

# Uranium Participation Corporation



2017 ANNUAL REPORT





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Participation  
Corporation**



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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 28, 2017 to those of the previous year. This MD&A is dated as of April 6, 2017 and should be read in conjunction with the Corporation's audited annual consolidated financial statements and related notes for the year ended February 28, 2017.

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

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

### 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 by the Registrar of Companies in Bermuda under the name of Uranium Participation Bermuda Limited ("UPBL"). Immediately following the migration, the branch office in Luxembourg was closed and all assets and liabilities were transferred to UPBL. UPBL's activities continue to consist of directly investing in, and holding, uranium. The migration to Bermuda is expected to reduce the Corporation's operating costs.

## URANIUM INDUSTRY OVERVIEW

### Uranium Industry Overview

In fiscal 2017, the uranium industry continued to face challenges as uranium prices endured their sixth consecutive year of bear market conditions, which emerged following the Fukushima incident in March 2011. The uranium spot price dropped 44% during the fiscal year, starting out at US\$32.15 per pound  $U_3O_8$  at the beginning of the fiscal year, hitting a 12-year low of US\$18.00 per pound  $U_3O_8$  in November 2016 and recovering slightly to US\$22.25 per pound  $U_3O_8$  at fiscal 2017 year end in February 2017.

The depth and breadth of this uranium market downturn has finally begun to take a meaningful toll on the production side of the supply and demand equation, with production cutbacks becoming the norm as higher priced legacy long term contracts begin to fall off. Uranium prices in the low US\$20.00 per pound  $U_3O_8$  range are unlikely to be sustainable, given that the all-in production costs of the lowest cost producing mines, as reported by UxC, are higher than the current depressed price level. Further, the current price environment fails to incentivize the majority of undeveloped uranium projects towards construction.

The sustained low uranium price levels have persisted despite positive developments on the demand side during calendar 2016. Per the U.S. Energy Information Administration and American Nuclear Society, 2015 and 2016 have seen more new nuclear capacity additions to the global electricity grid than any other years in the past 25 year period. Nuclear energy continues to expand globally due to its ability to deliver large amounts of reliable and constant baseload energy, without carbon emissions or air pollution, at competitive generating costs compared to alternative forms of electricity.



## Uranium Demand – Nuclear Energy Growth

Ten nuclear reactors were added to the global grid during the 2016 calendar year, exceeding the mark set in 2015 for the highest rate of growth of nuclear power capacities in the past 25 years. The World Nuclear Association (“WNA”) reports that 447 reactors are operable in 30 countries as of March 2017. These reactors generate 392 gigawatts of electricity and supply over 11.5% of the world’s electrical requirements. Currently, 59 nuclear reactors are under construction in 14 countries with the principal drivers of this expansion being China (21), Russia (7), India (5), the USA (4), and the United Arab Emirates (“UAE”) (4). Additionally, based on the most recent statistics from the WNA, there are a total of 164 reactors that are either on order or planned, and a further 350 reactors currently proposed to be built in the coming years. China continues to be a leader in this growth story, expanding from the currently installed 31 gigawatts of capacity from 30 reactors to close to 100 gigawatts within 10 years, which will exceed the currently installed U.S. capacity. The Chinese government has increased its emphasis on nuclear energy as a way to deliver vast amounts of electricity without adding to the severe crisis-level air pollution and carbon emission conditions that exist in China’s major cities. As a case in point, in 2017, China is expected to add five nuclear units to the grid and is expected to break ground on an additional eight reactors. New nuclear countries, such as the UAE, continue to make progress in their new build programs – most notable are the four new South Korean-built units at the Barakah site in Abu Dhabi, which are under budget and on schedule to be producing electricity by 2020. Many of the established nuclear markets are also committed to building and operating new nuclear energy stations, like the United Kingdom, where the government’s current energy policy calls for a doubling of the installed capacity in the coming years through cooperation with French and Chinese partners.

The United States has seen challenges to its growth plans, particularly in de-regulated markets, from highly subsidized renewables and sustained low natural gas prices; however, recently there have been positive developments towards the recognition of the value of nuclear energy in the overall energy mix, with its fuel cost advantages, grid stability, reliable 24/7 supply, 95% capacity factors, and clean air and carbon avoidance attributes. A number of states have introduced legislation, or are considering similar steps, to ensure the preservation of nuclear energy as a key contributor of clean, baseload energy to their grids. In the regulated markets of the Southeast, four new large reactors are under construction in South Carolina and Georgia, which, despite construction challenges inherent in projects of this massive scope, will be the energy cornerstones of their service territories for many decades into the future. Furthermore, throughout the United States, all existing nuclear reactors have received, or are applying for, license extensions that will add 20-40 years to their operating lives.

Finally, the Japanese recovery, while slow and deliberate, now has 12 units approved by regulators for restart and as many as seven reactors could be back on-line by the end of 2017. Although slower than expected - six years having elapsed from the events of Fukushima - the progress is viewed as a positive development for both market fundamentals and sentiment in the uranium industry.

### Significant (and Growing) Uncommitted Reactor Requirements

The world’s fleet of operating reactors, and those nearing construction completion, are now expected to generate a cumulative fuel requirement of 174 million pounds of  $U_3O_8$  in 2017. The fuel requirement level is forecasted to grow at an average rate of 2% to 2.5% per year from the end of 2016 through 2030 according to UxC. While the demand for uranium is fairly steady and predictable, the procurement decisions of utility companies can vary based on the level of current contract coverage, existing inventories, forecasts of future prices and risk tolerance. The previous contracting cycle, brought on by uranium price spikes in 2007 and 2010, resulted in utilities rushing to contract at higher prices and for very long terms. While these old contracts are expiring, the utilities have not been moving to replace these contracts and the forward coverage of utilities have therefore fallen appreciably, resulting in uncommitted needs continuously building. UxC reports that these unfilled needs may total just under 1 billion pounds of  $U_3O_8$  over the coming ten years and over 81% of expected reactor requirements are uncovered by 2027.

### Primary Uranium Production – Rationalization Finally Underway

According to UxC, in their Uranium Market Outlook – Q1 2017 (the “Q1 Outlook”), global uranium production amounted to 163 million pounds in the year ended December 2016. While this continued the trend of recent annual uranium production increases in the face of low prices, the rate of increase has finally slowed and would support observations that a “peaking” of mine production is occurring. A number of high profile production cutbacks have been announced, including Cameco’s Saskatchewan and U.S. operations, Paladin’s Namibian Langer Heinrich mine and Kazakhstan’s 10% reduction in output, all pointing in that direction. The 10% reduction in output from Kazakhstan is particularly significant, as Kazakhstan is the world’s largest producer of uranium, accounting for 40% of global mine supplies, and signals a disciplined and responsible market approach. Going forward, it is reasonable to expect further global production cutbacks as higher priced legacy supply contracts, signed in previous cycles, are expiring and ceasing to provide protection for sources of higher-cost production. Furthermore, the incentive price for meaningful new uranium production (new developments or mine expansions) to come to the market is estimated by BMO, in their March 2017



uranium market outlook, to be higher than US\$60 per pound U<sub>3</sub>O<sub>8</sub>. This, and the prolonged licensing and permitting process required to bring on new production (as much as 10 years or more for a major conventional mine/mill complex), make for an interesting situation as the uranium market is expected to move into a near term supply deficit amidst higher contracting volumes.

### Secondary Supplies – Still Meaningful, But Insufficient to Meet the Supply Gap Going Forward

The uranium market is unique among commodities, where since the late 1980's, the industry has consumed more uranium annually than it produces from global mine sources, with a combined production shortfall of approximately 1.4 billion pounds of U<sub>3</sub>O<sub>8</sub> from 1990 through 2015. This is due to the availability of secondary uranium supplies and has been the basis of the secondary supply-driven market that has prevailed for decades. However, while these sources of supply are still significant, they have finally begun to diminish in importance, and the shift to a production-driven market is occurring. The end of the U.S./Russian highly-enriched uranium deal (the landmark nuclear weapons dismantlement initiative), in 2013, removed approximately 24 million pounds annually from the market, which disproportionately fell on the U.S. spot market. While this significant development was somewhat offset by the effects of Fukushima, it is an example of the finite and diminishing nature of secondary supplies in a rising demand environment. The curtailment of older-generation enrichment centrifuges, coupled with the renewed demand for enrichment services, is also expected to result in reduced capacity available for so-called "underfeeding" of enrichment plants which has added to secondary natural uranium supplies. Additionally, the U.S. Government (Department of Energy) inventory sales, which historically totaled 5 to 8 million pounds per year, continue to be opposed by the domestic industry and compromise legislation has been introduced to cap the amount of U.S. Department of Energy uranium that can be sold going forward.

### Uranium Market Developments in 2017 – Turning the Corner?

In the early part of calendar 2017, uranium has bucked the trend of other commodities and spot prices have increased on the improved fundamentals noted above, not the least of which was the Kazakhstan production cut announcement in early January 2017. The spot price climbed from US\$20.50 per pound U<sub>3</sub>O<sub>8</sub> at the start of 2017 to a peak of US\$26.50 per pound U<sub>3</sub>O<sub>8</sub> in mid-February 2017. Although the price retreated briefly by the end of February to US\$22.50 per pound U<sub>3</sub>O<sub>8</sub>, it has since recovered to US\$23.50 per pound U<sub>3</sub>O<sub>8</sub> as of April 3, 2017. While these price developments have been encouraging, much of the market activity appears to have been a result of speculative purchases by traders, and not utility procurement for reactor needs. This leads the discussion to the key catalyst for a sustained recovery of uranium prices over the course of 2017, which is the resumption of more robust utility procurement levels. The market is beginning to see increased off-market and public tenders from end-users (including meaningful demand from non-US utilities), and market observers will watch to see if this develops into a trend for the rest of the year. As noted above, the substantial level of uncommitted uranium requirements in the coming years would point to a future procurement cycle that may test the supply dynamics of an industry that has failed to be incentivized to develop the next generation of uranium mines.

## SELECTED ANNUAL FINANCIAL INFORMATION

(in thousands, except per share amounts)	February 28, 2017	February 29, 2016	February 28, 2015
Unrealized (losses) gains on investments in uranium	\$ (201,882)	\$ (71,181)	\$ 134,606
Net (loss) gain for the year	\$ (206,034)	\$ (75,072)	\$ 128,680
Net (loss) gain per common share – basic and diluted	\$ (1.75)	\$ (0.65)	\$ 1.10
Total Assets	\$ 464,109	\$ 651,550	\$ 733,413
Total Liabilities	\$ 1,764	\$ 2,071	\$ 2,355
<b>NAV<sup>(1)</sup></b>	<b>\$ 462,345</b>	<b>\$ 649,479</b>	<b>\$ 731,058</b>

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



## SUMMARY OF QUARTERLY FINANCIAL INFORMATION

	February 28, 2017	November 30, 2016	August 31, 2016	May 31, 2016
Uranium related (loss) gain (in thousands)	\$ 74,078	\$ (127,499)	\$ (35,717)	\$ (112,744)
Net (loss) gain for the period (in thousands)	\$ 73,819	\$ (128,514)	\$ (37,232)	\$ (114,107)
Net (loss) gain per common share – basic and diluted	\$ 0.61	\$ (1.09)	\$ (0.32)	\$ (0.99)
<b>NAV<sup>(1)</sup> per share</b>	<b>\$ 3.83</b>	<b>\$ 3.22</b>	<b>\$ 4.31</b>	<b>\$ 4.63</b>
U <sub>3</sub> O <sub>8</sub> spot price (US\$)	\$ 22.25	\$ 18.25	\$ 25.25	\$ 27.25
UF <sub>6</sub> spot price (US\$)	\$ 64.00	\$ 53.40	\$ 72.25	\$ 77.00
Foreign exchange noon-rate (US\$ to CAD\$)	1.3248	1.3426	1.3124	1.3100

	February 29, 2016	November 30, 2015	August 31, 2015	May 31, 2015
Uranium related gain (loss) (in thousands)	\$ (62,263)	\$ (8,563)	\$ 68,190	\$ (67,101)
Net gain (loss) for the period (in thousands)	\$ (63,467)	\$ (9,928)	\$ 66,694	\$ (68,371)
Net gain (loss) per common share – basic and diluted	\$ (0.55)	\$ (0.09)	\$ 0.57	\$ (0.59)
<b>NAV<sup>(1)</sup> per share</b>	<b>\$ 5.62</b>	<b>\$ 6.16</b>	<b>\$ 6.24</b>	<b>\$ 5.67</b>
U <sub>3</sub> O <sub>8</sub> spot price (US\$)	\$ 32.15	\$ 36.00	\$ 36.75	\$ 35.00
UF <sub>6</sub> 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

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

The quarterly net loss or gain of the Corporation is primarily driven by unrealized net losses or gains on investments in uranium that are recognized in the period. Unrealized net losses or gains on investments in uranium are generally a result of changes in the spot price of uranium and the U.S. dollar to Canadian dollar exchange rate – both of which can fluctuate significantly between periods.

## OVERALL PERFORMANCE

The net loss for the year ended February 28, 2017 was mainly driven by unrealized net losses on investments in uranium of \$201,882,000 and operating expenses of \$4,971,000, slightly offset by income from uranium lending and relocation agreements of \$819,000. 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 and operating expenses of \$5,333,000, slightly offset by the realized gain on sale of uranium of \$1,027,000 and income from uranium lending agreements of \$557,000.

Unrealized net losses on investments in uranium during the year ended February 28, 2017 were mainly due to the decrease in the spot price for uranium. The spot prices during the fiscal year decreased to US\$22.25 per pound U<sub>3</sub>O<sub>8</sub> and US\$64.00 per KgU as UF<sub>6</sub> at February 28, 2017, from US\$32.15 per pound U<sub>3</sub>O<sub>8</sub> and US\$90.00 per KgU as UF<sub>6</sub> at February 29, 2016. The unrealized net loss on investments in uranium was also negatively impacted by the 2% decrease in the U.S. dollar to Canadian dollar exchange rate during fiscal 2017.

During the fourth quarter of fiscal 2017, the Corporation recorded an unrealized net gain on investments in uranium of \$74,078,000 and a net gain for the period of \$73,819,000. These results were predominantly driven by the increase in the spot price of uranium from US\$18.25 per pound U<sub>3</sub>O<sub>8</sub> and US\$53.40 per KgU as UF<sub>6</sub> at November 30, 2016, to US\$22.25 and US\$64.00 respectively at February 28, 2017. The impact of the increase in the price of uranium was partially offset by a 1% decrease in the U.S. dollar to Canadian dollar foreign exchange rate in the period. During the fourth quarter of fiscal 2016, the Corporation recorded an unrealized net loss on investments in uranium of \$62,263,000 and a net loss for the period of \$63,467,000. These losses were due to the decrease in the spot price of uranium from US\$36.00 per pound U<sub>3</sub>O<sub>8</sub> and US\$99.00 per KgU as UF<sub>6</sub> at November 30, 2015, to US\$32.15 and US\$90.00 respectively at February 29, 2016, partially offset by an increase in the U.S. dollar to Canadian dollar foreign exchange rate in the period.

Unrealized net losses on investments in uranium during the year ended February 29, 2016 were caused by an overall



decrease in spot prices from US\$38.75 per pound U<sub>3</sub>O<sub>8</sub> and US\$107.00 per KgU as UF<sub>6</sub> at February 28, 2015 to US\$32.15 per pound U<sub>3</sub>O<sub>8</sub> and US\$90.00 per KgU as UF<sub>6</sub> at February 29, 2016. The impact of the decrease in uranium spot prices during fiscal 2016 was partially offset by a 7.5% increase in the U.S. dollar to Canadian dollar foreign exchange rate during fiscal 2016.

UPC's NAV per share decreased to \$3.83 at February 28, 2017, from \$5.62 at February 29, 2016. Total equity decreased to \$462,345,000 at February 28, 2017, from \$649,479,000 at February 29, 2016.

The Corporation had an effective tax rate of nil for the years ended February 28, 2017 and February 29, 2016, primarily due to the low tax rate in the jurisdiction of its subsidiary as well as the fact that the Corporation's available tax shelter and cost basis related to its investments in uranium in Canada give rise to a net deductible temporary difference – for which the Corporation does not recognize deferred tax assets.

## Operating Expenses

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

Storage fees, excluding the costs incurred to transfer UF<sub>6</sub> held with the United States Enrichment Facility ("USEC Facility") to other storage facilities, were \$2,027,000 during the year ended February 28, 2017 (February 29, 2016 - \$2,347,000). The decrease in storage fees was due to the transfer of uranium holdings to lower cost storage facilities, partially offset by the increase in the volume of stored uranium due to the 610,000 pounds of U<sub>3</sub>O<sub>8</sub> purchased in fiscal 2017.

Management fees were \$1,811,000 during the year ended February 28, 2017 (February 29, 2016 - \$2,287,000). The decrease in management fees was mainly due to the decrease in the NAV, on which the variable management fee is based, offset by a one-time fee of \$100,000 (February 29, 2016 - \$nil) paid to the manager for work associated with the completion of the migration of the Corporation's subsidiary, and higher commissions paid to the Manager on the purchases and sales of uranium (\$173,000 for the year ended February 28, 2017 compared to \$71,000 for the year ended February 29, 2016).

Operating expenses of \$4,971,000, partially offset by income from lending and/or relocation of uranium of \$819,000, for the year ended February 28, 2017, represents approximately 0.9% of the NAV at February 28, 2017 and 0.6% of the NAV at February 29, 2016.

## Investment Portfolio

UPC's investment portfolio consists of the following as at February 28, 2017:

(in thousands, except quantity amounts)	Quantity	Cost	Fair Value
<b>Investments in Uranium:</b>			
U <sub>3</sub> O <sub>8</sub>	10,080,024 lbs	\$ 471,496	\$ 297,127
UF <sub>6</sub>	1,903,471 KgU	\$ 311,862	\$ 161,390
		\$ 783,358	\$ 458,517
U <sub>3</sub> O <sub>8</sub> average cost and market value per pound:			
In Canadian dollars		\$ 46.78	\$ 29.48 <sup>(1)</sup>
In United States dollars		\$ 42.57	\$ 22.25
UF <sub>6</sub> average cost and fair value per KgU:			
In Canadian dollars		\$ 163.84	\$ 84.79 <sup>(1)</sup>
In United States dollars		\$ 151.62	\$ 64.00

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

The fair value of UF<sub>6</sub> holdings reported at February 29, 2016 included a fair value adjustment loss of \$1,276,000 to reflect the risks associated with the Corporation's material held with the USEC Facility. During the year ended February 28, 2017, the fair value adjustment was reduced to \$nil, to reflect the transfer of all the remaining material from the USEC Facility.





### Purchases of Uranium

During the year ended February 28, 2017, the Corporation purchased 610,000 pounds of  $U_3O_8$  at an average price of US\$20.75 per pound, for a total cash consideration of \$17,008,000 (US\$12,657,500). The purchases were funded by the proceeds from the bought-deal equity financing completed by the Corporation in October 2016. No purchases were made during the year ended February 29, 2016.

### Sale of Uranium

No sales of uranium were made during the year ended February 28, 2017. During the third quarter of fiscal 2016, given the significant discount of the Corporation's share price relative to its NAV per share, the Corporation completed the sale of 100,000 pounds of  $U_3O_8$  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 purchased 867,700 of its outstanding shares at an average cost of \$5.185 per share. The realized gain on the sale of the uranium was \$1,027,000.

### Sale of Conversion Components

During the year ended February 28, 2017, the Corporation made no sales of conversion components. During the year ended February 29, 2016, the Corporation sold conversion components 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. The loss on the sale of the conversion components was \$140,000 and there were no transaction fees relating to this sale.

### Uranium Lending Arrangement

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 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. A bank guarantee was provided as collateral for the loan. 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. As a result of the early termination, the Corporation received cash consideration of \$559,000 (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 an alternate storage facility

In May 2013, the 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  $UF_6$  held with the USEC Facility. As such, the Corporation recorded an initial fair value adjustment of \$3,987,000, in fiscal 2014 to reflect the risk associated with its  $UF_6$  held with the USEC 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 costs associated with these transfers was \$2,711,000, reducing the fair value adjustment on the  $UF_6$  held with the USEC Facility to \$1,276,000.

During the year ended February 28, 2017, the Corporation transferred a total of 378,566 KgU as  $UF_6$  held with the USEC Facility to an alternate storage facility. The cost associated with the transfer amounted to \$1,427,000, of which \$1,276,000 was applied against the fair value adjustment loss recorded as at February 29, 2016, as described above, and the remaining \$151,000 was recorded to storage fees in the consolidated statement of comprehensive loss for the current period. The transfers reduced the Corporation's holdings of  $UF_6$  with the USEC Facility to nil.

### Uranium Relocation Agreement

In July 2016, the Corporation entered into an agreement with an independent third party to relocate a total of 700,000 KgU as  $UF_6$  to an alternate storage facility. The relocations take place over a two year period, in three separate tranches, in exchange for a fee payable to the Corporation of US\$1.00 per KgU for the initial 12 months of each transfer and US\$0.50 per KgU for each subsequent year after the end of the initial 12 month period. The term of the agreement requires the return and transfer of the 700,000 KgU as  $UF_6$  back to the original storage facility in May 2020. The fee received for the first tranche was recorded as income from relocation of uranium in the statement of comprehensive loss.



In July 2016, the Corporation completed the first of the three tranches, for a transfer of 300,000 KgU as UF<sub>6</sub>. During the year ended February 28, 2017, the Corporation recorded \$234,000 in income from the relocation of uranium. Refer to SUBSEQUENT EVENTS for more details.

## LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were \$5,109,000 at February 28, 2017 compared with \$8,968,000 at February 29, 2016. The decrease of \$3,859,000 was primarily due to \$18,900,000 in cash provided by financing activities, arising from the net proceeds of the \$20,020,000 equity financing completed in October 2016, which was offset by \$17,008,000 in cash used in investing activities, mainly for the purchase 610,000 pounds of U<sub>3</sub>O<sub>8</sub>, and \$5,749,000 net cash used in operations. Cash used in operations includes \$1,427,000 in costs associated with the transfers of UF<sub>6</sub> held with the USEC Facility to an alternate 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 28, 2017, the Corporation has invested more than 85% of its aggregate gross proceeds of share offerings in uranium. In strictly limited circumstances, the Corporation can enter into short-term borrowing arrangements for up to 15% of its net asset value to facilitate the purchases of uranium. To date, the Corporation has not entered into any short-term borrowing arrangements.

On October 31, 2014, the Corporation filed a short form base shelf prospectus ("2014 Prospectus") with the securities regulatory authorities in each of the provinces of Canada, other than Québec. Accordingly, the Corporation could 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 2014 Prospectus, for an aggregate offering amount of up to \$200,000,000 during the 25 month period ended November 30, 2016. In October 2016, the Corporation issued Securities for gross proceeds of \$20,020,000 pursuant to the 2014 Prospectus.

On December 9, 2016, the Corporation filed a short form base shelf prospectus ("2016 Prospectus") with the securities regulatory authorities in each of the provinces of Canada, other than Québec. As a result, the Corporation may issue 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 2016 Prospectus, for an aggregate offering amount of up to \$200,000,000 during the 25 month period ending January 9, 2019. To date, the corporation has not issued any Securities pursuant to the 2016 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. The Corporation did not make any purchases 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.

## 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 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).

A new three year agreement was entered into between the Corporation and the Manager effective April 1, 2016. Under the new 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 of Directors, for on-going monitoring or work associated with a transaction or arrangement (other than a financing, or the acquisition of or sale of U<sub>3</sub>O<sub>8</sub> or UF<sub>6</sub>); and d) a commission of 1.0% of the gross value of any purchases or sales of U<sub>3</sub>O<sub>8</sub> or UF<sub>6</sub>, or gross interest fees payable to the Corporation in connection with any uranium loan arrangements.

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

(in thousands)	February 28, 2017	February 29, 2016
Fees incurred with the Manager:		
Base and variable fees	\$ 1,538	\$ 2,216
Discretionary fees	100	-
Commission fees	173	71
<b>Total fees incurred with the Manager</b>	<b>\$ 1,811</b>	<b>\$ 2,287</b>

As at February 28, 2017, trade and other payables included \$170,000 (February 29, 2016: \$260,000) 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 28, 2017	February 29, 2016
Directors' fees & expenses	\$ 293	\$ 235
<b>Total key management personnel compensation</b>	<b>\$ 293</b>	<b>\$ 235</b>

## FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

### Commodity Price Risk

The Corporation's NAV is directly tied to the spot price of uranium published by UxC. At February 28, 2017, a 10% increase in the uranium spot price would have increased the Corporation's total equity by \$44,400,000, while a 10% decrease would have the 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 28, 2017, a 10% increase



in the U.S. dollar to Canadian dollar exchange rate would have increased the Corporation's total equity by \$45,900,000, while a 10% decrease would have the 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, financially stable, and/or essential to the global nuclear fuel cycle. Credit risk exposure on its trade and other receivables related to uranium loans is limited since the Corporation lends uranium exclusively to large organizations and ensures that adequate security is provided for any loaned uranium. The Corporation regularly assesses the credit profile of these organizations for any indications of financial difficulty.

#### *Liquidity Risk*

Financial liquidity represents the Corporation's ability to fund future operating activities. The Corporation may generate cash from the lending, relocation, or sale of uranium, or the sale of additional equity securities. The Corporation funds its ongoing operations with its existing cash balance and has the ability to sell some of its investments in uranium to generate additional cash if required. 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 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 third party storage facilities where the uranium is stored.

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

The Corporation has not offset financial assets with financial liabilities.

#### **OFF-BALANCE SHEET ARRANGEMENTS**

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

#### **SUBSEQUENT EVENTS**

On March 29, 2017, the counterparty to the relocation agreement (see Uranium Relocation Agreement above) filed for Chapter 11 bankruptcy protection in the United States of America. Pursuant to this agreement, 300,000 KgU as UF<sub>6</sub>, which is contained in enriched uranium product ("EUP"), owned by the Corporation is currently being held at this organization's storage facility. The Corporation continues to hold title to the UF<sub>6</sub> that is stored at this facility and pursuant to the terms of the relocation agreement, the counterparty is not permitted to transfer, sell, or assign the EUP containing the Corporation's UF<sub>6</sub> to any person. As at February 28, 2017, trade and other receivables included \$64,000 of unbilled





income related to the relocation of uranium. For the three months ended March 31, 2017, US\$74,000 was billed and is payable within 30 days.

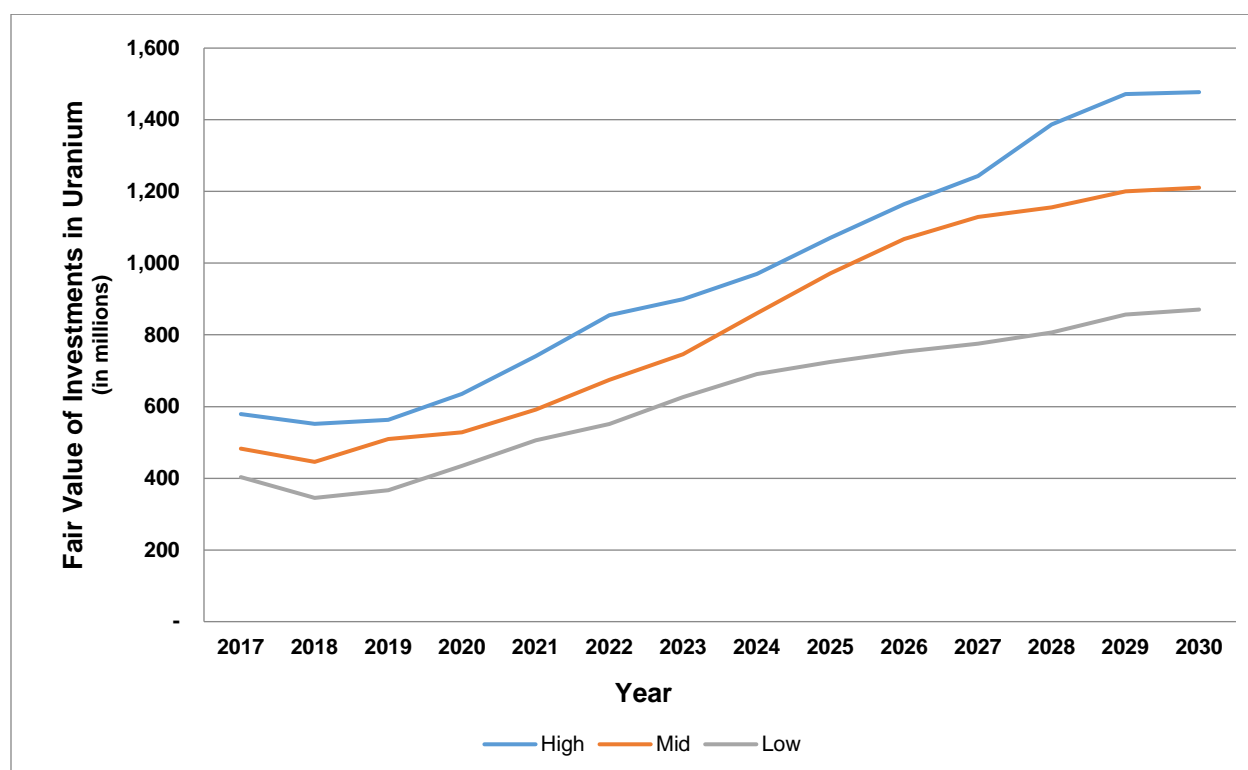
## OUTSTANDING SHARE DATA

At April 6, 2017, there were 120,848,713 common shares issued and outstanding. There are no stock options or other instruments issued and outstanding.

## OUTLOOK

The Corporation's NAV is directly linked to the spot price of uranium published by UxC. According to UxC's 2017 Q1 Outlook, the spot price of  $U_3O_8$  is projected to rise over the next 13 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 2025, the Corporation's estimated future fair value of investments in uranium is projected to increase up to a high of \$1.1 billion, and by 2030, up to a high of almost \$1.5 billion.

**Projected Fair Value of Investments in Uranium <sup>(1)</sup>**



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

(in millions)	2020 <sup>(1)</sup>	2025 <sup>(1)</sup>	2030 <sup>(1)</sup>
High Spot Price Projections <sup>(2)</sup>	\$ 635	\$ 1,071	\$ 1,477
Mid Spot Price Projections <sup>(3)</sup>	\$ 528	\$ 972	\$ 1,211
Low Spot Price Projections <sup>(4)</sup>	\$ 434	\$ 724	\$ 871

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

- Spot price projections from UxC's 2017 Q1 Outlook and noted in (2), (3) and (4) below;
- The US to Canadian dollar foreign exchange noon-rate at February 28, 2017 of 1.3248; and
- The investments in uranium held by the Corporation on February 28, 2017.

(2) High spot price projections per pound  $U_3O_8$  for 2020, 2025 and 2030 were US\$30.84, US\$51.98 and US\$71.72, respectively.

(3) Mid spot price projections per pound  $U_3O_8$  for 2020, 2025 and 2030 were US\$25.66, US\$47.19 and US\$58.78, respectively.

(4) Low spot price projections per pound  $U_3O_8$  for 2020, 2025 and 2030 were US\$21.09, US\$35.17 and US\$42.27, 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 28, 2017.

There has not been any change in the Corporation's internal control over financial reporting that occurred during the year ended February 28, 2017 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 third party storage facilities at which the Corporation's uranium is held.

### **Accounting Standards Issued But Not Yet Adopted**

The Corporation has not yet adopted the following new accounting pronouncements which are effective for fiscal periods of the Corporation beginning on or after January 1, 2017:

#### *International Accounting Standard 7, Statement of Cash Flows ("IAS 7") – Amendments*

IAS 7 requires an entity to present a statement of cash flows as an integral part of its primary financial statements. Cash flows are classified and presented into operating activities (either using the "direct" or "indirect" method), investing activities and financing activities, with the latter two categories generally presented on a gross basis. The amendments require additional disclosures with respect to changes in liabilities arising from financing activities. It is effective for annual periods beginning on or after January 1, 2017.

The Corporation does not have any liabilities arising from financing activities and therefore has concluded that there will be no material impact of adopting this standard.

#### *International Financial Reporting Standard 9, Financial Instruments ("IFRS 9")*

In July 2014, the IASB published the final version of 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 ("IAS 39"). 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.

The Corporation has not evaluated the impact of adopting this standard.

International Financial Reporting Standard 15, Revenue from Contracts with Customers ("IFRS 15")

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. Under IFRS 15, 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.

The Corporation has not evaluated the impact of adopting this standard.

International Financial Reporting Standard 16, Leases ("IFRS 16")

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 for 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.

The Corporation has not evaluated the impact of adopting this standard.

**RISK FACTORS**

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

Uranium Price Volatility from Demand and Supply Factors

Since almost all of the Corporation's activities involve investing in uranium, the value of its securities will be highly sensitive to fluctuations in the prices of uranium. Historically, the fluctuations in these prices have been, and are expected to continue to be, affected by numerous factors beyond the Corporation's control. Such factors include, among others: demand for nuclear power; political and economic conditions in uranium producing and consuming countries; public and political response to a nuclear accident; improvements in nuclear reactor efficiencies; 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 UF<sub>6</sub> is a different commodity than U<sub>3</sub>O<sub>8</sub>, its price is affected by its own supply/demand balance as well as the supply/demand balances of U<sub>3</sub>O<sub>8</sub> and for conversion services. As a result, the UF<sub>6</sub> spot price may move differently than the spot price of U<sub>3</sub>O<sub>8</sub> or the spot conversion price alone. The factors that affect the UF<sub>6</sub> spot price will affect the NAV of the Corporation, which in turn may affect the price of the Corporation's securities.

Set out in the table below is the spot price for U<sub>3</sub>O<sub>8</sub> per pound and the UF<sub>6</sub> spot price per KgU at the end of the last five fiscal years<sup>(1)</sup>.

	2013	2014	2015	2016	2017
U <sub>3</sub> O <sub>8</sub> <sup>(1)</sup>	\$42.00	\$35.50	\$38.75	\$32.15	\$22.25
UF <sub>6</sub> <sup>(1)</sup>	\$120.00	\$99.00	\$107.00	\$90.00	\$64.00

<sup>(1)</sup> 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.

#### *Impact of Global Economic Conditions*

Global financial conditions continue to be 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.

#### *Risks Associated with Facilities*

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

On March 29, 2017, the counterparty to the relocation agreement (see Uranium Relocation Agreement above) filed for Chapter 11 bankruptcy protection in the United States of America. Pursuant to this agreement, 300,000 KgU as UF<sub>6</sub> contained in enriched uranium product ("EUP") owned by the Corporation is currently on deposit with the counterparty and is being held at this organization's storage facility. The Corporation continues to hold title to the UF<sub>6</sub> that is stored at this facility and pursuant to the terms of the relocation agreement, the counterparty is not permitted to transfer, sell, or assign the EUP containing the Corporation's UF<sub>6</sub> to any person. As at February 28, 2017, trade and other receivables included \$64,000 of unbilled income related to the relocation of uranium. For the three months ended March 31, 2017, US\$74,000 was billed and is payable within 30 days.

#### *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 or relocation 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 pay the associated costs of the loan or relocation, and may not be able to return the uranium in accordance with the terms of the agreement. In such cases, the Corporation may have to collect on its security or the borrower may, in lieu, repay the equivalent value of borrowed uranium in cash. In such circumstances, given the replacement cost of  $U_3O_8$  and  $UF_6$  and the resolutions available to the Corporation, the Corporation may not be able to ultimately recover the amount of uranium holdings originally loaned or relocated, which could have a material adverse effect on the financial condition of the Corporation.

### *No Public Market for Uranium*

There is no public market for the sale of uranium. The uranium futures market on the New York Mercantile Exchange does not provide for physical delivery of uranium, only cash on settlement, and the 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 weeks. 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 weeks to complete. In addition, as the supply of uranium is limited, the Corporation may experience additional difficulties purchasing uranium in the event that it is a significant buyer. The inability to purchase and sell on a timely basis in sufficient quantities could have a material adverse effect on the securities of the Corporation.

From time to time, the Corporation enters into commitments to purchase  $U_3O_8$  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*

During the fiscal year ended February 28, 2017, the Corporation had negative cash flow from operating activities. The Corporation anticipates it will continue to have negative cash flow from operating activities in future periods. The expenses of the Corporation are funded from cash on hand that is not otherwise invested in uranium and revenue from the lending or relocation of uranium. Once such available cash has been expended, the Corporation may generate additional cash from either the lending or sale of uranium, or the sale of additional equity securities. There is no guarantee that the Corporation will be able to sell additional equity or equity related securities on terms acceptable to the Corporation in the future, that the Corporation will be able to sell uranium in a timely or profitable manner, or that the Corporation will be able to generate revenue through lending arrangements.

### *NAV*

The NAV is calculated as the value of total assets less the value of total liabilities. To arrive at NAV per share, the NAV is divided by the total number of common shares outstanding as at a specific date. The total asset value is significantly dependent on the spot price of uranium published by UxC. The liabilities may include estimated liabilities for future income taxes. Accordingly, the NAV per share may not necessarily reflect the actual realizable value of uranium held by the Corporation attributable to each common share.



### *Market Price and Liquidity of Common Shares*

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

The Corporation's principal source of funds is from the sale or lending of uranium 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 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.

### *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.

### *Anti-Bribery and Anti-Corruption Laws*

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

### *Disclosure and Internal Controls*

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



### *Information Systems and Cyber Security*

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

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

## **NON-IFRS FINANCIAL PERFORMANCE MEASURES**

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

## **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](http://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.



## 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.

David Cates  
President and Chief Executive Officer

Mac McDonald  
Chief Financial Officer

April 6, 2017





April 6, 2017

## **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 subsidiaries, which comprise the consolidated statements of financial position as at February 28, 2017 and February 29, 2016 and the consolidated statements of comprehensive 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.

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"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 subsidiaries as at February 28, 2017 and February 29, 2016 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

*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 28, 2017	At February 29, 2016
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 5,109	\$ 8,968
Trade and other receivables	483	469
	5,592	9,437
<b>Non-Current</b>		
Investments in uranium (note 5)	458,517	642,113
<b>Total assets</b>	<b>\$ 464,109</b>	<b>\$ 651,550</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Trade and other payables	\$ 1,764	\$ 2,071
<b>Total liabilities</b>	<b>1,764</b>	<b>2,071</b>
<b>EQUITY</b>		
Share capital (note 8)	841,243	822,343
Contributed surplus	6,762	6,762
Deficit	(385,660)	(179,626)
<b>Total equity</b>	<b>462,345</b>	<b>649,479</b>
<b>Total liabilities and equity</b>	<b>\$ 464,109</b>	<b>\$ 651,550</b>
<b>Common shares</b>		
Issued and outstanding (note 8)	<b>120,848,713</b>	<b>115,648,713</b>

Subsequent Events (note 12)

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

**ON BEHALF OF THE BOARD OF URANIUM PARTICIPATION CORPORATION**Richard H. McCoy  
DirectorGarth A. C. MacRae  
Director

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

	Years Ended	
	February 28, 2017	February 29, 2016
<i>(Expressed in thousands of Canadian dollars except for share and per share amounts)</i>		
<b>URANIUM RELATED LOSS</b>		
Unrealized losses on investments in uranium (note 5)	\$ (201,882)	\$ (71,181)
Realized loss on sale of conversion components (note 5)	-	(140)
Income from lending of uranium (note 6)	585	557
Income from relocation of uranium (note 6)	234	-
Realized gain on sale of uranium (note 5)	-	1,027
	<b>(201,063)</b>	<b>(69,737)</b>
<b>OPERATING EXPENSES</b>		
Storage fees	(2,178)	(2,347)
Management fees (note 9)	(1,811)	(2,287)
Public company expenses	(566)	(485)
General office and miscellaneous	(279)	(332)
Legal and other professional fees	(180)	(139)
Transaction fees	(4)	(14)
Interest income	62	144
Foreign exchange gain (loss)	(15)	127
	<b>(4,971)</b>	<b>(5,333)</b>
Net loss before taxes	(206,034)	(75,070)
Income tax expense (note 7)	-	(2)
<b>Net and comprehensive loss for the year</b>	<b>\$ (206,034)</b>	<b>\$ (75,072)</b>
<b>Net loss per common share</b>		
Basic and diluted	<b>\$ (1.75)</b>	<b>\$ (0.65)</b>
<b>Weighted average number of common shares outstanding</b>		
Basic and diluted	<b>117,415,288</b>	116,192,169

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, 2015	\$ 831,048	\$ 4,564	\$ (104,554)	\$ 731,058
Common shares purchased	(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
Common shares issued (note 8)	18,900	-	-	18,900
Net loss for the year	-	-	(206,034)	(206,034)
<b>Balance at February 28, 2017</b>	<b>\$ 841,243</b>	<b>\$ 6,762</b>	<b>\$ (385,660)</b>	<b>\$ 462,345</b>

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Expressed in thousands of Canadian dollars)	Years Ended	
	February 28, 2017	February 29, 2016
<b>Operating Activities</b>		
Net loss for the year	\$ (206,034)	\$ (75,072)
Adjustment for:		
Unrealized losses on investments in uranium (note 5)	201,882	71,181
Realized loss on sale of conversion components (note 5)	-	140
Realized gain on the sale of uranium (note 5)	-	(1,027)
Costs associated with transfer of uranium (note 5)	(1,276)	(2,711)
Changes in non-cash working capital:		
Change in trade and other receivables	(14)	(139)
Change in trade and other payables	(307)	(284)
<b>Net cash used in operating activities</b>	<b>(5,749)</b>	<b>(7,912)</b>
<b>Investing Activities</b>		
Purchase of uranium (note 5)	(17,008)	-
Sale of uranium (note 5)	-	4,743
Sale of conversion components, net of costs (note 5)	-	891
<b>Net cash generated (used) by investing activities</b>	<b>(17,008)</b>	<b>5,634</b>
<b>Financing Activities</b>		
Common shares issued, net of transaction costs (note 8)	18,900	-
Common shares purchased, including transaction costs (note 8)	-	(6,507)
<b>Net cash generated by (used) financing activities</b>	<b>18,900</b>	<b>(6,507)</b>
Decrease in cash and cash equivalents	(3,857)	(8,785)
Cash and cash equivalents – beginning of the year	8,968	17,753
Foreign exchange effects	(2)	-
<b>Cash and cash equivalents – end of the year</b>	<b>\$ 5,109</b>	<b>\$ 8,968</b>

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





## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2017 AND FEBRUARY 29, 2016

(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<sub>3</sub>O<sub>8</sub>”) and uranium hexafluoride (“UF<sub>6</sub>”) (collectively “uranium”) with the primary investment objective of achieving appreciation in the value of its uranium holdings 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 28, 2017 and February 29, 2016 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 April 6, 2017.

### 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, and other short-term highly liquid investments with original maturities of three months or less which are subject to an insignificant risk of changes in value.

*(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. The Bank of Canada ceased reporting foreign exchange noon and closing rates effective March 1, 2017. As a result, starting March 1, 2017, the Corporation will utilize the Bank of Canada's month-end indicative foreign exchange rate for the purposes of measuring the fair value of its investments in uranium. Related fair value increment gains and losses are recorded in the consolidated statement of comprehensive gain (loss) as "Unrealized gains (losses) on investments in uranium" 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 is carried at fair value. The lending of uranium is accounted for 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<sub>3</sub>O<sub>8</sub> and UF<sub>6</sub>, 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, 2017:

IAS 7 – Statement of Cash Flows – Amendments

IAS 7 requires an entity to present a statement of cash flows as an integral part of its primary financial statements. Cash flows are classified and presented into operating activities (either using the "direct" or "indirect" method), investing activities and financing activities, with the latter two categories generally presented on a gross basis. The amendments require additional disclosures with respect to changes in liabilities arising from financing activities. It is effective for annual periods beginning on or after January 1, 2017.

The Corporation does not have any liabilities arising from financing activities and therefore has concluded that there will be no material impact of adopting this standard.

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.

The Corporation has not evaluated the impact of adopting this standard.

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.

The Corporation has not evaluated the impact of adopting this standard.

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 evaluated the impact of adopting this standard.

**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. The Corporation may also adjust the fair value of the investments in uranium based on its assessment of the valuation impact of risks associated with the third party storage facilities at which the Corporation's uranium is held.

**5. INVESTMENTS IN URANIUM**

The investments continuity summary is as follows:

(in thousands)	Cost	Fair Value Adjustment	Fair Value <sup>(1)(2)</sup>
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)
USEC UF <sub>6</sub> fair value adjustment <sup>(2)</sup>	-	2,711	2,711
Balance at February 29, 2016	\$ 766,348	\$ (124,235)	\$ 642,113
Unrealized net losses on investments in uranium	-	(202,853)	(202,853)
Purchase of uranium	17,010	971	17,981
USEC UF <sub>6</sub> fair value adjustment <sup>(2)</sup>	-	1,276	1,276
<b>Balance at February 28, 2017</b>	<b>\$ 783,358</b>	<b>\$ (324,841)</b>	<b>\$ 458,517</b>



The balance of investments in uranium consists of:

(in thousands, except quantity amounts)	Quantity	Cost	Fair Value Adjustment	Fair Value <sup>(1)(2)</sup>
<b>U<sub>3</sub>O<sub>8</sub></b>	10,080,024 lbs	\$ 471,496	\$ (174,369)	\$ 297,127
<b>UF<sub>6</sub> <sup>(2)</sup></b>	1,903,471 KgU	311,862	(150,472)	161,390
<b>Balance at February 28, 2017</b>		<b>\$ 783,358</b>	<b>\$ (324,841)</b>	<b>\$ 458,517</b>

(1) Investments in uranium are categorized in Level 2 of the fair value hierarchy. Fair values as at February 28, 2017 reflect spot prices published by UxC of US\$22.25 per pound U<sub>3</sub>O<sub>8</sub> and US\$64.00 per KgU as UF<sub>6</sub>, translated at the foreign exchange noon rate of 1.3248.

(2) Included in the fair value at February 28, 2015 was a fair value adjustment of \$3,987,000 reducing the fair value to reflect the risks associated with the Corporation's UF<sub>6</sub> held with the United States Enrichment Facility ("USEC Facility"). During the year ended February 29, 2016, the fair value adjustment was reduced to \$1,276,000, to reflect the reduction in the material held with the USEC Facility. During the year ended February 28, 2017, the fair value adjustment was further reduced to \$nil, to reflect the transfer of all the remaining material from the USEC facility.

The following is an analysis of the Corporation's non-current investments in uranium by location:

(in thousands)	February 28, 2017	February 29, 2016
Canada	\$ 20,781	\$ 30,651
United States	\$ 163,007	\$ 251,180
Europe	\$ 274,729	\$ 360,282
<b>Total non-current assets</b>	<b>\$ 458,517</b>	<b>\$ 642,113</b>

#### Purchases of Uranium

During the year ended February 28, 2017, the Corporation purchased 610,000 pounds of U<sub>3</sub>O<sub>8</sub> at an average price of US\$20.75 per pound U<sub>3</sub>O<sub>8</sub>, resulting in an increase of \$17,010,000 in the Corporation's investments in uranium. The total cash consideration for the purchases was \$17,008,000 (US\$12,657,500) based on the foreign exchange rate on the payment dates. The Corporation recorded a \$2,000 foreign exchange gain due to the favourable movement in the U.S. dollar to Canadian dollar exchange rate between the date the Corporation received the shipments of U<sub>3</sub>O<sub>8</sub> and the date that the payments were made.

#### Sale of Uranium

In October 2015, the Corporation completed the sale of 100,000 pounds of U<sub>3</sub>O<sub>8</sub> 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<sub>6</sub> to occur over three tranches:

- 1) conversion component contained in 100,000 KgU as UF<sub>6</sub> in return for 261,285 pounds of U<sub>3</sub>O<sub>8</sub> and cash consideration of US\$700,000 that was completed in December 2014;
- 2) conversion component contained in 50,000 KgU as UF<sub>6</sub> in return for 130,643 pounds of U<sub>3</sub>O<sub>8</sub> and cash consideration of US\$357,500 that was completed in February 2015; and
- 3) conversion component contained in 100,000 KgU as UF<sub>6</sub> in return for 261,285 pounds of U<sub>3</sub>O<sub>8</sub> and cash consideration of US\$715,000 that was completed in May 2015.

The loss on the sale of the final tranche of conversion components in May 2015 was \$140,000. There were no transaction fees relating to this sale.

#### Transfer of UF<sub>6</sub> held with the USEC Facility to another storage facility

During the year ended February 28, 2017, the Corporation transferred a total of 378,566 KgU UF<sub>6</sub> (2016: 685,434 KgU) held with the USEC Facility to an alternate storage facility. The cost associated with the transfer amounted





to \$1,427,000, of which \$1,276,000 was applied against the fair value adjustment loss recorded as at February 29, 2016, as described above (2016: \$2,711,000) and the remaining \$151,000 was recorded to storage fees in the consolidated statement of comprehensive loss for the current period (2016: \$nil). The transfers reduced the Corporation's holdings of UF<sub>6</sub> with the USEC Facility to nil (February 29, 2016: 378,566 KgU).

## 6. URANIUM ARRANGEMENTS

### Lending Agreement

In March 2015, the Corporation entered into an agreement to loan 1,300,000 pounds of U<sub>3</sub>O<sub>8</sub> 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<sub>3</sub>O<sub>8</sub> 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.

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 \$559,000 (US\$435,000) in April 2016 and the related bank guarantee was cancelled and returned to the borrower. The consideration received was recorded as income from lending of uranium in the statement of comprehensive loss.

### Relocation Agreement

In July 2016, the Corporation entered into an agreement with an independent third party to relocate a total of 700,000 KgU as UF<sub>6</sub> to an alternate storage facility. The transfers are expected to be made over the next two years in three separate tranches, and will be completed in exchange for a fee payable to the Corporation of US\$1.00 per KgU for the initial 12 months of each transfer and US\$0.50 per KgU for each subsequent year after the end of the initial 12 month period. The term of the agreement requires the return and transfer of the 700,000 KgU as UF<sub>6</sub> back to the original storage facility in May 2020. The fee received is recorded as income from relocation of uranium in the statement of comprehensive loss.

In July 2016, the Corporation completed the first of the three tranches, for a transfer of 300,000 KgU as UF<sub>6</sub>. During the year ended February 28, 2017, the Corporation recorded \$234,000 in income related to this relocation agreement. Refer to note 12 SUBSEQUENT EVENTS for more details.

## 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 28, 2017	February 29, 2016
Current tax expense	\$ -	\$ 2
<b>Total income tax expense</b>	<b>\$ -</b>	<b>\$ 2</b>



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 28, 2017	February 29, 2016
Net gain (loss) before taxes	\$ (206,034)	\$ (75,072)
Combined federal and provincial income tax rate	26.50%	26.50%
Computed income tax expense	\$ (54,599)	\$ (19,894)
Difference in current tax rates applicable in other jurisdictions	48,224	15,876
Change in deferred tax assets not recognized	4,700	3,886
Permanent differences	1,963	
Other	(288)	135
<b>Total income tax expense</b>	<b>\$ -</b>	<b>\$ 2</b>

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

(in thousands)	February 28, 2017	February 29, 2016
Deferred tax assets		
Tax loss carry forwards	\$ -	\$ 486
Deferred tax assets - gross	\$ -	\$ 486
Set-off against deferred tax liabilities	-	(486)
<b>Deferred tax assets <sup>(1)</sup></b>	<b>\$ -</b>	<b>\$ -</b>
Deferred tax liabilities		
Unrealized gains on investments	\$ -	\$ (486)
Deferred tax liabilities - gross	\$ -	\$ (486)
Set-off by deferred tax assets	-	486
<b>Deferred tax liabilities <sup>(1)</sup></b>	<b>\$ -</b>	<b>\$ -</b>

(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 28, 2017	February 29, 2016
Deductible temporary differences	\$ 3,873	\$ 6,937
Tax losses	6,453	5,341
<b>Total deferred tax assets not recognized</b>	<b>\$ 10,326</b>	<b>\$ 12,278</b>



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 28, 2017	February 29, 2016
Tax losses – gross			
Canada	2030-2037	\$ 24,350	\$ 21,139
Cyprus	unlimited	-	480
Luxembourg	unlimited	-	5,656
Tax losses – gross		\$ 24,350	\$ 27,275
Tax benefit at tax rates between 2.92% to 26.50%		6,453	5,827
Set-off against deferred tax liabilities		-	(486)
<b>Total tax loss assets not recognized</b>		<b>\$ 6,453</b>	<b>\$ 5,341</b>

In March 2016, the Corporation's wholly owned subsidiary, Uranium Participation Cyprus Limited (UPCL) migrated to Bermuda under the name Uranium Participation Bermuda (UPBL). At the time of the migration, UPCL's branch office in Luxembourg was also closed. As a result, the Corporation is no longer subject to income tax in Cyprus and Luxembourg, and any Cyprus and Luxembourg tax attributes accumulated prior to the migration have been reduce to \$nil.

## 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, 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
Common shares issued	5,200,000	20,020
Share issue costs	-	(1,120)
<b>Balance at February 28, 2017</b>	<b>120,848,713</b>	<b>\$ 841,243</b>

In October 2016, the Corporation completed a bought-deal equity financing and issued 5,200,000 common shares, at a price of \$3.85 per share, for gross proceeds of \$20,020,000. The Corporation also incurred share issue costs of \$1,120,000. The majority of the net proceeds were used to fund the purchase of 610,000 pounds of U<sub>3</sub>O<sub>8</sub>, with the balance to be used to fund the operating expenses of the Corporation.

On December 9, 2016, the Corporation filed a short form base shelf prospectus ("2016 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 2016 Prospectus, for an aggregate offering amount of up to \$200,000,000 during the 25 month period ending January 9, 2019. To date, the corporation has not issued any Securities pursuant to the 2016 Prospectus.

On October 31, 2014, the Corporation filed a short form base shelf prospectus ("2014 Prospectus") with the securities regulatory authorities in each of the provinces of Canada, other than Québec. Accordingly, the Corporation could issue 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 2014 Prospectus, for an aggregate offering amount of up to \$200,000,000 during the 25 month period ending November 30, 2016. In October 2016, the Corporation issued \$20,020,000 in Securities pursuant to the 2014 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 ended on January 17, 2017. The Corporation did not make any purchases 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.

## 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 paid 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"). 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<sub>3</sub>O<sub>8</sub> or UF<sub>6</sub>); and d) a commission of 1.0% of the gross value of any purchases or sales of U<sub>3</sub>O<sub>8</sub> or UF<sub>6</sub>, or gross interest fees payable to the Corporation in connection with any uranium loan arrangements.

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

(in thousands)	February 28, 2017	February 29, 2016
Fees incurred with the Manager:		
Base and variable fees	\$ 1,538	\$ 2,216
Discretionary fees	100	-
Commission fees	173	71
<b>Total fees incurred with the Manager</b>	<b>\$ 1,811</b>	<b>\$ 2,287</b>

As at February 28, 2017, trade and other payables included \$170,000 (February 29, 2016: \$260,000) 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 28, 2017	February 29, 2016
Directors' fees & expenses	\$ 293	\$ 235
<b>Total key management personnel compensation</b>	<b>\$ 293</b>	<b>\$ 235</b>

## 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 28, 2017, the Corporation has invested more than 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 28, 2017, a 10% increase in the uranium spot price would have increased the Corporation's total equity by \$44,400,000, while a 10% decrease would have the 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 28, 2017, a 10% increase in the U.S. dollar to Canadian dollar exchange rate would have increased the Corporation's total equity by \$45,900,000, while a 10% decrease would have the 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 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, financially stable, and/or essential to the global nuclear fuel cycle. Credit risk exposure on its trade and other receivables related to uranium loans is limited since the Corporation lends uranium





exclusively to large organizations and ensures that adequate security is provided for any loaned uranium. The Corporation regularly assesses the credit profile of these organizations for any indications of financial difficulty.

#### *Liquidity Risk*

Financial liquidity represents the Corporation's ability to fund future operating activities. The Corporation may generate cash from the lending, relocation, or sale of uranium, or the sale of additional equity securities. The Corporation funds its ongoing operations with its existing cash balance and has the ability to sell some of its investments in uranium to generate additional cash if required. 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. The Corporation may also adjust the fair value of the investments in uranium based on its assessment of the valuation impact of risks associated with the third party storage facilities at which the Corporation's uranium is held.

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.

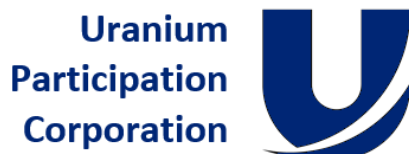
The Corporation has not offset financial assets with financial liabilities.

## **11. COMPARATIVE FINANCIAL STATEMENTS**

Certain balances in the comparative consolidated financial statements have been reclassified from the consolidated financial statements previously presented to conform to the presentation of the 2017 consolidated financial statements in accordance with IFRS.

## **12. SUBSEQUENT EVENTS**

On March 29, 2017, the counterparty to the relocation agreement (see note 6) filed for Chapter 11 bankruptcy protection in the United States of America. Pursuant to this agreement, 300,000 KgU as UF<sub>6</sub>, which is contained in enriched uranium product ("EUP"), owned by the Corporation is currently being held at this organization's storage facility. The Corporation continues to hold title to the UF<sub>6</sub> that is stored at this facility and pursuant to the terms of the relocation agreement, the counterparty is not permitted to transfer, sell, or assign the EUP containing the Corporation's UF<sub>6</sub> to any person. As at February 28, 2017, trade and other receivables included \$64,000 of unbilled income related to the relocation of uranium. For the three months ended March 31, 2017, US\$74,000 was billed and is payable within 30 days.



## BOARD OF DIRECTORS

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

Thomas Hayslett  
Independent Consultant; formerly Senior Consultant  
The Ux Consulting Company, LLC.

Jeff Kennedy  
Chief Financial Officer, Managing Director of Equity Capital Markets  
Cormark Securities Inc.

Garth A. C. MacRae  
Independent Financial Consultant

Ganpat Mani  
Independent Consultant; formerly Chief Executive Officer and  
President, ConverDyn Corp.

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

Dorothy Sanford  
President, MFDA Investor Protection Corporation

## OFFICERS

David Cates  
President and Chief Executive Officer

Mac McDonald  
Chief Financial Officer

Scott Melbye  
Vice President, Commercial

Amanda Willett  
Corporate Secretary

## MANAGER

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Toronto

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## STOCK EXCHANGE LISTING

The Toronto Stock Exchange  
Trading Symbol: U

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

Managed by:



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