of 1,332,230 KgU as UF₆ for a three year term, which was subsequently extended an additional year. The conversion component loaned was subject to a loan fee of 4.5% per annum based on the greater of the month end conversion value per KgU as UF₆ or US\$11.75 per KgU as UF₆. To facilitate the loan of the conversion component in December 2009, 1,332,230 KgU as UF₆ was transferred to the borrower, with 3,480,944 pounds of U₃O₈ and an irrevocable letter of credit of US\$15,700,000 from a major financial institution sent to UPC as collateral. In May 2013, the loan return date was amended with the borrowed quantity separated into two tranches: 1) a conversion component of 865,000 KgU as UF₆ ("Tranche 1"); and 2) a conversion component of 467,230 KgU as UF₆ ("Tranche 2"). The return date for Tranche 1 was amended from December 31, 2013 to July 15, 2013, while the return date for Tranche 2 was extended from December 31, 2013 to December 31, 2014.

On July 15, 2013, Tranche 1 was returned to the Corporation and the collateral held by the Corporation was reduced to 1,220,811 pounds of U₃O₈ and an irrevocable letter of credit of US\$6,039,000. On December 31, 2014, Tranche 2 was returned to the Corporation and the letter of credit was cancelled.

Fair Value Adjustment on UF₆ held with the USEC Facility

In May 2013, the United States Enrichment Facility ("USEC Facility") announced that it ceased uranium enrichment at its Paducah Gaseous Diffusion Plant in Kentucky. As a result, many utilities have sought enrichment services from other suppliers. With fewer enrichment customers, there has been a decrease in the demand for UF₆ held with the USEC Facility. In order to transfer the Corporation's UF₆ held with the USEC Facility to another storage facility, it may take a considerable amount of time and the Corporation may incur significant costs. As such, the Corporation recorded an initial fair value adjustment of \$3,987,000, in fiscal 2014 to reflect the risk associated with its UF₆ held with the USEC Facility.

During the year ended February 29, 2016, the Corporation transferred a total of 685,434 KgU as UF₆ held with the USEC Facility to another storage facility. The transfers reduced the Corporation's UF₆ holdings with the USEC Facility to 378,566 KgU with a fair value of \$46,074,000, before adjustment, as at February 29, 2016. The cost associated with the transfers amounted to \$2,711,000. As a result of the reduction in UF₆ held with the USEC Facility, the fair value adjustment was reduced to \$1,276,000.

Subsequent to the year ended February 29, 2016, the Corporation transferred an additional 42,290 KgU as UF₆ held with the USEC Facility to another storage facility. Refer to SUBSEQUENT EVENTS for more details.



The Corporation plans to relocate the remaining material to another facility through location swaps over the next twelve months and currently expects the cost associated with this process to be offset by the remaining fair value adjustment of \$1,276,000.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were \$8,968,000 at February 29, 2016 compared with \$17,753,000 at February 28, 2015. The decrease of \$8,785,000 was primarily due to net cash used in operations of \$5,201,000 and financing activities of \$6,507,000, partly offset by cash generated by investing activities of \$2,923,000.

During March 2015, the Corporation purchased 356,500 of its outstanding shares, pursuant to a normal course issuer bid ("2014 NCIB") filed with the TSX in November 2014. The 2014 NCIB authorized the Corporation to purchase up to 7,500,000 of the Corporation's common shares during the 12 month period that commenced November 24, 2014 and ended on November 23, 2015. Shares were purchased at an average cost of \$5.60 per share for a total cost of \$1,999,000, including transaction costs. During October 2015, the Corporation purchased an additional 867,700 of its outstanding shares at an average cost of \$5.185 per share for a total expenditure of \$4,508,000, including transaction costs.

During May 2015, the Corporation received cash consideration of \$891,000 upon completing the sale of the conversion component contained in 100,000 KgU as UF₆. In October 2015, the Corporation received cash consideration of \$4,743,000 upon completing the sale of 100,000 pounds of U₃O₈. Cash used by investing activities were related to costs of \$2,711,000 associated with the transfers UF₆ held with the USEC Facility to another storage facility.

The Corporation's capital structure consists of share capital and contributed surplus. Uranium purchases are normally funded through common share offerings with at least 85% of the gross proceeds of share offerings invested in, or set aside for, future purchases of uranium. At February 29, 2016, the Corporation has invested more than the required minimum amount of 85% of its aggregate gross proceeds of share offerings in uranium. In strictly limited circumstances, the Corporation can enter into short-term borrowing arrangements for up to 15% of its net asset value to facilitate the purchases of uranium. To date, the Corporation has not entered into any short-term borrowing arrangements.

On October 31, 2014, the Corporation filed the Short Form Base Shelf Prospectus ("Prospectus") with the securities regulatory authorities in each of the provinces of Canada, other than Québec. The Corporation may issue common shares or warrants or any combination of such securities as units ("Securities"), in amounts, at prices, and on terms to be determined based on market conditions at the time of sale and as set forth in the Prospectus, for an aggregate offering amount of up to \$200,000,000 during the 25 month period that the Prospectus remains effective until November 30, 2016. As at February 29, 2016, the Corporation has not issued any Securities pursuant to the Prospectus.

In January 2016, the Corporation filed a normal course issuer bid ("2016 NCIB") with the TSX, authorizing the Corporation to purchase up to 10,192,641 of the Corporation's common shares during a 12 month period commencing January 18, 2016 and ending on January 17, 2017. To date, the Corporation has not made any purchase of its outstanding shares under the 2016 NCIB.

RELATED PARTY TRANSACTIONS

Management Services Agreement with Denison Mines Inc.

Pursuant to its management services agreement with the Manager dated April 1, 2013, the Corporation paid the following fees to the Manager, as applicable: 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 the Corporation's net asset value in excess of \$100,000,000; and c) a fee, at the discretion of the Board, for on-going monitoring or work associated with a transaction or arrangement (other than a financing, or the purchase or sale of uranium).

The management services agreement expired on March 31, 2016. A new three year agreement was entered into between the Corporation and the Manager effective April 1, 2016 ("Renewed Management Services Agreement"). See SUBSEQUENT EVENTS for further details.



The following outlines the fees paid to the Manager for the years ended:

(in thousands)	February 29, 2016	February 28, 2015
Fees incurred with the Manager:		
Management fees	\$ 2,216	\$ 1,871
Transaction fees – commissions on uranium sales and purchases	71	636
Total fees incurred with the Manager	\$ 2,287	\$ 2,507

As at February 29, 2016, trade and other payables included \$260,000 (February 28, 2015: \$250,000) due to the Manager with respect to the fees indicated above.

Key Management Personnel

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

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

(in thousands)	February 29, 2016	February 28, 2015
Directors' fees	\$ 235	\$ 223
Total key management personnel compensation	\$ 235	\$ 223

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

Commodity Price Risk

The Corporation's NAV is directly tied to the spot price of uranium published by UxC. At February 29, 2016, a 10% increase in the uranium spot price would have increased the Corporation's total equity by \$64,339,000, while a 10% decrease would have the same but opposite effect.

Currency Risk

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

As the prices of uranium are quoted in U.S. currency, fluctuations in the Canadian dollar relative to the U.S. dollar can significantly impact the valuation of uranium from a Canadian dollar perspective. At February 29, 2016, a 10% increase in the U.S. dollar to Canadian dollar exchange rate would have increased the Corporation's total equity by \$64,559,000, while a 10% decrease would have the same but opposite effect.

Credit Risk

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

To limit the credit risk exposure on its cash and cash equivalents, the Corporation holds its cash and cash equivalents in credit worthy financial institutions. In order to ensure recoverability on the Corporation's investments in



uranium, which are held with storage facilities owned by different organizations, the Corporation holds its investments in uranium with organizations that are credible and financially stable. Credit risk exposure on its trade and other receivables is limited since the Corporation lends uranium exclusively to large organizations and ensures that adequate security is provided for any loaned uranium.

Liquidity Risk

Financial liquidity represents the Corporation's ability to fund future operating activities. The Corporation may generate cash from the lending or sale of uranium, or the sale of additional equity securities. The Corporation's current cash balance is sufficient to meet its operating cash requirements. Although the Corporation enters into commitments to purchase uranium periodically, the commitments are normally funded by the Corporation's available cash or are contingent on its ability to raise funds through the sale of additional equity securities.

Fair Value of Investments, Financial Assets and Financial Liabilities

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

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

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

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

The Corporation has not offset financial assets with financial liabilities.

OFF-BALANCE SHEET ARRANGEMENTS

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

SUBSEQUENT EVENTS

Uranium Lending Arrangement

In March 2015, the Corporation entered into an agreement to loan 1,300,000 pounds of U₃O₈ with a return date in April 2017. In March 2016, the Corporation and borrower agreed to terminate the loan one year before the original return date. As a result of the early termination, the Corporation received cash consideration of US\$435,000 in April 2016 and the related bank guarantee was cancelled and returned to the borrower.

Transfer of UF₆ held with the USEC Facility to another storage facility

On May 2, 2016, the Corporation transferred 42,290 KgU as UF₆ held with the USEC Facility to another storage facility. The costs associated with transferring the material amounted to US\$85,000. The transfer has reduced the Corporation's UF₆ holdings with the USEC Facility to 336,276 KgU.

Renewal of Management Services Agreement with the Manager

A new three year management services agreement was entered into between the Corporation and the Manager effective April 1, 2016. Under the Renewed Management Services Agreement, the Manager will receive the following fees from the Corporation: a) a base fee of \$400,000 per annum, payable in equal quarterly installments; b) a variable fee equal to (i) 0.3% per annum of the Corporation's total assets in excess of \$100,000,000 and up to and including \$500,000,000, and (ii) 0.2% per annum of the Corporation's total assets in excess of \$500,000,000; c) a fee, at the discretion of the Board, for on-going monitoring or work associated with a transaction or arrangement (other than a



financing, or the acquisition of or sale of U_3O_8 or UF_6); and d) a commission of 1.0% of the gross value of any purchases or sales of U_3O_8 or UF_6 , or gross interest fees payable to the Corporation in connection with any uranium loan arrangements.

Migration of Subsidiary

At February 29, 2016, the majority of the Corporation's uranium was held directly or indirectly through its wholly owned subsidiary, Uranium Participation Cyprus Limited ("UPCL"). UPCL was incorporated under the laws of the Republic of Cyprus on September 10, 2006. In August 2007, UPCL established a branch office in Luxembourg through which the operations of UPCL were conducted.

UPCL migrated to Bermuda on March 11, 2016, upon receipt of approval from the Bermuda Monetary Authority, and was registered under the name of Uranium Participation Bermuda Limited ("UPBL") by the Registrar of Companies in Bermuda. Immediately following the migration, the branch office in Luxembourg was closed and all assets and liabilities were transferred to UPBL. UPBL's successful continuance in Bermuda will allow it to carry on its activities of directly investing in, and holding, uranium. The migration to Bermuda is expected to reduce the Corporation's operating costs.

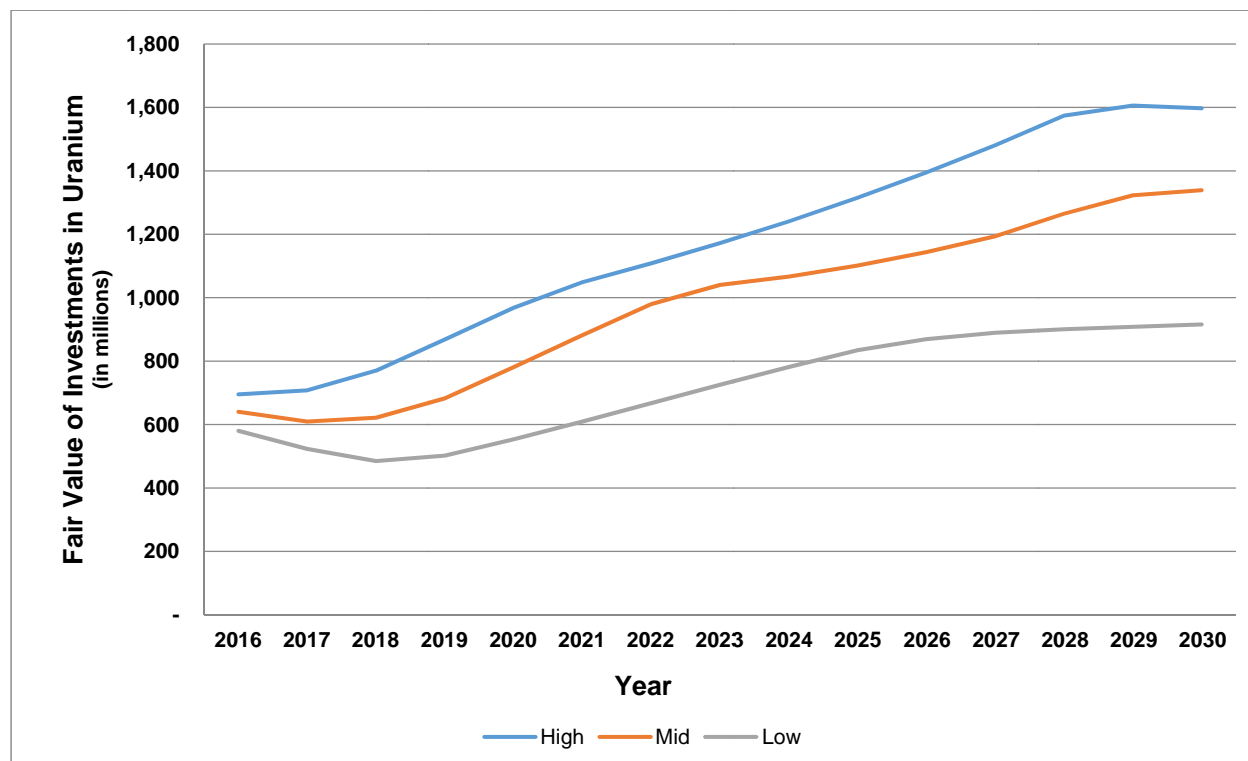
OUTSTANDING SHARE DATA

At May 5, 2016, there were 115,648,713 common shares issued and outstanding. There are no stock options or other instruments issued and outstanding.

OUTLOOK

The Corporation's NAV is directly tied to the spot price of uranium published by UxC. According to UxC's 2016 Q1 Outlook, the spot price of U_3O_8 is projected to rise over the next 15 years. The following chart displays the projected future fair value of investments in uranium held by UPC, based on the low to high spot price projections from UxC. Based on UxC's projections, by 2020, the Corporation's estimated future fair value of investments in uranium is projected to increase up to a high of almost \$1 billion, and by 2030, up to a high of over \$1.5 billion.

Projected Fair Value of Investments in Uranium ⁽¹⁾





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

(in millions)	2020 ⁽¹⁾	2025 ⁽¹⁾	2030 ⁽¹⁾
High Spot Price Projections ⁽²⁾	\$ 968	\$ 1,315	\$ 1,597
Mid Spot Price Projections ⁽³⁾	\$ 781	\$ 1,101	\$ 1,339
Low Spot Price Projections ⁽⁴⁾	\$ 553	\$ 835	\$ 916

- (1) The estimated fair value of investments in uranium calculated above are based on the following:
- Spot price projections from UxC's 2016 Q1 Outlook and noted in (2), (3) and (4) below;
 - The US to Canadian dollar foreign exchange noon-rate at February 29, 2016 of 1.3523; and
 - The investments in uranium held by the Corporation on February 29, 2016.
- (2) High spot price projections for 2020, 2025 and 2030 were US\$48.30, US\$65.60 and US\$79.68, respectively.
- (3) Mid spot price projections for 2020, 2025 and 2030 were US\$38.96, US\$54.94 and US\$66.78, respectively.
- (4) Low spot price projections for 2020, 2025 and 2030 were US\$27.60, US\$41.63 and US\$45.68, respectively.

CONTROLS AND PROCEDURES

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

The Corporation's management is responsible for establishing and maintaining an adequate system of internal control over financial reporting and conducted an evaluation of the effectiveness of internal control over financial reporting based on the *Internal Control – Integrated Framework, 2013* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, the President and Chief Executive Officer and Chief Financial Officer concluded that the Corporation's internal control over financial reporting was effective as of February 29, 2016.

There has not been any change in the Corporation's internal control over financial reporting that occurred during the year ended February 29, 2016 that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Investments in Uranium

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

Deferred Income Taxes

Deferred income taxes are based on temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the differences are anticipated to be recovered or settled. The Corporation is also required to limit the amount of deferred tax assets recognized based on expectations of future taxable income.



Accounting Standards Issued But Not Yet Adopted

The Corporation has not yet adopted the following accounting pronouncements effective for the Corporation's fiscal periods beginning on or after March 1, 2016:

IFRS 9 Financial Instruments

In July 2014, the IASB published the final version of IFRS 9 *Financial Instruments* ("IFRS 9"), which brings together the classification, measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 replaces the multiple classifications for financial assets in IAS 39 with a single principle based approach for determining the classification of financial assets based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The final version of IFRS 9 is effective for periods beginning on or after January 1, 2018; however, it is available for early adoption.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service. The standard replaces IAS 18 "Revenue" and IAS 11 "Construction Contracts" and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 which replaces existing standards and interpretations under IAS 17 "Leases". IFRS 16 requires all leases, including financing and operating leases, to be reported on the balance sheet with the intent of providing greater transparency on a company's lease assets and liabilities. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 is adopted.

The Corporation has not yet assessed the impact nor determined whether it will early adopt these standards.

RISK FACTORS

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

Uranium Price Volatility from Demand and Supply Factors

Since almost all of the Corporation's activities involve investing in uranium, the value of its securities will be highly sensitive to fluctuations in the prices of uranium. Historically, the fluctuations in these prices have been, and will continue to be, affected by numerous factors beyond the Corporation's control. Such factors include, among others: demand for nuclear power; political and economic conditions in uranium producing and consuming countries; public and political response to a nuclear accident; improvements in nuclear reactor efficiencies; reprocessing of used reactor fuel and the re-enrichment of depleted uranium tails; sales of excess inventories by governments and industry participants; and production levels and production costs in key uranium producing countries.

Since UF₆ is a different commodity than U₃O₈, its price is affected by its own supply/demand balance as well as the supply/demand balances of U₃O₈ and for conversion services. As a result, the spot price of UF₆ (the "UF₆ Price") may move differently than the spot price of U₃O₈ or the spot conversion price alone. The factors that affect the UF₆ Price will affect the NAV of the Corporation, which in turn may affect the price of the Corporation's securities.



Set out in the table below is the spot price for U₃O₈ per pound and the UF₆ Price per KgU at February 28 (or February 29, if applicable) for each of the last the five fiscal years⁽¹⁾.

	2012	2013	2014	2015	2016
U ₃ O ₈ ⁽¹⁾	\$52.00	\$42.00	\$35.50	\$38.75	\$32.15
UF ₆ ⁽¹⁾	\$141.00	\$120.00	\$99.00	\$107.00	\$90.00

⁽¹⁾ As published by UxC in US dollars.

Public Acceptance of Nuclear Energy and Competition from Other Energy Sources

The growth of the uranium and nuclear power 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 the continued acceptance by the public and regulatory authorities of nuclear energy and the future prospects for nuclear generators, which could have a material adverse effect on the Corporation.

Nuclear energy competes with other sources of energy, including oil, natural gas, coal 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. Technical advancements in renewable and other alternate forms of energy, such as wind and solar power, could make these forms of energy more commercially viable and put additional pressure on the demand for uranium concentrates.

Risks Associated with the USEC Facility

The USEC Facility, one of the licensed facilities with which UPC holds UF₆, ceased enrichment operations in 2013. As a result, many utilities have sought enrichment services from other suppliers. With fewer enrichment customers, there has been less demand for UF₆ held with the USEC Facility. The Corporation currently holds 336,276 KgU as UF₆ as at the date hereof. UPC has been working to transfer its UF₆ held with the USEC Facility to other licensed facilities. While UPC is continuing to pursue opportunities, it may take a considerable amount of time to transfer its UF₆, and UPC may incur costs to do so, which could be significant. To date, the cost to transfer its UF₆ held with the USEC Facility has amounted to approximately US\$2.1 million.

UPC's contract with the USEC Facility was amended to extend its expiry date to December 31, 2016, after which UPC will negotiate an extension or have 180 days to remove its UF₆ from the facility.

Risks Associated with Facilities

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

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

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

Foreign Exchange Rates

The Corporation maintains its accounting records, reports its financial position and results, and pays certain operating expenses in Canadian currency. In addition, its securities trade in Canadian currency. As the price of uranium is quoted in U.S. currency, fluctuations in the U.S. currency exchange rate relative to the Canadian currency can



significantly impact the valuation of uranium and the associated purchase price from a Canadian currency perspective. Because exchange rate fluctuations are beyond the Corporation's control, there can be no assurance that such fluctuations will not have an adverse effect on the Corporation's operations or on the trading value of its securities.

Uranium Lending

The Corporation may, from time to time, enter into uranium lending arrangements. As a matter of practice, the Corporation has, and will in the future, ensure that adequate security is provided with respect to 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 replacement cost of U_3O_8 and UF_6 , uranium held by the Corporation may be higher depending on prevailing market conditions.

No Public Market for Uranium

There is no public market for the sale of uranium. The uranium futures market on the New York Mercantile Exchange does not provide for physical delivery of uranium, only cash on settlement, and the trading forum by certain buyers does not offer a formal market but rather facilitates the introduction of buyers to sellers. The Corporation 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, the Corporation may experience additional difficulties purchasing uranium in the event that it is a significant buyer. The inability to purchase and sell on a timely basis in sufficient quantities could have a material adverse effect on the securities of the Corporation.

From time to time, the Corporation enters into commitments to purchase 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.

Industry Competition for the Supply of Uranium

The international uranium industry, including the supply of uranium concentrates, is competitive. Uranium supplies are available from a number of sources including: a relatively small number of uranium mining companies; excess inventory from utilities and government sources; reprocessed uranium and plutonium from used reactor fuel; and excess enrichment capacity, which can be used for underfeeding or re-enriching depleted uranium tails. Worldwide supply of uranium is also tied to political and economic conditions in uranium producing countries. The variety of sources, and the impact of a change in costs, government policies and other factors which are beyond the control of the Corporation, may impact the supply of uranium and its market price.

For example, the supply of uranium from Russia 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 in the United States and Europe, which are the largest markets for uranium in the world.

Lack of Operational Liquidity

The expenses of the Corporation are funded from cash on hand that is not otherwise invested in uranium and revenue from lending of uranium. Once such available cash has been expended, the Corporation may generate additional cash from either the lending or sale of uranium, or the sale of additional equity securities. There is no guarantee that the Corporation will be able to sell additional equity or equity related securities on terms acceptable to the Corporation in the future, that the Corporation will be able to sell uranium in a timely or profitable manner, or that the Corporation will be able to generate revenue through lending arrangements.

NAV

The NAV reported by the Corporation is based on the spot price of uranium published by UxC. Accordingly, the NAV may not necessarily reflect the actual realizable value of uranium held by the Corporation. The NAV is calculated by deducting the Corporation's liabilities from its assets as at the relevant period end. The liabilities include liabilities for any future income taxes, if applicable.



Market Price and Liquidity of Common Shares

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

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

Reliance on Board of Directors and Manager

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

Resignation by Manager

The Manager may terminate the Renewed Management Services Agreement in accordance with the terms thereof. The Corporation may not be able to readily secure similar services or at management fees comparable to those under the Management Services Agreement, and its operations may therefore be adversely affected. Additionally, from time to time there may be changes in personnel at the Manager, and these changes could alter the management of the Corporation and impact the management services provided to Corporation under the Management Services Agreement.

Conflict of Interest

Directors and officers of the Corporation may provide investment, administrative and other services to other entities and parties. The directors and officers of the Corporation have devoted, and have undertaken to devote, such reasonable time as is required to properly fulfill their responsibilities in respect to the business and affairs of the Corporation as they arise from time to time.

Regulatory Change

The Corporation may be affected by changes in regulatory requirements, customs, duties or taxes. Such changes could, depending on their nature, benefit or adversely affect the Corporation.

Impact of Global Economic Conditions

Global financial conditions have been increasingly volatile, and the economies of certain countries have experienced instability in recent years. The Corporation takes precautions to mitigate against risks associated with carrying on business in uncertain financial conditions and markets. However, there is no guarantee that the Corporation will not be adversely impacted by risks arising from global financial conditions and unstable economies in the future.

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



Disclosure and Internal Controls

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

NON-IFRS FINANCIAL PERFORMANCE MEASURES

This MD&A contains references to "Net Asset Value" or "NAV" and "diluted NAV", which are non-IFRS financial performance measures. The NAV is calculated as the value of total assets less the value of total liabilities. To arrive at NAV per share, the NAV is then divided by the total number of common shares outstanding as at a specific date. Diluted NAV per share is calculated by dividing the NAV by the weighted average number of common shares outstanding, adjusted for dilutive instruments. The term NAV does not have any standardized meaning according to IFRS and therefore may not be comparable to similar measures presented by other companies. There is no comparable IFRS financial measure presented in UPC's consolidated financial statements and thus no applicable quantitative reconciliation for such non-IFRS financial performance measure. The Corporation has calculated NAV, NAV per share and diluted NAV per share consistently for many years and believes these measures provide information useful to its shareholders in understanding UPC's performance and may assist in the evaluation of the Corporation's business relative to that of its peers.

ADDITIONAL INFORMATION

Additional information regarding UPC, including the Corporation's press releases, quarterly and annual reports and Annual Information Form, are available under the Corporation's profile at www.sedar.com.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain information contained or incorporated by reference in this MD&A constitutes forward looking statements or forward looking information. These statements can be identified by the use of forward looking terminology such as "may", "will", "expect", "intend", "estimate", "anticipate", "plan", "should", "believe" or "continue" or the negative thereof or variations thereon or similar terminology.

By their very nature, forward looking statements involve numerous factors, assumptions and estimates. A variety of factors, many of which are beyond the control of UPC, may cause actual results to differ materially from the expectations expressed in the forward looking statements. For a list of the principal risks of an investment in UPC, please refer to the "RISK FACTORS" section in this MD&A.

These and other factors should be considered carefully, and readers are cautioned not to place undue reliance on these forward looking statements. Although management reviews the reasonableness of its assumptions and estimates, unusual and unanticipated events may occur which render them inaccurate. Under such circumstances, future performance may differ materially from those expressed or implied by the forward looking statements. Except where required under applicable securities legislation, UPC does not undertake to update any forward looking information.

**Uranium
Participation
Corporation**



**ANNUAL CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2016**

TABLE OF CONTENTS

RESPONSIBILITY FOR FINANCIAL REPORTING	2
INDEPENDENT AUDITOR'S REPORT	3
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	5
CONSOLIDATED STATEMENTS OF COMPREHENSIVE GAIN (LOSS)	6
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	7
CONSOLIDATED STATEMENTS OF CASH FLOWS	7
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	8



Responsibility for Financial Reporting

Uranium Participation Corporation's (the "Corporation") management is responsible for the integrity and fairness of the presentation of these consolidated financial statements. The consolidated financial statements have been prepared by management, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, for review by the Audit Committee and approval by the Board of Directors.

The preparation of consolidated financial statements requires the selection of appropriate accounting policies in accordance with International Financial Reporting Standards and the use of estimates and judgments by management to present fairly and consistently the consolidated financial position of the Corporation. Estimates are necessary when transactions affecting the current period cannot be finalized with certainty until future information becomes available.

The Board of Directors carries out its responsibility for the consolidated financial statements principally through its Audit Committee, which is comprised solely of independent directors. The Audit Committee reviews the Corporation's consolidated financial statements and recommends their approval to the Board of Directors. The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, our independent auditor. Its report outlines the scope of its examination and expresses its opinion on the consolidated financial statements. The independent auditor has full access to the Audit Committee with or without management present.

(Signed) "David Cates"

David Cates
President and Chief Executive Officer

May 5, 2016

(Signed) "Mac McDonald"

Mac McDonald
Chief Financial Officer



May 5, 2016

Independent Auditor's Report

To the Shareholders of Uranium Participation Corporation

We have audited the accompanying consolidated financial statements of Uranium Participation Corporation and its subsidiary, which comprise the consolidated statements of financial position as at February 29, 2016 and February 28, 2015 and the consolidated statements of comprehensive gain (loss), consolidated statements of changes in equity, and consolidated statements of cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

*PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215, www.pwc.com/ca*

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Uranium Participation Corporation and its subsidiary as at February 29, 2016 and February 28, 2015 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) “PricewaterhouseCoopers LLP”

Chartered Professional Accountants, Licensed Public Accountants

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Expressed in thousands of Canadian dollars except for share amounts)	At February 29, 2016	At February 28, 2015
ASSETS		
Current		
Cash and cash equivalents	\$ 8,968	\$ 17,753
Trade and other receivables	469	330
	9,437	18,083
Non-Current		
Investments in uranium (note 5)	642,113	715,330
Total assets	\$ 651,550	\$ 733,413
LIABILITIES		
Current		
Trade and other payables	\$ 2,071	\$ 2,355
Total liabilities	2,071	2,355
EQUITY		
Share capital (note 8)	822,343	831,048
Contributed surplus	6,762	4,564
Deficit	(179,626)	(104,554)
Total equity	649,479	731,058
Total liabilities and equity	\$ 651,550	\$ 733,413
Common shares		
Issued and outstanding (note 8)	115,648,713	116,872,913

Subsequent Events (note 11)

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

ON BEHALF OF THE BOARD OF URANIUM PARTICIPATION CORPORATION

(Signed) "Richard H. McCoy"

Richard H. McCoy
Director

(Signed) "Garth A. C. MacRae"

Garth A. C. MacRae
Director

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE GAIN (LOSS)**

	Years Ended	
	February 29, 2016	February 28, 2015
(Expressed in thousands of Canadian dollars except for share and per share amounts)		
URANIUM RELATED GAIN (LOSS)		
Unrealized (losses) gains on investments in uranium (note 5)	\$ (71,181)	\$ 134,606
Realized loss on sale of conversion components (note 5)	(140)	(315)
Realized gain on sale of uranium (note 5)	1,027	-
Income from lending of uranium (note 6)	557	228
	(69,737)	134,519
OPERATING EXPENSES		
Transaction fees	(85)	(919)
Management fees (note 9)	(2,216)	(1,871)
Storage fees	(2,347)	(2,431)
Public company expenses	(485)	(438)
General office and miscellaneous	(332)	(306)
Legal and other professional fees	(139)	(137)
Interest income	144	445
Foreign exchange gain (loss)	127	(180)
	(5,333)	(5,837)
Net (loss) gain before taxes	(75,070)	128,682
Income tax expense (note 7)	(2)	(2)
Net and comprehensive (loss) gain for the year	\$ (75,072)	\$ 128,680
Net (loss) gain per common share		
Basic and diluted	\$ (0.65)	\$ 1.10
Weighted average number of common shares outstanding		
Basic and diluted	116,192,169	116,872,913

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(Expressed in thousands of Canadian dollars)	Share Capital	Contributed Surplus	Deficit	Total Equity
Balance at February 28, 2014	\$ 831,130	\$ 4,564	\$ (233,234)	\$ 602,460
Issue costs on common shares issued (note 8)	(82)	-	-	(82)
Net gain for the year	-	-	128,680	128,680
Balance at February 28, 2015	\$ 831,048	\$ 4,564	\$ (104,554)	\$ 731,058
Common shares purchased (note 8)	(8,705)	2,198	-	(6,507)
Net loss for the year	-	-	(75,072)	(75,072)
Balance at February 29, 2016	\$ 822,343	\$ 6,762	\$ (179,626)	\$ 649,479

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of Canadian dollars)	Years Ended	
	February 29, 2016	February 28, 2015
Operating Activities		
Net gain (loss) for the year	\$ (75,072)	\$ 128,680
Adjustment for:		
Unrealized losses (gains) on investments in uranium (note 5)	71,181	(134,606)
Realized loss on sale of conversion components (note 5)	140	315
Realized gain on the sale of uranium (note 5)	(1,027)	-
Changes in non-cash working capital:		
Change in trade and other receivables	(139)	(65)
Change in trade and other payables	(284)	151
Net cash used in operating activities	(5,201)	(5,525)
Investing Activities		
Purchase of uranium (note 5)	-	(42,424)
Sale of uranium (note 5)	4,743	-
Sale of conversion components, net of costs (note 5)	891	1,231
Costs associated with transfer of uranium (note 5)	(2,711)	-
Net cash generated (used) by investing activities	2,923	(41,193)
Financing Activities		
Common shares purchased, including transaction costs (note 8)	(6,507)	-
Issue costs on common shares issued (note 8)	-	(82)
Net cash used in financing activities	(6,507)	(82)
Decrease in cash and cash equivalents	(8,785)	(46,800)
Cash and cash equivalents – beginning of the year	17,753	64,553
Cash and cash equivalents – end of the year	\$ 8,968	\$ 17,753

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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 29, 2016 AND FEBRUARY 28, 2015

(Expressed in Canadian dollars, unless otherwise noted)

1. URANIUM PARTICIPATION CORPORATION

Uranium Participation Corporation ("UPC") was established under the Business Corporations Act (Ontario) on March 15, 2005. The address of its registered head office is 40 University Avenue, Suite 1100, Toronto, Ontario, Canada, M5J 1T1.

UPC, including its subsidiary (collectively, the "Corporation"), invests substantially all of its assets in uranium oxide in concentrates (U_3O_8) and uranium hexafluoride (UF_6) (collectively "uranium") with the primary investment objective of achieving appreciation in the value of its uranium holdings through increases in the uranium price. Denison Mines Inc. (the "Manager"), under the direction of the Corporation's Board of Directors, provides general administration and management services to the Corporation. The common shares of UPC are listed and trade on the Toronto Stock Exchange ("TSX") under the symbol "U".

2. BASIS OF PRESENTATION

These audited annual consolidated financial statements of the Corporation as at and for the years ended February 29, 2016 and February 28, 2015 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and with interpretations of the International Financial Reporting Interpretations Committee which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the Chartered Professional Accountants Canada Handbook – Accounting.

All dollar amounts are expressed in Canadian dollars, unless otherwise noted.

These audited annual consolidated financial statements were approved by the Corporation's Board of Directors on May 5, 2016.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these annual consolidated financial statements are described below:

(a) Consolidation

The accompanying consolidated financial statements consolidate the accounts of the Corporation and its wholly owned subsidiary. A subsidiary is an entity over which the Corporation has control. The Corporation controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A subsidiary is fully consolidated from the date on which control is obtained by the Corporation and deconsolidated from the date that control ceases. All intercompany balances and transactions are eliminated on consolidation.

(b) Foreign Currency Translation

(i) Functional and Presentation Currency

Functional currencies are determined based on the currency of the primary economic environment for the Corporation and its subsidiary.

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and the re-measurement of monetary items at the date of the consolidated statement of financial position are recognized in net gain (loss). Non-monetary items



measured at fair value are translated using the exchange rate at the date of the consolidated statement of financial position.

(c) *Cash and Cash Equivalents*

Cash and cash equivalents include cash on hand, deposits held with banks.

(d) *Financial Instruments*

The Corporation's financial instruments consist of cash and cash equivalents, trade and other receivables, and trade and other payables. Cash and cash equivalents and trade and other receivables are categorized as loans and receivables. Trade and other payables are categorized as financial liabilities at amortized cost. All financial instruments' fair values approximate their carrying values due to the short-term nature of these instruments.

(e) *Investments in Uranium*

Investments in uranium are initially recorded at cost, on the date that significant risks and rewards of ownership of the uranium pass to the Corporation. Cost is calculated as the purchase price excluding transaction fees, which are expensed as incurred. Subsequent to initial recognition, investments in uranium are measured at fair value at each reporting period end based on the most recent spot prices for uranium published by Ux Consulting Company, LLC ("UxC") and converted to Canadian dollars using the month-end foreign exchange noon rate. Related fair value increment gains and losses are recorded in the consolidated statement of comprehensive gain (loss) as "Unrealized gains (losses) on investments" in the period in which they arise.

Due to the lack of specific IFRS guidance on accounting for investments in uranium, the Corporation considered IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, to develop and apply an accounting policy that would result in information that is most relevant to the economic decision-making needs of users within the overall IFRS accounting framework. Consequently, the uranium investments are presented at fair value based on the application of IAS 40 *Investment Property*, which allows the use of a fair value model for assets held for long-term capital appreciation.

(f) *Lending of Uranium*

Uranium on loan remains part of the Corporation's investment portfolio and are carried at fair value. The lending of uranium is classified as an operating lease. Income earned from lending of uranium is included in the consolidated statement of comprehensive gain (loss) and is recognized when earned.

(g) *Sale of Uranium*

The sale of uranium is recognized when the significant risks and rewards of ownership of the uranium passes to the buyer. The realized gain or loss from the sale of uranium is calculated as the difference between the consideration received and the historical cost of the uranium.

(h) *Sale of Conversion Components*

The sale of conversion components is recognized when the significant risks and rewards of ownership of conversion components passes to the buyer. The realized gain or loss from the sale of conversion components is calculated as the difference between the consideration received and the historical cost of the conversion components.

(i) *Income Taxes*

The Corporation follows the liability method of accounting for income taxes. Current income taxes are the expected taxes payable on the taxable income for the period, calculated at tax rates enacted at the reporting date and adjusted for taxes payable in respect of prior periods.

Deferred income tax assets and liabilities are determined based on temporary differences between the financial reporting and tax bases of assets and liabilities, and are measured using the enacted or 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 likely to be utilized against future taxable income.



Tax assets and liabilities are offset if there is a legally enforceable right to offset the assets and liabilities, and they relate to income taxes levied by the same tax authority on either the same tax entity or different taxable entities where there is an intention to settle the balance on a net basis.

(j) Net Gain (Loss) per Common Share

Net gain (loss) per common share is calculated by dividing the net gain (loss) for the period attributable to equity holders of the Corporation by the weighted average number of common shares outstanding.

(k) Operating Segment

The Corporation manages its business under a single operating segment, consisting of holdings of assets in U_3O_8 and UF_6 , for the primary purpose of achieving appreciation in the value of its uranium holdings through increases in the uranium price. All of the Corporation's assets and income are attributable to this single operating segment and are held with storage facilities and financial institutions in Canada, United States and Europe.

The operating segment is reported in a manner consistent with the internal reporting provided to executive management who, under the direction of the Corporation's board of directors, act as the chief operating decision-maker. Executive management, under the direction of the Corporation's board of directors, is responsible for allocating resources and assessing performance of the operating segment.

Accounting Standards Issued But Not Yet Adopted

The Corporation has not yet adopted the following accounting pronouncements effective for the Corporation's fiscal periods beginning on or after March 1, 2016:

IFRS 9 – Financial Instruments

In July 2014, the IASB published the final version of IFRS 9 *Financial Instruments* ("IFRS 9"), which brings together the classification, measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 replaces the multiple classifications for financial assets in IAS 39 with a single principle based approach for determining the classification of financial assets based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The final version of IFRS 9 is effective for periods beginning on or after January 1, 2018; however, it is available for early adoption.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service. The standard replaces IAS 18 "Revenue" and IAS 11 "Construction Contracts" and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 which replaces existing standards and interpretations under IAS 17 "Leases". IFRS 16 requires all leases, including financing and operating leases, to be reported on the balance sheet with the intent of providing greater transparency on a company's lease assets and liabilities. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 has been adopted.

The Corporation has not yet assessed the impact nor determined whether it will early adopt these standards.



4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) *Investments in Uranium*

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

(b) *Deferred Income Taxes*

Deferred income taxes are based on temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the differences are anticipated to be recovered or settled. The Corporation is also required to limit the amount of deferred tax assets recognized based on expectations of future taxable income.

5. INVESTMENTS IN URANIUM

The investments continuity summary is as follows:

(in thousands)	Cost	Fair Value Adjustment	Fair Value ⁽¹⁾⁽²⁾
Balance at February 28, 2014	\$ 730,217	\$ (190,371)	\$ 539,846
Unrealized net gains on investments in uranium before purchases and sales	-	124,050	124,050
Purchases of U ₃ O ₈	42,424	10,407	52,831
Sale of conversion components	(1,546)	149	(1,397)
Balance at February 28, 2015	\$ 771,095	\$ (55,765)	\$ 715,330
Unrealized net loss on investments in uranium before sales	-	(70,250)	(70,250)
Sale of conversion components	(1,031)	96	(935)
Sale of uranium	(3,716)	(1,027)	(4,743)
UF ₆ fair value adjustment ⁽²⁾	-	2,711	2,711
Balance at February 29, 2016	\$ 766,348	\$ (124,235)	\$ 642,113

The balance of investments in uranium consists of:

(in thousands, except quantity amounts)	Quantity	Cost	Fair Value Adjustment	Fair Value ⁽¹⁾⁽²⁾
U ₃ O ₈	9,470,024 lbs	\$ 454,486	\$ (42,763)	\$ 411,723
UF ₆ ⁽²⁾	1,903,471 KgU	311,862	(81,472)	230,390
Balance at February 29, 2016		\$ 766,348	\$ (124,235)	\$ 642,113

(1) Investments in uranium are categorized in Level 2 of the fair value hierarchy. Fair values as at February 29, 2016 reflect spot prices published by UxC of US\$32.15 per pound U₃O₈ and US\$90.00 per KgU as UF₆, translated at the foreign exchange noon rate of 1.3523.

(2) Included in the fair values at February 28, 2015 and 2014 was a fair value adjustment of \$3,987,000 reducing fair value to reflect the risks associated with the Corporation's UF₆ held with the United States Enrichment Facility ("USEC Facility"). During the year, the fair value adjustment was reduced to \$1,276,000, to reflect the reduction in the remaining material held with the USEC Facility.



Purchases of Uranium

During the year ended February 28, 2015, the Corporation purchased 1,090,000 pounds of U_3O_8 at an average price of US\$35.07 per pound of U_3O_8 , for a total cash consideration of \$42,424,000 (US\$38,225,000).

Sale of Uranium

In October 2015, the Corporation completed the sale of 100,000 pounds of U_3O_8 for cash consideration of \$4,743,000 (US\$3,625,000), resulting in a realized gain of \$1,027,000.

Sale of Conversion Components

In November 2014, the Corporation agreed to the sale of the conversion component contained in 250,000 KgU as UF_6 to occur over three tranches:

- 1) conversion component contained in 100,000 KgU as UF_6 in return for 261,285 pounds of U_3O_8 and cash consideration of US\$700,000 that was completed in December 2014;
- 2) conversion component contained in 50,000 KgU as UF_6 in return for 130,643 pounds of U_3O_8 and cash consideration of US\$357,500 that was completed in February 2015; and
- 3) conversion component contained in 100,000 KgU as UF_6 in return for 261,285 pounds of U_3O_8 and cash consideration of US\$715,000 that was completed in May 2015.

Losses on the sales of the conversion components in December 2014, February 2015 and May 2015 were \$247,000, \$68,000 and \$140,000, respectively. Transaction fees relating to the transactions completed in December 2014 and February 2015 totaled \$28,000. There were no transaction fees relating to the sale completed in May 2015.

Transfer of UF_6 held with the USEC Facility to another storage facility

During the year ended February 29, 2016, the Corporation transferred a total of 685,434 KgU as UF_6 held with the USEC Facility to another storage facility. The transfers reduced the Corporation's UF_6 holdings with the USEC Facility to 378,566 KgU with a fair value of \$46,074,000 before adjustments, as at February 29, 2016. The cost associated with the transfers amounted to \$2,711,000.

The fair value of UF_6 holdings at February 28, 2015 included a fair value adjustment loss of \$3,987,000 to reflect the risks associated with the Corporation's material held with the USEC Facility. During the year, the fair value adjustment was reduced to reflect the reduction in the remaining material held with the USEC Facility. As at February 29, 2016, the fair value adjustment was reduced to \$1,276,000.

Subsequent to the year ended February 29, 2016, the Corporation transferred an additional 42,290 KgU as UF_6 held with the USEC Facility to another storage facility. Refer to note 11 SUBSEQUENT EVENTS for more details.

6. URANIUM LENDING ARRANGEMENTS

In March 2015, the Corporation entered into an agreement to loan 1,300,000 pounds of U_3O_8 to an independent third party with a return date in April 2017. The loan was subject to a loan fee of 1.0% per annum, with payments to be calculated quarterly based on the average of the U_3O_8 spot price per pound, as defined and published by UxC at the end of each month for the previous three months. Collateral for the loan, in the form of an irrevocable bank guarantee, was provided in the amount of US\$56,000,000, which allowed for adjustments based on movements in the uranium price. At February 29, 2016, the market value of the 1,300,000 pounds of U_3O_8 loaned was \$56,519,000 (US\$41,795,000). In March 2016, the loan was terminated early by mutual agreement. Refer to note 11 SUBSEQUENT EVENTS for more details.

In 2009, the Corporation entered into a loan of the conversion component of 1,332,230 KgU as UF_6 for a three year term, which was subsequently extended an additional year. The conversion component loaned was subject to a loan fee of 4.5% per annum based on the greater of the month end conversion value per KgU as UF_6 or US\$11.75 per KgU as UF_6 . To facilitate the loan of the conversion component, in December 2009, 1,332,230 KgU as UF_6 was transferred to the borrower, with 3,480,944 pounds of U_3O_8 and an irrevocable letter of credit of US\$15,700,000 from a major financial institution sent to the Corporation as collateral. In May 2013, the loan return date was amended with the borrowed quantity separated into two tranches: 1) a conversion component of 865,000 KgU as UF_6 ("Tranche 1"); and 2) a conversion component of 467,230 KgU as UF_6 ("Tranche 2"). The



return date for Tranche 1 was extended from December 31, 2013 to July 15, 2013, while the return date for Tranche 2 was extended from December 31, 2013 to December 31, 2014.

On July 15, 2013, Tranche 1 was returned to the Corporation and the collateral held by UPC was reduced to 1,220,811 pounds of U₃O₈ and an irrevocable letter of credit of US\$6,039,000. On December 31, 2014, Tranche 2 was returned to the Corporation and the letter of credit was cancelled.

7. INCOME TAXES

The Corporation is subject to varying rates of taxation due to its operations in multiple tax jurisdictions. Income tax expense is comprised of the following for the years ended:

(in thousands)	February 29, 2016	February 28, 2015
Current tax expense	\$ 2	\$ 2
Total income tax expense	\$ 2	\$ 2

Reconciliations of the combined Canadian federal and provincial income tax rates in effect in Ontario, Canada to the Corporation's effective rate of income tax for the years ended are as follows:

(in thousands)	February 29, 2016	February 28, 2015
Net gain (loss) before taxes	\$ (75,072)	\$ 128,682
Combined federal and provincial income tax rate	26.50%	26.50%
Computed income tax expense	\$ (19,894)	\$ 34,101
Difference in current tax rates applicable in other jurisdictions	15,876	(28,419)
Change in deferred tax assets not recognized	3,886	(5,696)
Other	135	16
Total income tax expense	\$ 2	\$ 2

The components of the Corporation's deferred tax balances for the years ended are comprised of temporary differences as presented below:

(in thousands)	February 29, 2016	February 28, 2015
Deferred tax assets		
Tax loss carry forwards	\$ 486	\$ 2,084
Deferred tax assets - gross	\$ 486	\$ 2,084
Set-off against deferred tax liabilities	(486)	(2,084)
Deferred tax assets ⁽¹⁾	\$ -	\$ -
Deferred tax liabilities		
Unrealized gains on investments	\$ (486)	\$ (2,084)
Deferred tax liabilities - gross	\$ (486)	\$ (2,084)
Set-off by deferred tax assets	486	2,084
Deferred tax liabilities ⁽¹⁾	\$ -	\$ -

(1) Deferred tax assets and liabilities relate to temporary differences expected to reverse 12 months or more after the respective reporting date.



The Corporation believes that it is not probable that sufficient taxable income will be available in future years to allow the benefit of the following deferred tax assets not recognized to be utilized:

(in thousands)	February 29, 2016	February 28, 2015
Deductible temporary differences	\$ 6,937	\$ 5,316
Tax losses	5,341	3,076
Total deferred tax assets not recognized	\$ 12,278	\$ 8,392

A geographic split of the Corporation's tax losses not recognized and the associated expiry dates of those losses are as follows:

(in thousands)	Expiry Date	February 29, 2016	February 28, 2015
Tax losses - gross			
Canada	2030-2036	\$ 21,139	\$ 18,868
Cyprus	unlimited	480	402
Luxembourg	unlimited	5,656	3,700
Tax losses - gross		\$ 27,275	\$ 22,970
Tax benefit at tax rates between 2.92% to 26.50%		5,827	5,160
Set-off against deferred tax liabilities		(486)	(2,084)
Total tax loss assets not recognized		\$ 5,341	\$ 3,076

8. COMMON SHARES

The Corporation is authorized to issue an unlimited number of common shares without par value. A continuity schedule of the issued and outstanding common shares is as follows:

(in thousands, except common share amounts)	Number of Common Shares	Amount
Balance at February 28, 2014	116,872,913	\$ 831,130
Issue costs on common shares issued in February 2014	-	(82)
Balance at February 28, 2015	116,872,913	\$ 831,048
Common shares purchased in March 2015	(356,500)	(2,535)
Common shares purchased in October 2015	(867,700)	(6,170)
Balance at February 29, 2016	115,648,713	\$ 822,343

In January 2016, the Corporation filed a normal course issuer bid ("2016 NCIB") with the TSX, authorizing the Corporation to purchase up to 10,192,641 of the Corporation's common shares during a 12 month period commencing January 18, 2016 and ending on January 17, 2017. As at February 29, 2016, the Corporation has not made any purchase of its outstanding shares under the 2016 NCIB.

In November 2014, the Corporation filed a normal course issuer bid ("2014 NCIB") with the TSX, which authorized the Corporation to purchase up to 7,500,000 of the Corporation's common shares during a 12 month period that ended on November 23, 2015. A total of 1,224,200 outstanding shares were purchased under the 2014 NCIB as detailed below:

- During March 2015, the Corporation purchased 356,500 of its outstanding shares, at an average cost of \$5.60 per share for a total expenditure of \$1,996,000, excluding transaction costs of \$3,000. The difference of \$536,000 between the average historical proceeds on the shares and the total cash expenditure for the shares purchased has been recorded as an increase in contributed surplus.



- During October 2015, the Corporation purchased an additional 867,700 of its outstanding shares, at an average cost of \$5.185 per share for a total expenditure of \$4,499,000, excluding transaction costs of \$9,000. The difference of \$1,662,000 between the average historical proceeds on the shares and the total cash expenditure for shares purchased has been recorded as an increase in contributed surplus.

On October 31, 2014, the Corporation filed a short form base shelf prospectus ("Prospectus") with the securities regulatory authorities in each of the provinces of Canada, other than Québec. The Corporation may issue common shares or warrants or any combination of such securities as units ("Securities"), in amounts, at prices, and on terms to be determined based on market conditions at the time of sale and as set forth in the Prospectus, for an aggregate offering amount of up to \$200,000,000 during the 25 month period that the Prospectus remains effective until November 30, 2016. As at February 29, 2016, the Corporation has not issued any Securities pursuant to the Prospectus.

In September 2013, the Corporation filed a normal course issuer bid ("2013 NCIB") with the Toronto Stock Exchange authorizing the Corporation to purchase up to 8,035,744 of the Corporation's common shares during the 12 month period commencing September 30, 2013 and ending September 29, 2014. No shares were purchased by the Corporation under the 2013 NCIB.

9. RELATED PARTY TRANSACTIONS

Management Services Agreement with Denison Mines Inc.

Pursuant to its management services agreement with the Manager dated April 1, 2013, the Corporation 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 the Corporation's net asset value in excess of \$100,000,000; and c) a fee, at the discretion of the Board of Directors, for on-going monitoring or work associated with a transaction or arrangement (other than a financing, or the purchase or sale of uranium).

The management services agreement expired on March 31, 2016. A new three year agreement was entered into between the Corporation and the Manager effective April 1, 2016 ("Renewed Management Services Agreement"). See note 11 SUBSEQUENT EVENTS for further details. The following outlines the fees paid to the Manager for the years ended:

(in thousands)	February 29, 2016	February 28, 2015
Fees incurred with the Manager:		
Management fees	\$ 2,216	\$ 1,871
Transaction fees – commissions on uranium sales and purchases	71	636
Total fees incurred with the Manager	\$ 2,287	\$ 2,507

As at February 29, 2016, trade and other payables included \$260,000 (February 28, 2015: \$250,000) due to the Manager with respect to the fees indicated above.

Key Management Personnel

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

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

(in thousands)	February 29, 2016	February 28, 2015
Directors' fees	\$ 235	\$ 223
Total key management personnel compensation	\$ 235	\$ 223



10. CAPITAL MANAGEMENT AND FINANCIAL RISK

Capital Management

The Corporation's capital structure consists of share capital and contributed surplus. The Corporation's primary objective is to achieve long-term appreciation in the value of its uranium holdings through a buy and hold investment strategy and not to actively speculate with regard to short-term changes in uranium prices. Uranium purchases are normally funded through common share offerings with at least 85% of the gross proceeds of share offerings invested in, or set aside for future purchases of uranium. In strictly limited circumstances, the Corporation can enter into borrowing arrangements for up to 15% of its net asset value to facilitate the purchases of uranium.

At February 29, 2016, the Corporation has invested the required minimum amount of 85% of its aggregate gross proceeds of share offerings in uranium. The Corporation has no outstanding borrowing arrangements for the purchase of uranium.

Financial Risk

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

Commodity Price Risk

The Corporation's net asset value is directly tied to the spot price of uranium published by UxC. At February 29, 2016, a 10% increase in the uranium spot price would have increased the Corporation's total equity by \$64,339,000, while a 10% decrease would have the same but opposite effect.

Currency Risk

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

As the prices of uranium are quoted in U.S. currency, fluctuations in the Canadian dollar relative to the U.S. dollar can significantly impact the valuation of uranium from a Canadian dollar perspective. At February 29, 2016, a 10% increase in the U.S. dollar to Canadian dollar exchange rate would have increased the Corporation's total equity by \$64,559,000, while a 10% decrease would have the same but opposite effect.

Credit Risk

Credit risk is the risk of loss due to a counterparty's inability to meet its obligations under a financial instrument or contractual agreement that will result in a financial loss to the Corporation. The Corporation's credit risk exposure includes the carrying amounts of cash and cash equivalents, trade and other receivables, and investments in uranium.

To limit the credit risk exposure on its cash and cash equivalents, the Corporation holds essentially all of its cash and cash equivalents in credit worthy financial institutions, while investments in uranium are held with storage facilities owned by organizations that are credible and financially stable. Credit risk exposure on its trade and other receivables is limited since the Corporation lends uranium exclusively to large organizations and ensures that adequate security is provided for any loaned uranium.

Liquidity Risk

Financial liquidity represents the Corporation's ability to fund future operating activities. The Corporation may generate cash from the lending or sale of uranium, or the sale of additional equity securities. The Corporation's current cash balance is sufficient to meet its operating cash requirements. Although the Corporation enters into commitments to purchase uranium periodically, the commitments are normally funded by the Corporation's available cash or are contingent on its ability to raise funds through the sale of additional equity securities.



Fair Value of Investments, Financial Assets and Financial Liabilities

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

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

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

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

The Corporation has not offset financial assets with financial liabilities.

11. SUBSEQUENT EVENTS

Uranium Lending Arrangement

In March 2015, the Corporation entered into an agreement to loan 1,300,000 pounds of U_3O_8 with a return date in April 2017. In March 2016, the Corporation and borrower agreed to terminate the loan one year before the original return date. As a result of the early termination, the Corporation received cash consideration of US\$435,000 in April 2016 and the related bank guarantee was cancelled and returned to the borrower.

Transfer of UF_6 held with the USEC Facility to another storage facility

On May 2, 2016, the Corporation transferred 42,290 KgU as UF_6 held with the USEC Facility to another storage facility. The costs associated with transferring the material amounted to US\$85,000. The transfer has reduced the Corporation's UF_6 holdings with the USEC Facility to 336,276 KgU.

Renewal of Management Services Agreement with the Manager

A new three year agreement was entered into between the Corporation and the Manager effective April 1, 2016. Under the Renewed Management Services Agreement, the Manager will receive the following fees from the Corporation: a) a base fee of \$400,000 per annum, payable in equal quarterly installments; b) a variable fee equal to (i) 0.3% per annum of the Corporation's total assets in excess of \$100,000,000 and up to and including \$500,000,000, and (ii) 0.2% per annum of the Corporation's total assets in excess of \$500,000,000; c) a fee, at the discretion of the Board, for on-going monitoring or work associated with a transaction or arrangement (other than a financing, or the acquisition of or sale of U_3O_8 or UF_6); and d) a commission of 1.0% of the gross value of any purchases or sales of U_3O_8 or UF_6 , or gross interest fees payable to the Corporation in connection with any uranium loan arrangements.

Migration of Subsidiary

At February 29, 2016, the majority of the Corporation's uranium was held directly or indirectly through its wholly owned subsidiary, Uranium Participation Cyprus Limited ("UPCL"). UPCL was incorporated under the laws of the Republic of Cyprus on September 10, 2006. In August 2007, UPCL established a branch office in Luxembourg through which the operations of UPCL were conducted.

UPCL migrated to Bermuda on March 11, 2016, upon receipt of approval from the Bermuda Monetary Authority of its migration to Bermuda, and was registered under the name of Uranium Participation Bermuda Limited ("UPBL") by the Registrar of Companies in Bermuda. Upon migration, the branch office in Luxembourg was closed and all assets and liabilities were transferred to UPBL.