Uranium Participation Corporation

2011 ANNUAL REPORT

2011 Annual Report

Uranium Participation Corporation

www.uraniumparticipation.com

To Our Shareholders

Fiscal 2011 has been a year of growth in our uranium holdings and strengthening in the spot price of uranium.

In March 2010, Uranium Participation Corporation (the "Corporation" or "UPC") completed the acquisition of Uranium Limited. This increased UPC's investment portfolio to 7,250,000 pounds U_3O_8 and 2,374,230 KgU as UF_6. The acquisition was completed by way of a share exchange transaction, whereby the Corporation issued 0.5 common shares for each Uranium Limited share outstanding. This transaction resulted in the issuance of 20,624,972 UPC common shares. As at February 28, 2011, UPC had 106,322,313 common shares issued and outstanding.

UPC's basic net asset value per common share ("NAV") increased from $5.95 per share at February 28, 2010 to $8.79 at February 28, 2011, representing a basic NAV return of 47.7%. Diluted NAV increased from $5.95 per share at February 28, 2010 to $8.76 at February 28, 2011.

UPC's net assets at February 28, 2011 were $934,455,000 representing an 83.3% increase from net assets of $509,592,000 at February 28, 2010. Of the net asset increase of $424,863,000 over the period, $301,655,000 was attributable to investment operation performance, and $123,208,000 was attributable to the acquisition of UL.

On March 11, 2011, a powerful earthquake struck off the northeast coast of Japan near the city of Sendai. A tsunami then slammed Japan's Pacific Ocean coast which hosts four nuclear power plants with 14 reactors. A serious nuclear accident occurred at the Fukushima Daiichi plant as a result of the devastation from the tsunami at the plant. Spot U_3O_8 prices reacted quickly to news of this nuclear incident dropping from the high US$60s to below US$50 per pound U_3O_8 before settling in the mid to high US$50s as of this date.

Notwithstanding the tragic events in Japan and their immediate impact on the nuclear energy industry, the fundamentals of the uranium market have not changed. Nuclear power capacity and power generation is still growing, while uranium production is struggling to catch up after many years of low prices and limited exploration for new deposits, which are required to support the growth of nuclear power and to replace depleting ore bodies. As a result, there is a long-term supply-demand imbalance which can be expected to continue for the foreseeable future, even after the effects of the Japanese natural disaster are taken into account. Prices must rise to higher, sustained levels to support exploration and development of new mines required to meet the increasing demand. We remain very optimistic on the future of nuclear power and the future value of uranium.

Ron Hochstein
President

May 19, 2011

Uranium Participation Corporation
Annual Management Report of Fund Performance
February 28, 2011

DISCLOSURE

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

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

This Annual Management Report of Fund Performance is current as of May 19, 2011. All amounts are in Canadian dollars unless otherwise indicated.

CAUTION REGARDING FORWARD LOOKING INFORMATION

This Annual Management Report of Fund Performance contains certain forward looking statements and forward looking information that are based on the Corporation's current internal expectations, estimates, assumptions and beliefs. Forward looking statements generally can be identified by the use of forward looking terminology such as "may", "will", "expect", "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 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 of UPC's Annual Information Form ("AIF") dated May 19, 2011 available on UPC's website and SEDAR.

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 that expressed or implied by the forward looking statements. Except where required under applicable securities legislation, UPC does not undertake to update any forward looking information.

URANIUM PARTICIPATION CORPORATION

UPC was incorporated on March 15, 2005 under the Ontario Business Corporations Act. UPC was created to invest in, hold and sell uranium oxide in concentrates ("U_3O_8") and uranium hexafluoride ("UF_6") (collectively "uranium"). UPC invests in and holds physical uranium through its wholly-owned subsidiaries, Uranium Participation Alberta Corp., Uranium Participation Cyprus Limited and Uranium Limited (the "Subsidiaries"). Uranium Participation Alberta Corp. was incorporated on May 4, 2005 under the Alberta Business Corporations Act. Uranium Participation Cyprus Limited ("UPCL") was incorporated on September 10, 2006 under the laws of the Republic of Cyprus and obtained a business license to establish and conduct its operations through a branch office in Luxembourg. In March 2010, UPC acquired Uranium Limited ("UL") through a Scheme of Arrangement under the laws of Guernsey. Unless otherwise indicated or where the context otherwise requires, references to "UPC" or the "Corporation" includes the Subsidiaries.

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

UPC established an Independent Review Committee ("IRC") from its qualified independent Board members in October 2007. The IRC has adopted a mandate that provides that the IRC must provide a recommendation or approval of transactions in which there is a conflict of interest between the Corporation and its Manager, as contemplated by National Instrument 81-107-*Independent Review Committee for Investment Funds* of the Canadian Securities Administrators ("NI 81-107"). The IRC prepares a report to shareholders on an annual basis. The report is available on UPC's website at www.uraniumparticipation.com and is also available to shareholders at no cost by contacting the Corporation at info@uraniumparticipation.com.

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

Canadian Securities laws require each investment fund to have an investment fund manager ("IFM"). The Corporation has applied to register as an IFM pursuant to National Instrument 31-103-*Registration Requirements and Exemptions*. As of the date hereof, the application remains under review.

INVESTMENT OBJECTIVES AND STRATEGY

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

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

For a more detailed description of the Corporation's investment policies and by-laws, please refer to UPC's AIF.

INVESTMENT RISK

There are a number of factors that could negatively affect UPC's business and the value of UPC's securities. Please refer to UPC's AIF for a detailed discussion of the material risk factors and their potential impacts on UPC's business.

Some of the more significant changes or trends in economic conditions through the year that could materially affect the Corporation's future operating results are as follows:

Uranium Price Volatility

Since almost all of UPC's activities involve investing in uranium, the value of its securities will be highly sensitive to fluctuations in the prices of uranium. The spot price per pound for U_3O_8 remained relatively stable for the first part of the year, ranging between US$40.50 and US$42.25 until the middle of July, when the price began a rapid rise to a peak of US$73.00 in early February 2011 before declining to US$69.75 at February 28, 2011. The UF_6 spot price per KgU showed a similar pattern with the price of US$114.00 at February 28, 2010 rising to US$194.00 at February 28, 2011. Major purchases of uranium by China to fuel their ambitious new reactor construction program was a significant driver of the price increase. Increased activity of investment and hedge funds in the market also affected the volatility of the spot market.

The fluctuations in these prices have been and will continue to be affected by numerous other factors beyond UPC's control. Such factors include, among others: demand for nuclear power; public and political response to a nuclear incident; reprocessing of used reactor fuel and the re-enrichment of depleted uranium tails; sales of excess civilian and military inventories (including from the dismantling of nuclear weapons) by governments and industry participants; uranium supply, including the supply from other secondary sources; and production levels and production costs in key uranium producing countries.

Set out in the table below are the spot prices[(1)] for U_3O_8 per pound and UF_6 per KgU over the last five years:

	February 28/29				
	2007	**2008**	**2009**	**2010**	**2011**
U_3O_8	$85.00	$73.00	$45.00	$41.75	$69.75
UF_6	$233.00	$200.00	$126.00	$114.00	$194.00

(1) As published by Ux Consulting Company, LLC ("UxCo") in U.S. dollars.

Foreign Exchange Rates

UPC maintains its accounting records, reports its financial position and results, pays certain operating expenses and its securities trade in Canadian currency. As the prices of uranium are quoted in U.S. currency, fluctuations in the U.S. currency exchange rate relative to the Canadian currency can significantly impact the valuation of uranium and the associated purchase price from a Canadian currency perspective. The US dollar weakened relative to the Canadian dollar from 1.0526 at February 28, 2010 to 0.9739 at February 28, 2011. This decline and any further declines would negatively impact UPC's net asset value reported in Canadian dollars.

Lack of Operational Liquidity

The expenses of UPC are funded from cash on hand that is not otherwise invested in uranium and revenue from the lending of uranium. Once such cash has been expended, UPC may generate cash from either the lending or sale of uranium, or the sale of additional equity securities. At February 28, 2011, UPC's cash balance was sufficient to cover over three years of anticipated expenses.

Public Acceptance of Nuclear Energy

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, including the risk of a nuclear incident, the industry is subject to public opinion risks that could have an adverse impact on the demand for nuclear power and increase the regulation of the nuclear power industry. As a consequence of the Japanese nuclear incident in March 2011 (see "Recent Developments"), most countries, while declaring their support for nuclear power, have called for technical reviews of all safety and security systems of existing nuclear plants and those under construction and a review of the nuclear safety regulations governing the industry. This can be expected to result in the premature closure of a few reactors, particularly the older ones, and to delay the forecast growth rate of nuclear capacity. It is significant, however, that the governments of China, India, South Korea and Russia have all announced plans to move ahead with their domestic nuclear plans, albeit following a careful review of the safety of their nuclear plants.

Nuclear energy competes with other sources of energy, including oil, natural gas, coal, hydro-electricity and renewable energy sources. These other energy sources are to some extent interchangeable with nuclear energy, particularly over the longer term. Sustained lower prices of oil, natural gas and coal may result in lower demand for uranium concentrates. 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.

RESULTS OF OPERATIONS

UPC's basic net asset value per common share ("NAV") increased from $5.95 per share at February 28, 2010 to $8.79 at February 28, 2011 representing a basic NAV return of 47.7%. Diluted NAV increased from $5.95 per share at February 28, 2010 to $8.76 at February 28, 2011. Over the comparable time period, UPC's benchmark, the S&P/TSX Composite Index, increased by 21.6%.

UPC's net assets at February 28, 2011 were $934,455,000 representing an 83.3% increase from net assets of $509,592,000 at February 28, 2010. Of the net asset increase of $424,863,000 over the period, $301,655,000 was attributable to investment operation performance, and $123,208,000 was attributable to the acquisition of UL.

Equity Financing

In May 2009, UPC issued 13,368,750 shares by way of a public offering priced at $7.75 per share for total gross proceeds of $103,608,000.

On March 30, 2010, UPC completed the acquisition of UL by issuing 0.50 UPC shares in exchange for each UL share. A total of 20,624,972 UPC shares were issued to complete the transaction.

As at February 28, 2011, UPC had 106,322,313 common shares issued and outstanding.

Since inception, UPC has raised gross proceeds of $647,047,000 through common share and equity unit financings and received $31,202,000 through warrant exercises. Also, as part of the UL acquisition, UPC issued 20,624,972 common shares valued at $122,101,000 and assumed the obligation of 2,475,000 UL stock options valued at $1,107,000. A total of $732,493,000 or 91.4% of the above amounts have been invested in uranium.

Investment Portfolio

During the year, UPC increased its U_3O_8 holdings by 1,705,000 pounds through its acquisition of UL, raising its total holdings to 7,250,000 pounds at February 28, 2011. The cost of U_3O_8 acquired in the year was $74,051,000 or $43.43 per pound, compared to its fair value at February 28, 2011 of $115,820,000 or $67.93[(1)] per pound.

The total cost of UPC's U_3O_8 holdings at February 28, 2011 increased to $342,495,000 or $47.24 per pound, compared to its fair value of $492,489,000 or $67.93[(1)] per pound. This represents an increase of 43.8% or 61.3% on a U.S. dollar basis.

During the year, UPC increased its UF_6 holdings by 412,000 KgU, raising its total holdings to 2,374,230 KgU at February 28, 2011. The cost of UF_6 acquired in the year was $48,995,000 or $118.92 per KgU, compared to its fair value at February 28, 2011 of $77,842,000 or $188.94 per KgU.

The total cost of UPC's UF_6 holdings at February 28, 2011 increased to $389,998,000 or $164.26 per KgU, compared to its fair value of $448,579,000 or $188.94[(1)] per KgU. This represents an increase of 15.0% or 27.6% on a U.S. dollar basis.

UPC entered into a lending arrangement effective January 1, 2007 to loan 500,000 KgU as UF_6 to a producer for a period of three years. This arrangement, which generated loan fee revenues and reduced storage costs, was collateralized by an irrevocable letter of credit. The agreement expired on December 31, 2009 with the UF_6 returned on that date.

UPC entered into a loan of the conversion component of 1,332,230 KgU as UF_6 in December 2009. The conversion component is subject to a loan fee of 4.5% per annum based on the greater of the adjusted monthly value and US$15,654,000. To facilitate the loan of the conversion component, 1,332,230 KgU as UF_6 was transferred to the borrower with 3,480,944 pounds of U_3O_8 transferred to UPC and an irrevocable letter of credit received as collateral. In addition to generating loan fees, the agreement will effectively reduce some of UPC's storage costs. This agreement is due to expire in December 2012.

Through the acquisition of UL, UPC assumed a loan agreement to lend 520,000 pounds of U_3O_8 subject to a loan fee of 3.5% per annum of the material's value, fixed at US$46.50 per pound or US$24,180,000. The agreement expired on July 8, 2010 with the U_3O_8 returned on that date.

In January 2011, an affiliate of the Manager borrowed 150,000 pounds of U_3O_8 from UPC subject to a loan fee of 3.5% per annum based upon the material's value on the borrowing date. The loan was repayable in February 2011, or such later date agreed to by both parties. In February 2011, the repayment date was amended to April 4, 2011 with the loan fee amended to 3.5% per annum of the material's value on the amendment date. Collateral of US$12,045,000 was held in the form of an irrevocable letter of credit. The loan was repaid in full on March 30, 2011.

Investment Performance

Investment operation returns of $301,655,000 for the year ended February 28, 2011 have been largely driven by the change in unrealized gains on uranium investments of $338,881,000, net of transaction fees from the closing of the UL acquisition of $3,354,000, and tax expense of $30,098,000.

The change in unrealized gains on investments reflect the strengthening of U_3O_8 and UF_6 spot prices. As reported by UxCo, spot prices for U_3O_8 increased from US$41.75 per pound at

[1] Reflects spot prices published by UxCo on February 28, 2011 of US$69.75 per pound for U_3O_8 and US$194.00 per KgU for UF_6 translated at a foreign exchange rate of 0.9739.

February 28, 2010 to US$69.75 per pound at February 28, 2011. UF_6 similarly increased from US$114.00 at February 28, 2010 to US$194.00 at February 28, 2011. Prices have declined subsequent to this reporting date (refer to "RECENT DEVELOPMENTS" section below).

UPC is not a mutual fund trust. Therefore, it is subject to income tax on its taxable income, computed in accordance with the ordinary rules and at rates ordinarily applicable to public corporations in its various jurisdictions. The substantively enacted future tax rates, in UPC's various jurisdictions, range from 3% to 25%. In the current year, UPC has provided for current tax expense of nil and future tax expense of $30,098,000. The combined tax expense for the current year of $30,098,000 reflects an effective tax rate of approximately 9.0% compared to a tax recovery of $14,821,000 and an effective tax rate of 10.1% in the prior year. The decline in the effective tax rate is primarily a result of an increase in the proportion of inventory held in UPC's wholly owned subsidiary, UPCL. UPCL is taxed at the lowest rate among UPC and the Subsidiaries.

RECENT DEVELOPMENTS

On March 11, 2011, a powerful earthquake, measuring a magnitude of 9.0 on the Richter scale, struck off the northeast coast of Japan near the city of Sendai. A tsunami, reportedly in excess of 10 metres high, subsequently struck Japan's east coast which hosts four nuclear power plants with 14 reactors. The first signs of a serious nuclear incident at the Fukushima Daiichi plant occurred, after the automatic emergency shutdown, when off-site electrical power was lost and the emergency diesel generators were knocked out by the tsunami, causing the emergency core cooling system to fail. Without the capacity to deliver more water to the reactor core, the temperature of the fuel rods exceeded the design specifications and the rods began to fail, breaching the first line of defence from the release of radioactive materials. Efforts have continued to restore power and regain operation of the core cooling system. Reacting to the news of this nuclear incident, the spot U_3O_8 prices dropped from the high US$60.00s to below US$50.00 per pound U_3O_8 before recovering to US$57.75 as at the date hereof.

Kelvin Williams replaced Paul Bennett on the Independent Review Committee effective June 22, 2010 to provide for staggered membership terms on the committee.

In March 2011, all outstanding stock options assumed as part of the UL acquisition were exercised resulting in the issuance of 1,237,500 UPC shares for the receipt of $7,951,000 in cash proceeds.

Changeover to International Financial Reporting Standards ("IFRS")

Canadian publicly accountable enterprises, are required to adopt IFRS, which will replace Canadian generally accepted accounting principles ("GAAP"), for fiscal periods beginning on or after January 1, 2011. However, in September 2010, the Canadian Accounting Standards Board ("AcSB") confirmed that entities currently applying Accounting Guideline AcG-18 would be granted the option to defer implementation of IFRS until its fiscal year beginning on or after January 1, 2012. In March 2011, the AcSB deferred the implementation date an additional year since a delay in the new consolidation standard project made it unlikely that the final standard would be issued prior to January 1, 2012. Therefore, investment funds applying AcG-18 could defer its adoption of IFRS for fiscal periods beginning on or after January 1, 2013.

UPC has decided not to utilize this deferral; therefore, UPC will publish its first consolidated financial statements, prepared in accordance with IFRS, for the six months ending August 31, 2011. UPC will also provide comparative data on an IFRS basis including an opening balance sheet as at March 1, 2010.

The Manager has established a project team responsible for the development and implementation of a transition plan to ensure that UPC is able to meet its reporting requirements. The three main elements of the transition plan include the following activities:

- identification of the differences between the current accounting policies of UPC, which reflect current GAAP, and those expected to apply under IFRS and the likely financial statement impact resulting from the adoption of IFRS;
- analyzing the impact on the business and reporting processes; and
- implementation of the required changes.

Based on the Manager's analysis of UPC's current accounting policies and consolidated financial statement presentation under GAAP against IFRS, it is not expected that the adoption of IFRS will have a material effect on UPC's net assets, net asset value per share or business arrangements. The primary impact of IFRS on UPC's consolidated financial statements will be in the areas of presentation and note disclosure.

The Manager will continue monitoring new standards and recommendations as they are issued by both the International Accounting Standards Board, who is responsible for the development and publication of IFRS, and the AcSB to update its analysis as appropriate.

RELATED PARTY TRANSACTIONS

UPC is a party to a Management Services Agreement with its Manager. Under the terms of the agreement, UPC will pay the following fees to the Manager: a) a commission of 1.5% of the gross value of any purchases or sales of uranium completed at the request of the Board of Directors; b) a minimum annual management fee of $400,000 (plus reasonable out-of-pocket expenses) plus an additional fee of 0.3% per annum based upon UPC's net asset value between $100,000,000 and $200,000,000 and 0.2% per annum based upon UPC's net asset value in excess of $200,000,000; c) a fee of $200,000 upon the completion of each equity financing where proceeds payable to UPC exceed $20,000,000; d) a fee of $200,000 for each transaction or arrangement (other than the purchase or sale of uranium) of business where the gross value of such transaction exceeds $20,000,000 ("an initiative"); e) an annual fee up to a maximum of $200,000, at the discretion of the Board, for on-going maintenance or work associated with an initiative; and f) a fee equal to 1.5% of the gross value of any uranium held by UPC prior to the completion of any acquisition of at least 90% of the common shares of the Corporation.

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

In March 2010, the initial term of the management services agreement was extended to March 30, 2013, following which, the agreement may be terminated by either party upon the provision of 180 days written notice.

In January 2011, an affiliate of the Manager borrowed 150,000 pounds of U_3O_8 from UPC subject to a loan fee of 3.5% per annum based upon the material's value on the borrowing date. The loan was repayable in February 2011 or such later date agreed to by both parties. In February 2011, the repayment date was amended to April 4, 2011 with the loan fee amended to 3.5% per annum of the material's value on the amendment date. Collateral was held in the form of an irrevocable letter of credit from a major financial institution in the amount of US$12,045,000. The borrowed U_3O_8 was returned on March 30, 2011.

The following outlines the fees paid to the Manager during the years ended February 28, 2011 and 2010:

(in thousands of Canadian dollars)	2011	2010
Fees incurred with the Manager:		
Management fees	$ 1,813	$ 1,479
Equity financing and other fees [(1)]	–	250
Transaction fees and uranium purchase commissions	1,000	1,118
Total fees incurred with the Manager	$ 2,813	$ 2,847

(1) Equity financing fees of $200,000 incurred with the Manager in 2010 have been recorded as share issue costs and included in the value reported for common shares.

As at February 28, 2011, $53,000 (February 28, 2010: nil) in accrued loan interest was receivable from an affiliate of the Manager and accounts payable and accrued liabilities included $232,000 (February 28, 2010: $103,000) due to the Manager with respect to the fees indicated above.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about UPC and is intended to help you understand UPC's financial performance for the last five years. This information is derived from the Corporation's audited annual consolidated financial statements.

Net Asset Value per Share

	2011	2010	2009	2008	2007
Net asset value per share – basic:					
Net asset value, beginning of year [(1)]	$ 5.95	$ 7.49	$ 8.96	$ 11.95	$ 5.69
Increase (decrease) from operations [(1)]:					
Total revenue	$ 0.01	$ 0.04	$ 0.07	$ 0.13	$ 0.03
Total expenses before taxes	$ (0.08)	$ (0.06)	$ (0.08)	$ (0.16)	$ (0.15)
Income tax recovery (provision)	$ (0.29)	$ 0.18	$ 0.27	$ 0.93	$ (2.06)
Realized gains (losses) for the year	$ –	$ –	$ –	$ –	$ –
Unrealized gains (losses) for the year	$ 3.24	$ (1.77)	$ (1.83)	$ (3.81)	$ 8.45
Total increase (decrease) from operations	$ 2.88	$ (1.61)	$ (1.58)	$ (2.91)	$ 6.27
Net asset value, end of year [(1)]	$ 8.79	$ 5.95	$ 7.49	$ 8.96	$ 11.95
Net asset value per share – diluted:					
Net asset value, beginning of year [(1)]	$ 5.95	$ 7.49	$ 8.96	$ 11.43	$ 5.69
Increase (decrease) from operations [(1)]:					
Total revenue	$ 0.01	$ 0.04	$ 0.07	$ 0.13	$ 0.03
Total expenses before taxes	$ (0.08)	$ (0.06)	$ (0.08)	$ (0.16)	$ (0.14)
Income tax recovery (provision)	$ (0.29)	$ 0.18	$ 0.27	$ 0.93	$ (1.97)
Realized gains (losses) for the year	$ –	$ –	$ –	$ –	$ –
Unrealized gains (losses) for the year	$ 3.24	$ (1.77)	$ (1.83)	$ (3.81)	$ 8.08
Total increase (decrease) from operations	$ 2.88	$ (1.61)	$ (1.58)	$ (2.91)	$ 6.00
Net asset value, end of year [(1)]	$ 8.76	$ 5.95	$ 7.49	$ 8.96	$ 11.43

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

Ratios and Supplemental Data

(in millions, except for ratios and TSX market prices)	2011	2010	2009	2008	2007
Total net asset value, end of year (1)	$ 934.5	$ 509.6	$ 541.4	$ 582.5	$ 579.4
Number of common shares outstanding (1)	106.3	85.7	72.3	65.0	48.5
Average net asset value for the year	$ 729.5	$ 555.8	$ 585.1	$ 708.5	$ 336.6
Management expense (recovery) ratio (2)	4.81%	(2.06%)	(2.53%)	(6.86%)	26.16%
Trading expense ratio (3)	0.46%	0.23%	0.22%	0.32%	0.73%
Portfolio turnover rate	–	–	–	–	–
Net asset value per share, end of year (1)	$ 8.79	$ 5.95	$ 7.49	$ 8.96	$ 11.95
Closing TSX market price per common share	$ 9.03	$ 6.16	$ 6.05	$ 11.55	$ 14.15

(1) This information is provided as at February 28/29 of the year shown.

(2) The management expense (recovery) ratio is based on total expenses (including income tax expense (recoveries) but excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of the average net asset value during the period.

(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of the average net asset value during the period.

PAST PERFORMANCE

The following tables show the past performances of the NAV Return (Loss) and the share price ("Market Value Return (Loss)") of UPC and will not necessarily indicate how UPC will perform in the future. NAV Return (Loss) is the best representation of the performance of UPC while Market Value Return (Loss) is the best representation of the return to a shareholder of UPC.

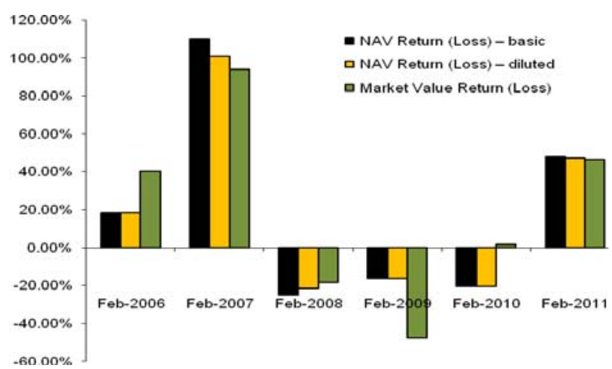
Year-by-Year Returns

The table and graph below shows the annual performance in NAV Return (Loss) and Market Value Return (Loss) of UPC for each period indicated. The table and graph shows, in percentage terms, how much an investment made on the first day of each financial period would have increased or decreased by the last day of each financial period.

	February 2006 (1)	February 2007 (2)	February 2008 (2)	February 2009 (2)	February 2010 (2)	February 2011 (2)
NAV Return (Loss) – basic	18.30%	110.02%	(25.02%)	(16.41%)	(20.56%)	47.73%
NAV Return (Loss) – diluted	18.30%	100.88%	(21.61%)	(16.41%)	(20.56%)	47.23%
Market Value Return (Loss)	40.19%	94.10%	(18.37%)	(47.62%)	1.82%	46.59%

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

(2) For the twelve months ended.



Annual Compound Returns

The table below shows the annual compounded return in NAV Return (Loss) and Market Value Return (Loss) of UPC from inception through to the end of the indicated period, compared with the S&P/TSX Composite Index calculated on the same compounded basis.

	1 Year	3 Years	5 Years	Since Inception[(1)]
NAV Return (Loss) – basic	47.73%	(0.64%)	9.09%	10.57%
NAV Return (Loss) – diluted	47.23%	(0.75%)	9.01%	10.51%
Market Value Return (Loss)	46.59%	(7.88%)	4.37%	9.63%
S&P / TSX Composite Index [(2)]	21.56%	1.34%	3.88%	6.86%

(1) Period from completion of initial public offering on May 10, 2005 through to February 28, 2011.

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

SUMMARY OF INVESTMENT PORTFOLIO

UPC's investment portfolio consists of the following as at February 28, 2011:

(in thousands of Canadian dollars, except quantity amounts)	Quantity of Measure	Cost [(1)]	Market Value [(2)]
Investments in Uranium:			
Uranium oxide in concentrates ("U_3O_8") [(3)]	7,250,000 lbs	$ 342,495	$ 492,489
Uranium hexafluoride ("UF_6") [(4)]	2,374,230 KgU	$ 389,998	$ 448,579
		$ 732,493	$ 941,068
U_3O_8 average cost and market value per pound:			
- In Canadian dollars		$ 47.24	$ 67.93
- In United States dollars		$ 43.23	$ 69.75
UF_6 average cost and market value per KgU:			
- In Canadian dollars		$ 164.26	$ 188.94
- In United States dollars		$ 152.06	$ 194.00

(1) The cost of the portfolio excludes transaction fees incurred since the Corporation's inception.

(2) The market values have been translated to Canadian dollars using the February 28, 2011 noon foreign exchange rate of 0.9739.

(3) The Corporation has loaned 150,000 pounds of U_3O_8 to an affiliate of the Manager.

(4) The Corporation has transferred 1,332,230 KgU as UF_6 to a third party and taken in exchange 3,480,944 pounds of U_3O_8, effectively lending the conversion component of the UF_6.

Responsibility for Financial Reporting

To the Shareholders of Uranium Participation Corporation,

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

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

Management is also responsible for establishing and maintaining adequate systems of internal control over financial reporting. Such systems are designed to provide reasonable assurance that the financial information is relevant, accurate and reliable and that the Corporation's assets are appropriately accounted for and adequately safeguarded. The Corporation's management believes that such systems are operating effectively and has relied on these systems of internal control in preparing these consolidated financial statements.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, Chartered Accountants, our independent auditors. Their audit report outlines the extent and nature of their examination and expresses their opinion on the consolidated financial statements.

The Board of Directors annually appoints an Audit Committee comprised of four directors, none of whom are members of management. This committee meets at least twice per year with management and the independent auditors to review significant accounting, reporting and internal control matters. The independent auditors have full access to the Audit Committee with or without management present. The Audit Committee reviews the consolidated financial statements, the independent auditors' report, and the accompanying annual management report of fund performance and reports its findings to the Board of Directors for formal approval.

Ron Hochstein
President

James R. Anderson
Chief Financial Officer

May 19, 2011

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 (the "Corporation"), which comprise the consolidated statement of investment portfolio as at February 28, 2011, the consolidated statements of net assets as at February 28, 2011 and February 28, 2010 and the consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian generally accepted accounting principles, 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 the 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 an 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.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at February 28, 2011 and February 28, 2010 and the results of its operations, and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Canada
May 19, 2011

URANIUM PARTICIPATION CORPORATION
CONSOLIDATED STATEMENTS OF NET ASSETS
AS AT FEBRUARY 28, 2011 and 2010

(in thousands of Canadian dollars, except per share amounts)	2011	2010
Assets		
Investments at market value	$941,068	$479,142
(at cost: 2011-$732,493; 2010-$609,448)		
Cash and cash equivalents	16,659	22,673
Sundry receivables and other assets	346	1,098
Future income taxes (note 3)	10,806	13,131
	$968,879	$516,044
Liabilities		
Accounts payable and accrued liabilities	1,441	1,242
Income taxes payable	159	159
Future income taxes (note 3)	32,824	5,051
Net assets	$934,455	$509,592
Net assets represented by		
Share capital (note 4)	$775,942	$653,841
Contributed surplus	3,588	2,481
Retained earnings (deficit)	154,925	(146,730)
	$934,455	$509,592
Common shares		
Issued and outstanding (note 4)	106,322,313	85,697,341
Net asset value per common share		
Basic	$ 8.79	$ 5.95
Diluted	$ 8.76	$ 5.95

Subsequent events (note 9)

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

ON BEHALF OF THE BOARD OF URANIUM PARTICIPATION CORPORATION

Richard H. McCoy
Director

Garth A. C. MacRae
Director

URANIUM PARTICIPATION CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED FEBRUARY 28, 2011 and 2010

(in thousands of Canadian dollars, except per share amounts)	2011	2010
Income		
Interest	$ 136	$ 63
Income from investment lending (note 7)	1,055	3,125
Change in unrealized gains (losses) on investments	338,881	(145,403)
	340,072	(142,215)
Operating expenses		
Transaction fees (notes 5 and 6)	3,354	1,320
Management fees (notes 5 and 6)	1,813	1,479
Storage fees	2,391	1,787
Audit fees	69	50
Directors' fees	134	125
Independent review committee fees and expenses	3	9
Legal and other professional fees	40	24
Shareholder information and other compliance	218	155
General office and miscellaneous	277	302
Foreign exchange loss (gain)	20	(575)
	8,319	4,676
Increase (decrease) in net assets from operations before taxes	331,753	(146,891)
Income tax expense (recovery) (note 3)	30,098	(14,821)
Increase (decrease) in net assets from operations after taxes	301,655	(132,070)
Opening deficit	(146,730)	(14,660)
Closing retained earnings (deficit)	154,925	(146,730)
Increase (decrease) in net assets from operations after taxes per common share		
Basic and diluted	$ 2.88	$ (1.60)
Weighted average common shares outstanding		
Basic	104,603,565	82,355,154
Diluted	104,665,566	82,355,154

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

URANIUM PARTICIPATION CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED FEBRUARY 28, 2011 and 2010

(in thousands of Canadian dollars)	2011	2010
Net assets at beginning of year	$509,592	$541,397
Net proceeds from issue of shares after tax (note 4)	–	100,265
Shares issued on acquisition of Uranium Limited (“UL”) (notes 4 and 5)	122,101	–
Stock options assumed on acquisition of UL (notes 4 and 5)	1,107	–
Increase (decrease) in net assets from operations after taxes	301,655	(132,070)
Net assets at end of year	$934,455	$509,592

URANIUM PARTICIPATION CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED FEBRUARY 28, 2011 and 2010

(in thousands of Canadian dollars)	2011	2010
Operating Activities		
Increase (decrease) in net assets from operations after taxes	$301,655	$(132,070)
Adjustments for non-cash items:		
Change in unrealized losses (gains) on investments	(338,881)	145,403
Future income tax expense (recovery) (note 3)	30,098	(14,874)
Changes in non-cash working capital:		
Change in sundry receivables and other assets	979	(220)
Change in accounts payable and accrued liabilities	65	(157)
Change in income taxes payable	–	51
Net cash used in operating activities	(6,084)	(1,867)
Investing Activities		
Purchases of uranium investments	–	(75,417)
Cash acquired in UL acquisition	70	–
Net cash generated by (used in) investing activities	70	(75,417)
Financing Activities		
Share issues net of issue costs (note 4)	–	98,900
Net cash generated by financing activities	–	98,900
Increase (decrease) in cash and cash equivalents	(6,014)	21,616
Cash and cash equivalents – beginning of year	22,673	1,057
Cash and cash equivalents – end of year	$ 16,659	$ 22,673

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

URANIUM PARTICIPATION CORPORATION
CONSOLIDATED STATEMENT OF INVESTMENT PORTFOLIO
AS AT FEBRUARY 28, 2011

(in thousands of Canadian dollars, except quantity amounts)	Quantity of Measure	Cost [1]	Market Value [2]
Investments in Uranium:			
Uranium oxide in concentrates ("U_3O_8") [3]	7,250,000 lbs	$ 342,495	$ 492,489
Uranium hexafluoride ("UF_6") [4]	2,374,230 KgU	$ 389,998	$ 448,579
		$ 732,493	$ 941,068
U_3O_8 average cost and market value per pound:			
- In Canadian dollars		$ 47.24	$ 67.93
- In United States dollars		$ 43.23	$ 69.75
UF_6 average cost and market value per KgU:			
- In Canadian dollars		$ 164.26	$ 188.94
- In United States dollars		$ 152.06	$ 194.00

(1) The cost of the portfolio excludes transaction fees incurred since the Corporation's inception.

(2) The market values have been translated to Canadian dollars using the February 28, 2011 noon foreign exchange rate of 0.9739.

(3) The Corporation has loaned 150,000 pounds of U_3O_8 to an affiliate of the Manager. See notes 6 and 7 for further details of this arrangement.

(4) The Corporation has transferred 1,332,230 KgU as UF_6 to a third party and taken in exchange 3,480,944 pounds of U_3O_8, effectively lending the conversion component of the UF_6. See note 7 for further details of this arrangement.

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

1. URANIUM PARTICIPATION CORPORATION

UPC was established under the Business Corporations Act (Ontario) ("OBCA") on March 15, 2005. UPC is an investment fund as defined by the Canadian securities regulatory authorities in National Instrument 81-106-*Investment Fund Continuous Disclosure*. UPC was created to invest substantially all of its assets in uranium oxide in concentrates ("U_3O_8") and uranium hexaflouride ("UF_6") (collectively "uranium") with the primary investment objective of achieving appreciation in the value of its uranium holdings. The common shares of UPC trade publicly on the Toronto Stock Exchange under the symbol U.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

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

(b) Use of Estimates

The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates are used in accounting for, but not limited to, storage fee accruals, future income taxes and stock options. Actual results could differ materially from these estimates.

(c) Investments

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

The cost of investments in uranium is accounted for on the date that significant risks and rewards to the uranium passes to UPC and is converted to Canadian dollars at the rate of exchange prevailing on that date. Realized and unrealized gains or losses in uranium represents the difference between the fair value and average cost of uranium investments, adjusted for foreign exchange rate fluctuations, in Canadian dollars.

(d) Investments Lending

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

(e) Foreign Exchange Translation

The consolidated financial statements of UPC are expressed in Canadian dollars. Foreign currency monetary assets and liabilities are translated to Canadian dollars at the rate of exchange prevailing on the date of the applicable reporting period. Foreign currency income and expense transactions are translated into Canadian dollars at the rate of exchange prevailing on the date of the transaction. Changes in the foreign exchange rates between the transaction date and the applicable reporting period date used to value monetary assets and liabilities are reflected in the statement of operations as a foreign exchange gain or loss.

(f) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid investments with a maturity of three months or less at the date of acquisition. Short-term investments are carried at cost which, together with accrued interest, approximates fair value.

(g) Income Taxes Payable

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

(h) Increase (Decrease) in Net Assets from Operations After Taxes per Common Share

Increase (decrease) in net assets from operations after taxes per common share is calculated using the weighted average number of common shares outstanding.

The calculation of diluted increase (decrease) in net assets from operations after taxes per common share assumes that outstanding options and warrants which are dilutive are exercised and the proceeds are used to repurchase shares of UPC at the average market price of the shares for the period. The effect is to increase the number of shares used to calculate diluted increase (decrease) in net assets from operations after taxes per common share.

New Accounting Standards Adopted

UPC adopted the following new Canadian Institute of Chartered Accountants ("CICA") Handbook accounting standards effective March 1, 2010:

Section 1582 "Business Combinations" replaced Sections 1581 "Business Combinations" which provides the Canadian equivalent to International Financial Reporting Standard ("IFRS") IFRS 3 "Business Combinations". Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests" replaced Section 1600 "Consolidated Financial Statements" and establishes standards for the preparation of consolidated financial statements. Section 1582 applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period after January 1, 2011. Sections 1601 and 1602 are required for interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Adoption of these standards did not have any material effect on the consolidated financial statements.

Accounting Standards Issued but not yet Adopted

Canadian publicly accountable enterprises are required to adopt International Financial Reporting Standards ("IFRS"), which will replace GAAP for fiscal periods beginning on or after January 1, 2011. However, in September 2010, the Canadian Accounting Standards Board ("AcSB") confirmed that entities currently applying Accounting Guideline AcG-18 *Investment Companies* ("AcG-18") would be granted the option to defer implementation of IFRS until its fiscal year beginning on or after January 1, 2012. In March 2011, the AcSB deferred the implementation date an additional year since a delay in the new consolidation standard project made it unlikely that the final standard would be issued prior to January 1, 2012. Therefore, investment funds applying AcG-18 could defer its adoption of IFRS for fiscal periods beginning on or after January 1, 2013.

UPC has decided not to utilize this deferral; therefore, the Corporation will publish its first consolidated financial statements, prepared in accordance with IFRS, for the six months ending August 31, 2011. UPC will also provide comparative data on an IFRS basis including an opening balance sheet as at March 1, 2010. UPC expects the adoption of IFRS to primarily impact presentation and note disclosure in the consolidated financial statements, with no material effect on UPC's net asset balance.

3. INCOME TAXES

Unlike most investment funds, UPC is not a mutual fund trust, making it subject to income tax on its taxable income. UPC is also subject to varying rates of taxation due to its operations in multiple tax jurisdictions. A reconciliation of the combined Canadian federal and Ontario provincial income tax rate to UPC's effective rate of income tax for the years ended February 28, 2011 and 2010 is as follows:

(in thousands)	2011	2010
Increase (decrease) in net assets from operations before income taxes	$331,753	$(146,891)
Combined federal and Ontario provincial income tax rate	30.42%	32.83%
Computed income tax expense (recovery)	100,919	(48,224)
Difference in current tax rates applicable in other jurisdictions	(65,652)	26,840
Difference between future and current tax rates	(2,768)	2,553
Foreign exchange on future tax balances	–	1,672
Change in valuation allowance	(2,263)	576
Impact of legislative changes	–	1,542
Taxable permanent differences	431	–
Other	(569)	220
Income tax expense (recovery)	$ 30,098	$(14,821)
Income tax expense (recovery) comprised of:		
Current tax expense	$ –	$ 53
Future tax expense (recovery)	30,098	(14,874)
	$ 30,098	$(14,821)

The components of the Corporation's future tax balances at February 28, 2011 and 2010 are as follows:

(in thousands)	2011	2010
Future tax assets:		
Tax benefit of share issue costs	$ 1,429	$ 2,592
Tax benefit of loss carryforwards	9,126	7,270
Unrealized loss on investments	–	5,547
Other	266	–
	10,821	15,409
Valuation allowance	(15)	(2,278)
Future tax assets	$ 10,806	$ 13,131
Future tax liabilities:		
Unrealized gain on investments	$ 34,148	$ 6,005
Tax benefit of loss carryforwards	(1,324)	(954)
Future tax liabilities	$ 32,824	$ 5,051

At February 28, 2011, UPC has unused tax losses in Canada of $41,724,000 which are scheduled to expire between 2026 and 2031.

4. COMMON SHARES

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

(in thousands except common share balances)	Number of Common Shares	Amount
Balance at February 28, 2009	72,328,591	$553,576
Common share issuances		
Gross proceeds on new issues	13,368,750	103,608
Issue costs	–	(4,708)
Tax effect of issue costs	–	1,365
Balance at February 28, 2010	85,697,341	$653,841
Common share issuances		
Shares issued on acquisition of UL (note 5)	20,624,972	122,101
Balance at February 28, 2011	106,322,313	$775,942

Common Share Issuances

On March 30, 2010, the Corporation completed the acquisition of UL by issuing 0.50 UPC shares in exchange for each UL share. An aggregate of 20,624,972 UPC shares, valued at the acquisition date market price of $5.92 per share, were issued to complete this transaction.

In May 2009, UPC issued 13,368,750 shares by way of a public offering priced at $7.75 per share for total gross proceeds of $103,608,000.

Stock Options

On March 30, 2010, UPC assumed the obligation to issue its common shares in satisfaction of the exercise of the outstanding, fully-vested stock options to purchase 2,475,000 common shares of UL.

These options have an exercise price of GBP£2.05 per option and expire on July 21, 2011. Each option assumed is exercisable for 0.50 common shares of UPC. The fair value of these options of $1,107,000 was estimated using the Black-Scholes option pricing model on the acquisition date. The assumptions used in the model are as follows:

	Assumptions
Risk-free interest rate	1.6%
Expected volatility	36.0%
Expected option life in years	1.4
Expected dividend yield	–
Fair value per stock option	$0.45

As at February 28, 2011, 2,475,000 stock options remained outstanding. All outstanding options were exercised in March 2011. See note 9 for further details of this transaction.

5. ACQUISITION OF URANIUM LIMITED

On March 30, 2010, UPC completed the acquisition of UL pursuant to a scheme of arrangement under the laws of Guernsey. The transaction was accounted for as an asset acquisition. Under the terms of the transaction, UPC acquired all of the issued and outstanding shares of UL in a share exchange at a ratio of 0.50 common shares of UPC for each common share of UL.

Upon the close of the acquisition, 20,624,972 common shares of UPC were issued to UL shareholders, representing 19.4% of the total issued and outstanding common shares of UPC. UPC also assumed outstanding, fully-vested stock options to purchase 2,475,000 common shares of UL at a strike price of GBP£2.05 per option with an expiry date of July 21, 2011. Each option assumed was exercisable for 0.50 shares of UPC.

Principal assets obtained from the acquisition of UL included 1,705,000 pounds of U_3O_8, valued at $74,051,000, and 412,000 KgU as UF_6, valued at $48,995,000. Of the U_3O_8 acquired, 520,000 pounds were subject to a loan agreement at a loan rate of 3.5%. The agreement expired on July 8, 2010 with the U_3O_8 returned on that date. Transaction costs incurred totalled $3,354,000 of which $1,000,000 was paid to Denison Mines Inc. (the “Manager”) on the close of the UL acquisition.

6. RELATED PARTY TRANSACTIONS

UPC is a party to a management services agreement with the Manager. Under the terms of the agreement, UPC will pay the following fees to the Manager: a) a commission of 1.5% of the gross value of any purchases or sales of uranium completed at the request of the Board of Directors; b) a minimum annual management fee of $400,000 (plus reasonable out-of-pocket expenses) plus an additional fee of 0.3% per annum based upon UPC’s net asset value between $100,000,000 and $200,000,000 and 0.2% per annum based upon UPC’s net asset value in excess of $200,000,000; c) a fee of $200,000 upon the completion of each equity financing where proceeds payable to UPC exceed $20,000,000; d) a fee of $200,000 for each transaction or arrangement (other than the purchase or sale of uranium) of business where the gross value of such transaction exceeds $20,000,000 (“an initiative”); e) an annual fee up to a maximum of $200,000, at the discretion of the Board, for on-going maintenance or work associated with an initiative; and f) a fee equal to 1.5% of the gross value of any uranium held by UPC prior to the completion of any acquisition of at least 90% of the common shares of the Corporation.

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

In March 2010, the initial term of the management services agreement was extended to March 30, 2013, following which, the agreement may be terminated by either party upon the provision of 180 days written notice.

In January 2011, an affiliate of the Manager borrowed 150,000 pounds of U_3O_8 from UPC subject to a loan fee of 3.5% per annum based upon the material’s value on the borrowing date. The loan was repayable in February 2011 or such later date agreed to by both parties. In February 2011, the repayment date was amended to April 4, 2011, with the loan fee amended to 3.5% per annum of the material’s value on the amendment date. Collateral was held in the form of an irrevocable letter of credit from a major financial institution in the amount of US$12,045,000. The borrowed U_3O_8 was returned on March 30, 2011. See note 7 for further details of this transaction.

The following outlines the fees paid to the Manager in the years ended February 28, 2011 and 2010:

(in thousands)	2011	2010
Fees incurred with the Manager:		
Management fees	$ 1,813	$ 1,479
Equity financing and other fees [(1)]	–	250
Transaction fees and uranium purchase commissions	1,000	1,118
Total fees incurred with the Manager	$ 2,813	$ 2,847

(1) Equity financing fees of $200,000 incurred with the Manager in 2010 were recorded as share issue costs and included in the value reported for common shares.

As at February 28, 2011, $53,000 (February 28, 2010: nil) in accrued loan interest was receivable from an affiliate of the Manager and accounts payable and accrued liabilities included $232,000 (February 28, 2010: $103,000) due to the Manager with respect to the fees indicated above.

7. INVESTMENTS LENDING

The Corporation entered into a loan of the conversion component of 1,332,230 KgU as UF_6 in December 2009. The conversion component loaned is subject to a loan fee of 4.5% per annum based on the greater of the adjusted monthly value and US$15,654,000. To facilitate the loan of the conversion component, 1,332,230 KgU as UF_6 was transferred to the borrower with 3,480,944 pounds of U_3O_8 and an irrevocable letter of credit of US$15,700,000 from a major financial institution sent to UPC as collateral. In November 2010, the irrevocable letter of credit was increased to US$17,835,000. At February 28, 2011, the conversion component loaned had a market value of $16,867,000 (US$17,319,000). This agreement is due to expire in December 2012.

Pursuant to a loan agreement dated November 24, 2010, an affiliate of the Manager borrowed 150,000 pounds of U_3O_8, subject to a loan fee of 3.5% per annum of the material's value on the borrowing date. The loan was repayable on February 3, 2011, or such later date agreed to by both parties. Collateral was provided in the form of an irrevocable letter of credit from a major financial institution in the amount of US$10,065,000. In February 2011, the repayment date for the U_3O_8 loan was amended to April 4, 2011, the loan fee was amended to 3.5% per annum of the material's value on the amendment date, and the collateral increased to US$12,045,000. At February 28, 2011, the U_3O_8 loaned has a market value of $10,189,000 (US$10,463,000). The borrowed U_3O_8 was returned on March 30, 2011.

Through the acquisition of UL, the Corporation assumed a loan agreement to lend 520,000 pounds of U_3O_8 subject to a loan fee of 3.5% per annum of the material's value, fixed at US$46.50 per pound or US$24,180,000. The agreement expired on July 8, 2010 with the U_3O_8 returned on that date.

8. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS

Capital Management

UPC'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 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 aggregate 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 the net assets of UPC to facilitate the purchases of uranium.

At February 28, 2011, the Corporation has invested 91.4% of aggregate share offerings in uranium, and had no outstanding borrowing arrangements for the purchase of uranium.

Risks Associated with Financial Instruments

Investment activities of UPC expose it to some financial instrument risks: credit risk, liquidity risk, and currency risk. The source of risk exposure and how each is managed is outlined below:

Credit Risk

UPC's primary exposure to credit risk arises from its lending arrangements. The Corporation lends uranium exclusively to large organizations and ensures that adequate security is provided for any loaned uranium (see note 7).

Liquidity Risk

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

Foreign Exchange 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 cash and cash equivalents, sundry receivables, and accounts payables.

Currently, UPC does not have any foreign exchange hedge programs in place and manages its operational foreign exchange requirements through spot purchases in the foreign exchange markets.

9. SUBSEQUENT EVENTS

In March 2011, all outstanding stock options assumed as part of the UL acquisition were exercised resulting in the issuance of 1,237,500 common shares of UPC and the receipt of $7,951,000 in cash proceeds.

Uranium Participation Corporation

BOARD OF DIRECTORS

Paul J. Bennett
President and Chief Executive Officer
Energus Resources Ltd.
President and Chief Executive Officer
Rodinia Oil Corp.
Chief Executive Officer and Director
PetroFrontier Corp.

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

Garth A. C. MacRae
Independent Financial Consultant

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

Kelvin H. Williams
Corporate Director; formerly Chairman of the Board
of Nufcor S.A and Uranium Limited and executive
director of AngloGold Ashanti Limited

OFFICERS

Ron F. Hochstein
President

James R. Anderson
Chief Financial Officer

Donald C. Campbell
Vice President, Commercial

Curt Steel
Vice President, Marketing

Mary Joanne Smith
Chief Compliance Officer

Sheila Colman
Corporate Secretary

MANAGER

Denison Mines Inc.
595 Bay Street, Suite 402
Toronto, Ontario
M5G 2C2
www.denisonmines.com

OFFICE OF THE CORPORATION

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

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

Website: www.uraniumparticipation.com

AUDITORS

PricewaterhouseCoopers LLP
Toronto

REGISTRAR AND TRANSFER AGENT

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

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

STOCK EXCHANGE LISTING

The Toronto Stock Exchange
Trading Symbol: U

Website: www.tmx.com

ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of the Shareholders of Uranium Participation Corporation will be held at The Gallery of the TMX Broadcast Centre, The Exchange Tower, 130 King Street West, Toronto, Ontario on Tuesday, the 28th day of June, 2011 at 10:00 a.m. (Eastern Time).

Managed by:

DENISON MINES

Atrium on Bay, 595 Bay Street, Suite 402, Toronto, Ontario M5G 2C2
www.denisonmines.com