Uranium
Participation
Corporation

2015 ANNUAL REPORT

2015 Annual Report

Uranium Participation Corporation

www.uraniumparticipation.com

To Our Shareholders

This past fiscal year has continued to be a challenging time in the uranium sector. The 2011 incident at the Fukushima-Dachii nuclear power facility continues to have a defining impact on the current uranium supply and demand imbalance, which is suppressing uranium prices. During the fiscal year, uranium prices fell to levels not seen since 2005. Despite a brief improvement in the uranium spot price in the fall, the spot price was generally depressed during the fiscal year compared to prices prior to 2011. The spot price was quoted at US$35.50 per pound at March 2014 and finished the year only slightly better at US$38.75 per pound on February 28, 2015.

Uranium Participation Corporation's net asset value increased slightly to $731.1 million at February 28, 2015 from $602.5 million at February 28, 2014. This increase was primarily due to unrealized net gains on investments of $134.6 million. Accordingly, net asset value per common share increased $1.11 to $6.26 at February 28, 2015 from $5.15 at February 28, 2014.

Putting aside the depressed uranium market, the Company made good progress during the 2015 fiscal year. First, Uranium Participation Corporation strengthened its management team with the addition of two new directors to its Board and a new officer. During the fiscal year, Messrs. Ganpat Mani and Thomas Hayslett both joined the Board, bringing with them extensive uranium industry experience and knowledge. Mr. Mani came to the Company after serving as the President and Chief Executive Officer of ConverDyn Corp., which is a provider of UF_6 conversion and related services to utilities operating nuclear power plants worldwide. Mr. Hayslett recently served as a Senior Consultant at Ux Consulting Company LLC., which is one of the nuclear industry's leading consulting companies. Management also gained some fresh industry experience with the appointment of Mr. Scott Melbye, who joined the Company as its new Vice-President, Commercial, replacing Mr. Campbell, who retired after a long career in the uranium sector. Mr. Melbye brings with him over 30 years of uranium expertise. Until last year, Mr. Melbye was Executive Vice President, Marketing for Uranium One, and was responsible for its global sales activities. Prior to this, Mr. Melbye spent over 20 years within the Cameco Group of companies, most recently responsible for managing the company's world-wide uranium marketing and trading activities.

During the year, the Company also made strategic purchases of uranium using the proceeds from its public offering which closed in February 2014. By the end of the fiscal year, Uranium Participation had purchased an aggregate of 1,090,000 pounds of U_3O_8 at an average price of US$35.07 per pound. As of February 28, 2015, the Corporation's total holdings of uranium material consisted of 9,308,739 pounds of U_3O_8 and 2,003,471 KgU as UF6. The Company also concluded a favourable loan arrangement shortly after the end of the fiscal year, lending out 1,300,000 pounds of U_3O_8 for a two years. The Company expects that this secured loan will provide steady revenue to go towards operating expenses.

Thank you for your continued support and interest in the Corporation.

Yours truly,

Ron Hochstein
President and Chief Executive Officer

May 6, 2015

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") provides a detailed analysis of the financial condition and results of operations for the year ended February 28, 2015, in comparison with the corresponding prior year periods. This MD&A is current as of May 6, 2015 and should be read in conjunction with Uranium Participation Corporation's (the "Corporation" or "UPC") audited consolidated financial statements and related notes for the year ended February 28, 2015, prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts are expressed in Canadian dollars, unless otherwise noted. All uranium prices are based on prices published by Ux Consulting Company LLC ("UxCo").

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.

OVERVIEW

UPC 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 the Corporation's Board of Directors, provides general administration and management services to the Corporation. The common shares of the Corporation are listed and trade on the Toronto Stock Exchange under the symbol "U".

Fiscal 2015 saw quite a swing in uranium prices. The uranium price started the fiscal year at US$35.50 per pound U_3O_8 and hit a post-Fukushima low of US$28.00 per pound U_3O_8 in June 2014 before recovering to US$44.00 per pound U_3O_8 in November 2014. By the end of the fiscal year, it had declined to US$38.75 per pound U_3O_8.

The movement in the uranium spot price during the financial year was caused by a combination of several factors including: (i) the re-emergence of U.S. utility near and long term contracting, after a long absence; and (ii) movements in uncommitted production being made available to the spot market; and supply disruptions and voluntary production cutbacks. Analysts have also pointed to both the potential risk of sanctions on Russian enriched uranium supplies to Western utilities and the ConverDyn legal challenge to US Department of Energy uranium inventory dispositions as contributing factors to the movement in the spot price. The recovery of the Japanese industry continues at a very slow pace. It has, however, been recently supported by Prime Minister Abe's election victory and the expected 2015 re-starts. At the present time, it is expected that four older reactors will be retired from service early, while the majority of reactors are continuing to navigate the restart regulatory process. The Chinese nuclear program continues to move decisively forward with both new units added to the grid and additional new build approvals. Chinese imports of uranium totaled 55 million pounds U_3O_8 in 2014, roughly equal to total U.S. uranium demand for one year, and representing a 12% increase in Chinese imports compared to 2013. Cameco Corporation's announcement of its U_3O_8 sales agreement with India, also highlights that the emerging market for uranium is much broader than just China. All of these fundamental market drivers point to further strengthening of the uranium price in the years ahead.

SELECTED ANNUAL FINANCIAL INFORMATION

(in thousands, except per share amounts)		February 28, 2015		February 28, 2014
Unrealized gains (losses) on investments	$	134,606	$	(64,084)
Net gain (loss) for the year	$	128,680	$	(68,445)
Net gain (loss) per common share – basic and diluted	$	1.10	$	(0.64)
Net Asset Value(i)	$	731,058	$	602,460

SUMMARY OF QUARTERLY FINANCIAL RESULTS

		February 28, 2015		November 30, 2014		August 31, 2014		May 31, 2014
Total income (loss) (in thousands)	$	36,255	$	179,108	$	39,745	$	(120,144)
Net gain (loss) for the period (in thousands)	$	34,807	$	177,395	$	38,466	$	(121,988)
Net gain (loss) per common share – basic and diluted	$	0.30	$	1.52	$	0.33	$	(1.04)
NAV(i) – basic and diluted	$	6.26	$	5.96	$	4.44	$	4.11
U_3O_8 spot price (US$)	$	38.75	$	40.00	$	31.00	$	28.25
UF_6 spot price (US$)	$	107.00	$	112.50	$	87.00	$	81.00
Foreign exchange noon-rate (US$ to CAD$)		1.2508		1.1427		1.0858		1.0867

		February 28, 2014		November 30, 2013		August 31, 2013		May 31, 2013
Total income (loss) (in thousands)	$	9,521	$	13,801	$	(67,980)	$	(18,891)
Net gain (loss) for the period (in thousands)	$	8,254	$	12,591	$	(69,286)	$	(20,004)
Net gain (loss) per common share – basic and diluted	$	0.08	$	0.12	$	(0.65)	$	(0.19)
NAV(i) – basic and diluted	$	5.15	$	5.07	$	4.95	$	5.60
U_3O_8 spot price (US$)	$	35.50	$	36.25	$	35.00	$	40.50
UF_6 spot price (US$)	$	99.00	$	102.50	$	100.25	$	115.50
Foreign exchange noon-rate (US$ to CAD$)		1.1075		1.0599		1.0553		1.0339

OVERALL PERFORMANCE

Net gain for the year ended February 28, 2015 was mainly due to unrealized net gains on investments of $134,606,000, slightly offset by storage fees of $2,431,000 and management fees of $1,871,000. This compares to a net loss for the year ended February 28, 2014, mainly due to unrealized net losses on investments of $64,084,000, storage fees of $2,163,000 and management fees of $1,741,000.

(i) See "Non-IFRS Financial Performance Measures".

Unrealized net gains on investments during the year ended February 28, 2015 were caused by an overall increase in spot prices to US$38.75 per pound U_3O_8 and US$107.00 per KgU as UF_6 at February 28, 2015, from US$35.50 per pound U_3O_8 and US$99.00 per KgU as UF_6 at February 28, 2014. In addition, the U.S. dollar to Canadian dollar foreign exchange noon-rate increased to 1.2508 at February 28, 2015, from 1.1075 at February 28, 2014.

Unrealized net losses on investments during the year ended February 28, 2014 were caused by fluctuating spot prices. Spot prices at the beginning of the fiscal year were US$42.00 per pound U_3O_8 and US$120.00 per KgU as UF_6 at February 28, 2013, while the U.S. dollar to Canadian dollar foreign exchange noon-rate was 1.0285 at February 28, 2013.

UPC's net asset value per common share ("NAV")[ii] increased to $6.26 at February 28, 2015 from $5.15 at February 28, 2014. Total equity increased to $731,058,000 at February 28, 2015, from $602,460,000 at February 28, 2014.

The Corporation had an effective tax rate of nil for the years ended February 28, 2015 and 2014, primarily due to substantively enacted current and future tax rates, in UPC's various jurisdictions, range from 2.96% to 26.5% and the timing of recognition of deferred tax assets.

Investment Portfolio

UPC's investment portfolio consists of the following as at February 28, 2015:

(in thousands, except quantity amounts)	Quantity	Cost	Fair Value
Investments in Uranium:			
U_3O_8	9,308,739 lbs	$ 442,635	$ 451,181
UF_6	2,003,471 KgU	$ 328,460	$ 264,149[1]
		$ 771,095	$ 715,330
U_3O_8 average cost and market value per pound:			
In Canadian dollars		$ 47.55	$ 48.47[2]
In United States dollars		$ 43.52	$ 38.75
UF_6 average cost and market value[1] per KgU:			
In Canadian dollars		$ 163.95	$ 131.85[2]
In United States dollars		$ 151.73	$ 105.41

(1) Includes a $3,987,000 fair value decrease adjustment for UF_6 inventory held with the United States Enrichment Facility ("USEC Facility").
(2) Translation to Canadian dollars calculated at period-end foreign exchange noon-rate.

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

Sale of Conversion Components

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

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

(ii) See "Non-IFRS Financial Performance Measures".

Losses on the sales of the conversion components in December 2014 and February 2015 were $247,000 and $68,000, respectively. Transaction fees totaled $28,000.

In January 2014, the Corporation sold the conversion component contained in 100,000 KgU as UF_6 in return for 261,285 pounds of U_3O_8 and cash consideration of US$1,000,000. Gain on the sale of the conversion component was $52,000. Transaction fees totaled $10,000.

In September 2013, the Corporation sold the conversion component contained in 120,759 KgU as UF_6 in return for 315,525 pounds of U_3O_8 and cash consideration of US$1,117,000. Loss on the sale of the conversion component was $87,000. Transaction fees totaled $13,000.

The Corporation has sold the conversion component in UF_6 as outlined above in order to convert some of its UF_6 holdings to U_3O_8.

Uranium Lending Arrangement

The Corporation entered into a loan of the conversion component of 1,332,230 KgU as UF_6 in December 2009 for a three year term, which was subsequently extended an additional year. The conversion component loaned was subject to a loan fee of 4.5% per annum based on the greater of the month end conversion value per KgU as UF_6 or US$11.75 per KgU as UF_6. To facilitate the loan of the conversion component in December 2009, 1,332,230 KgU as UF_6 was transferred to the borrower, with 3,480,944 pounds of U_3O_8 and an irrevocable letter of credit of US$15,700,000 from a major financial institution sent to UPC as collateral. In May 2013, the loan return date was amended with the borrowed quantity separated into two tranches: 1) a conversion component of 865,000 KgU as UF_6 ("Tranche 1"); and 2) a conversion component of 467,230 KgU as UF_6 ("Tranche 2"). The return date for Tranche 1 was amended from December 31, 2013 to July 15, 2013, while the return date for Tranche 2 was extended from December 31, 2013 to December 31, 2014.

On July 15, 2013, Tranche 1 was returned to the Corporation and the collateral held by the Coporation was reduced to 1,220,811 pounds of U_3O_8 and an irrevocable letter of credit of US$6,039,000.

On December 31, 2014, Tranche 2 was returned to the Corporation and the letter of credit was cancelled.

Fair Value Adjustment on UF_6

In May 2013, the USEC Facility announced that it ceased uranium enrichment at its Paducah Gaseous Diffusion Plant in Kentucky. At February 28, 2015, the Corporation has 1,064,000 KgU as UF_6 stored with the USEC Facility with a fair value of $142,401,000. The Corporation has recorded a fair value decrease adjustment of $3,987,000 to reflect the risk associated with its UF_6 stored with the USEC Facility. The Corporation plans to relocate this material to another facility through location swaps over the next 18 months and currently expects the cost of this process to be offset by the above noted fair value adjustment.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were $17,753,000 at February 28, 2015 compared with $64,553,000 at February 28, 2014. The decrease of $46,800,000 was primarily due to the purchase of uranium investments for total cash consideration of $42,424,000.

In February 2014, 10,522,500 common shares were issued at a price of $5.47 per common share for gross proceeds of $57,558,000, less issue costs of $2,684,000. The majority of the proceeds from the equity financing were used for purchases of uranium, with the balance used to fund the ongoing obligations of the Corporation such as management fees and storage fees.

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, 2015, the Corporation has invested more than the required minimum amount of 85% of its aggregate gross proceeds of share offerings in uranium. In strictly limited circumstances, the Corporation can enter into short-term borrowing arrangements for up to 15% of its net asset value to facilitate the purchases of uranium. To date, the Corporation has not entered into any short-term borrowing arrangements.

In November 2014, the Corporation agreed to the sale of the conversion component contained in 250,000 KgU as UF_6 to occur over three tranches as mentioned above. The remaining tranche to occur in May 2015 includes the sale of the conversion component contained in 100,000 KgU as UF_6 in return for 261,285 pounds of U_3O_8 and cash consideration of US$715,000.

On October 31, 2014, the Corporation filed the Short Form Base Shelf Prospectus ("Prospectus") with the securities regulatory authorities in each of the provinces of Canada, other than Québec. The Corporation may issue common shares or warrants or any combination of such securities as units ("Securities"), in amounts, at prices, and on terms to be determined based on market conditions at the time of sale and as set forth in the Prospectus, for an aggregate offering amount of up to $200,000,000 during the 25 month period that the Prospectus remains effective until November 30, 2016. As at February 28, 2015, the Corporation has not issued any Securities pursuant to the Prospectus.

In November 2014, the Corporation filed a normal course issuer bid ("2014 NCIB") with the Toronto Stock Exchange authorizing the Corporation to purchase up to 7,500,000 of the Corporation's common shares during the 12 month period commencing November 24, 2014 and ending November 23, 2015, or on such earlier date as the Corporation completes its purchases. As at February 28, 2015, the Corporation had not purchased any of its outstanding shares under the 2014 NCIB. Subsequent to February 28, 2015, the Corporation purchased 356,500 of its outstanding shares under the 2014 NCIB during March 2015 (refer to SUBSEQUENT EVENTS section).

In September 2013, the Corporation filed a normal course issuer bid ("2013 NCIB") with the Toronto Stock Exchange authorizing the Corporation to purchase up to 8,035,744 of the Corporation's common shares during the 12 month period commencing September 30, 2013 and ending September 29, 2014. The Corporation did not purchase any of its outstanding shares under the 2013 NCIB.

RELATED PARTY TRANSACTIONS

Management Services Agreement with Denison Mines Inc.

Pursuant to its management services agreement with the Manager dated April 1, 2013, the Corporation will pay the following fees to the Manager: a) a commission of 1.5% of the gross value of any purchases or sales of uranium completed at the request of the Board of Directors; b) a minimum annual management fee of $400,000 (plus reasonable out-of-pocket expenses), plus an additional fee of 0.3% per annum based upon the Corporation's net asset value in excess of $100,000,000; and c) a fee, at the discretion of the Board, 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 has a three year term and may be terminated by either party upon the provision of 120 days written notice.

The following outlines the fees paid to the Manager for the periods noted:

(in thousands)		2015		2014
Fees incurred with the Manager:				
Management fees	$	1,871	$	1,741
Transaction fees – commissions on uranium purchases		636		-
Total fees incurred with the Manager	$	2,507	$	1,741

As at February 28, 2015, trade and other payables included $250,000 (February 28, 2014: $177,000) 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. UPC's key management personnel includes members of its Board of Directors.

The following compensation was awarded to key management personnel for the periods noted:

(in thousands)	2015	2014
Directors' fees	$ 223	$ 193
Total key management personnel compensation	$ 223	$ 193

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 net asset value is directly tied to the spot price of uranium published by UxCo. At February 28, 2015, a 10% increase in the uranium spot price would have increased the Corporation's total equity by $71,932,000, while a 10% decrease would have the same but opposite effect.

Currency Risk

Changes in the value of the Canadian dollar compared to foreign currencies will affect the value, as reported, of the Corporation's foreign denominated investments, 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, 2015, a 10% increase in the U.S. dollar to Canadian dollar exchange rate would have increased the Corporation's total equity by $71,851,000, while a 10% decrease would have the same but opposite effect.

Credit Risk

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

To limit the credit risk exposure on its cash and cash equivalents, the Corporation holds essentially all of its cash and cash equivalents in credit worthy financial institutions. Credit risk exposure on its trade and other receivables is limited since the Corporation lends uranium exclusively to large organizations and ensures that adequate security is provided for any loaned uranium.

Liquidity Risk

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

Fair Value of Investments, Financial Assets and Financial Liabilities

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

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

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

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

The Corporation has not offset financial assets with financial liabilities.

OFF-BALANCE SHEET ARRANGEMENTS

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

COMMITMENT

In November 2014, the Corporation agreed to the sale of the conversion component contained in 250,000 KgU as UF_6 to occur over three tranches as mentioned above. The remaining sale to occur in May 2015 includes the sale of the conversion component contained in 100,000 KgU as UF_6 in return for 261,285 pounds of U_3O_8 and cash consideration of US$715,000.

SUBSEQUENT EVENTS

Investment Lending

The Corporation entered into an agreement to loan 1,300,000 pounds of U_3O_8 in March 2015 with a return date in April 2017. The loan is 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 UxCo at the end of each month for the previous three months. Collateral, in the form of a irrevocable bank guarantee, for the loan is provided in the amount of US$56,000,000, which can be adjusted based on movements in the uranium price.

Purchase of outstanding shares under the 2014 NCIB

In March 2015, the Corporation purchased 356,500 of its outstanding shares under the 2014 NCIB, at an average cost of $5.60 per share for a total expenditure of $1,996,000. The purpose of the 2014 NCIB is to provide UPC with a mechanism to decrease the potential spread between the NAV[iii] and the market price of the shares of the Corporation.

(iii) See "Non-IFRS Financial Performance Measures".

OUTSTANDING SHARE DATA

At May 6, 2015, there were 116,516,413 common shares issued and outstanding.

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 its internal control over financial reporting was effective as of February 28, 2015.

There has not been any change in the Corporation's internal control over financial reporting that occurred during the year ended February 28, 2015 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 UxCo and converted to Canadian dollars using the month-end foreign exchange rate. Management may also adjust the fair value of the investments in uranium based on its assessment of the valuation impact of risks associated with the location where the uranium is stored.

Deferred Income Taxes

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

Accounting Standards Issued But Not Yet Adopted

The Corporation has not yet adopted the following accounting pronouncements effective for the Corporation's fiscal periods beginning on or after March 1, 2015:

<u>IFRS 9 *Financial Instruments*</u>

On July 24, 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 yet assessed the impact nor determined whether it will early adopt 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. Any one of such risk factors could materially affect the UPC's business, financial condition and/or future operating results and prospects, and could cause actual events to differ materially from those described in forward-looking statements relating to UPC. Additional risks and uncertainties not currently identified by the Corporation or that the Corporation currently believes not to be material, may also materially and adversely affect the Corporation's business, financial condition, operations or prospects.

Uranium Price Volatility from Demand and Supply Factors

Since almost all of the Corporation's activities involve investing in uranium, the value of its securities will be highly sensitive to fluctuations in the prices of uranium. Historically, the fluctuations in these prices have been, and will continue to be, affected by numerous factors beyond the Corporation's control. Such factors include, among others: demand for nuclear power; changes in nuclear power policies; 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_6 is a different commodity than U_3O_8, its price is affected by its own supply/demand balance as well as the supply/demand balances of U_3O_8 and conversion services. As a result, the spot price of UF_6 (the "UF_6 Price") may move differently than the spot price of U_3O_8 or the spot conversion price alone. The factors that affect the UF_6 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_3O_8 per pound and the UF_6 Price per KgU at February 28 (or February 29, if applicable) for each of the last the five fiscal years[1].

	2011	2012	2013	2014	2015
U_3O_8[1]	$69.75	$52.00	$42.00	$35.50	$38.75
UF_6[1]	$194.00	$141.00	$120.00	$99.00	$107.00

(1) Reflects spot prices published by UxCo in US dollars.

Public Acceptance of Nuclear Energy and Competition from Other Energy Sources

The growth of the uranium and nuclear power industry depends 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, hydro-electricity, solar and wind. These other energy sources are to some extent interchangeable with nuclear energy, particularly over the longer term. Sustained lower prices of oil, natural gas, coal and hydro-electricity, as well as the possibility of developing other low cost sources for energy, may result in lower demand for uranium. Technical advancements in renewable and other alternate forms of energy, such as wind and solar power, could make these forms of energy more commercially viable and put additional pressure on the demand for uranium concentrates.

Risks Associated with United States Enrichment Corporation

The United States Enrichment Corporation, one of the licensed facilities where UPC stores UF_6, ceased enrichment operations in 2013. As a result, many utilities have sought enrichment services from other suppliers. With fewer enrichment customers, United States Enrichment Corporation has less demand for the UF_6 in its facility. UPC has been working to book transfer its UF_6 from United States Enrichment Corporation to other licensed facilities, but it has had few opportunities to do so due to the low demand for UF_6 at United States Enrichment Corporation. While UPC is continuing to pursue opportunities, it may take a considerable amount of time to transfer its UF_6, and UPC may incur costs doing so, which could be significant.

UPC's contract with United States Enrichment Corporation expires on December 31, 2015, after which UPC will negotiate an extension or have 180 days to remove its UF_6 from the facility.

Risks Associated with other Facilities

All uranium is stored at licensed uranium conversion or enrichment facilities (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.

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 prices of uranium are quoted in U.S. currency, fluctuations in the U.S. currency exchange rate relative to the Canadian currency can significantly impact the valuation of uranium and the associated purchase price from a Canadian currency perspective. Because exchange rate fluctuations are beyond 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 has entered into and may from time to time enter into uranium lending arrangements. It has, and will in the future, ensure that adequate security is provided for any loaned uranium. However, there is a risk that the borrower may not be able to return the uranium and may, in lieu, repay the equivalent value of borrowed uranium in cash. In such circumstances, given the limited supply of U_3O_8 and UF_6, the Corporation may not be able to replace the uranium loaned.

No Public Market for Uranium

There is no public market for the sale of uranium. The uranium futures market on the New York Mercantile Exchange does not provide for physical delivery of uranium, only cash on settlement, and the trading forum by certain buyers does not offer a formal market but rather facilitates the introduction of buyers to sellers. The Corporation may not be able to acquire uranium or, once acquired, sell uranium for a number of months. The pool of potential purchasers and sellers is limited, and each transaction may require the negotiation of specific provisions. Accordingly, a purchase or sale cycle may take several months to complete. In addition, as the supply of uranium is limited, the Corporation may experience additional difficulties purchasing uranium in the event that it is a significant buyer. The inability to purchase and sell on a timely basis in sufficient quantities could have a material adverse effect on the securities of the Corporation.

From time to time, the Corporation enters into commitments to purchase U_3O_8 or UF_6. Such commitments are generally subject to conditions in favour of both the vendor and the Corporation, and there is no certainty that the purchases contemplated by such commitments will be completed.

Uranium Industry Competition and International Trade Restrictions

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. With these varying sources, the impact of a change in costs, government policies and other factors are beyond the control of the Corporation and may impact the supply of uranium and its market price.

The supply of uranium from Russia is, to some extent, impeded by a number of international trade agreements and policies. These agreements and any similar future agreements, governmental policies or trade restrictions are beyond the control of the Corporation and may affect the supply of uranium available in the United States and Europe, which are the largest markets for uranium in the world.

Lack of Operational Liquidity

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

Lack of Investment Liquidity

The Corporation's liquidity will rely principally on sales 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. Since inception, the Corporation has not declared any dividends, and the Corporation has no current intention to declare any dividends.

Net Asset Value per Common Share[iv]

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

Market Price of Common Shares

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

Reliance on Board of Directors and Manager

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

(iv) See "Non-IFRS Financial Performance Measures".

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 other taxes. Such changes could, depending on their nature, benefit or adversely affect the Corporation.

Impact of Global Economic Conditions

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

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

Disclosure and Internal Controls

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

NON-IFRS FINANCIAL PERFORMANCE MEASURES

This MD&A contains references to NAV and "diluted NAV", which are non-IFRS financial performance measures. The NAV is calculated as the value of total assets less the value of total liabilities, divided by the total number of common shares outstanding as at a specific date. Diluted NAV is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included is computed using the treasury stock method. The term NAV or diluted NAV does not have any standardized meaning according to IFRS and therefore may not be comparable to similar measures presented by other companies. There is no comparable IFRS financial measure presented in UPC's consolidated financial statements and thus no applicable quantitative reconciliation for such non-IFRS financial performance measure. The Corporation has calculated NAV and diluted NAV 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.

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 Internat

Independent Auditor's Report

To the Shareholders of Uranium Participation Corporation

We have audited the accompanying consolidated financial statements of Uranium Participation Corporation and its subsidiary, which comprise the consolidated statements of financial position as at February 28, 2015 and February 28, 2014 and the consolidated statements of comprehensive gain (loss), consolidated statements of changes in equity, and consolidated statements of cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), 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.

URANIUM PARTICIPATION CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
YEARS ENDED FEBRUARY 28, 2015 AND 2014
(Expressed in thousands of Canadian dollars except for share amounts)

	At February 28, 2015	At February 28, 2014
ASSETS		
Current		
Cash and cash equivalents	$ 17,753	$ 64,553
Trade and other receivables	330	265
	18,083	64,818
Non-Current		
Investments in uranium (note 5)	715,330	539,846
Total assets	$ 733,413	$ 604,664
LIABILITIES		
Current		
Trade and other payables	$ 2,355	$ 2,204
Total liabilities	2,355	2,204
EQUITY		
Share capital (note 8)	831,048	831,130
Contributed surplus	4,564	4,564
Deficit	(104,554)	(233,234)
Total equity	731,058	602,460
Total liabilities and equity	$ 733,413	$ 604,664
Common shares		
Issued and outstanding (note 8)	116,872,913	116,872,913

Commitment (note 11)
Subsequent Events (note 12)

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

ON BEHALF OF THE BOARD OF URANIUM PARTICIPATION CORPORATION

[redacted]

Richard H. McCoy
Director

Garth A. C. MacRae
Director

URANIUM PARTICIPATION CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED FEBRUARY 28, 2015 AND 2014
(Expressed in thousands of Canadian dollars)

	Share Capital	Contributed Surplus	Deficit	Total Equity
Balance at February 28, 2013	$ 776,174	$ 4,564	$ (164,789)	$ 615,949
Common shares issued, net of issue costs (note 8)	54,956	-	-	54,956
Net loss for the year	-	-	(68,445)	(68,445)
Balance at February 28, 2014	$ 831,130	$ 4,564	$ (233,234)	$ 602,460
Issue costs on common shares issued (note 8)	(82)	-	-	(82)
Net gain for the year	-	-	128,680	128,680
Balance at February 28, 2015	$ 831,048	$ 4,564	$ (104,554)	$ 731,058

URANIUM PARTICIPATION CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED FEBRUARY 28, 2015 AND 2014
(Expressed in thousands of Canadian dollars)

	2015	2014
Operating Activities		
Net gain (loss) for the year	$ 128,680	$ (68,445)
Adjustment for:		
Unrealized (gains) losses on investments (note 5)	(134,606)	64,084
Losses on sale of conversion components (note 5)	315	35
Changes in non-cash working capital:		
Change in trade and other receivables	(65)	80
Change in trade and other payables	151	411
Net cash used in operating activities	(5,525)	(3,835)
Investing Activities		
Purchase of uranium investments (note 5)	(42,424)	-
Sale of conversion components, net of costs (note 5)	1,231	2,241
Net cash (used) generated by investing activities	(41,193)	2,241
Financing Activities		
Common shares issued, net of issue costs (note 8)	-	54,956
Issue costs on common shares issued (note 8)	(82)	-
Net cash (used) generated by financing activities	(82)	54,956
Increase (decrease) in cash and cash equivalents	(46,800)	53,362
Cash and cash equivalents – beginning of the year	64,553	11,191
Cash and cash equivalents – end of the year	$ 17,753	$ 64,553

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

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 595 Bay Street, Suite 402, Toronto, Ontario, Canada, M5G 2C2.

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

2. BASIS OF PRESENTATION

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

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

These audited consolidated financial statements were authorized for issue by the Corporation's Board of Directors on May 6, 2015.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these 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. Where the assessment of functional currency under IFRS provides mixed indicators for an entity, management uses judgment in the ultimate determination of that entity's functional currency. The consolidated financial statements are presented in Canadian dollars, unless otherwise stated.

(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 historical cost are translated using the exchange rate at the date of the transaction. 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 ("UxCo") and converted to Canadian dollars using the month-end foreign exchange rate. Related fair value increment gains and losses are recorded in the consolidated statement of comprehensive gain (loss) as "Unrealized gains (losses) on investments" in the period in which they arise.

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

(f) Investments Lending

Investments on loan remain part of the Corporation's investment portfolio, and are carried at fair value at each reporting date. Income earned from investments lending is included in the consolidated statement of comprehensive gain (loss) and is recognized when earned.

(g) 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 gain or loss on the sale of conversion components is calculated as the difference between the consideration received and the fair value of the conversion components as reported by UxCo on the date when the significant risks and rewards of ownership of conversion components passes to the buyer.

(h) 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.

(i) 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.

Diluted net gain (loss) per common share is calculated by adjusting the weighted average number of common shares outstanding to include all dilutive potential common shares. All dilutive potential common shares are assumed exercised with the proceeds used to repurchase the Corporation's shares at the average market price of the shares for the period. The effect is to increase the number of shares used to calculate diluted net gain (loss) per common share.

(j) Operating Segment

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

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

Accounting Standards Issued But Not Yet Adopted

The Corporation has not yet adopted the following accounting pronouncements effective for the Corporation's fiscal periods beginning on or after March 1, 2015:

<u>IFRS 9 *Financial Instruments*</u>

On July 24, 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 yet assessed the impact nor determined whether it will early adopt 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 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:

(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 UxCo and converted to Canadian dollars using the month-end foreign exchange rate. Management may also adjust the fair value of the investments in uranium based on its assessment of the valuation impact of risks associated with facilities that the Corporation's uranium is stored with.

(b) Deferred Income Taxes

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

5. INVESTMENTS IN URANIUM

The investments continuity summary is as follows:

(in thousands)		Cost		Fair Value Adjustment		Fair Value (1)
Balance at February 28, 2013	$	732,493	$	(126,287)	$	606,206
Unrealized net losses on investments		-		(64,291)		(64,291)
Sale of conversion components		(2,276)		207		(2,069)
Balance at February 28, 2014	$	730,217	$	(190,371)	$	539,846
Unrealized net gains on investments		-		124,050		124,050
Purchases of U_3O_8		42,424		10,407		52,831
Sale of conversion components		(1,546)		149		(1,397)
Balance at February 28, 2015	$	771,095	$	(55,765)	$	715,330

The balance of investments in uranium consists of:

(in thousands, except quantity amounts)	Quantity		Cost		Fair Value Adjustment		Fair Value (1)
U_3O_8	9,308,739 lbs	$	442,635	$	8,546	$	451,181
UF_6 (2)	2,003,471 KgU		328,460	$	(64,311)		264,149
Balance at February 28, 2015		$	771,095	$	(55,765)	$	715,330

(1) Investments in uranium are categorized in Level 2 of the fair value hierarchy. Fair values as at February 28, 2015 reflect spot prices published by UxCo of US$38.75 per pound U_3O_8 and US$107.00 per KgU as UF_6, translated at the foreign exchange noon rate of 1.2508.

(2) At February 28, 2015, the Corporation has 1,064,000 KgU as UF_6 stored with the United States Enrichment Facility ("USEC Facility") with a fair value of $142,401,000. In addition, the Corporation recorded a fair value decrease adjustment of $3,987,000 to reflect risks associated with the Corporation's UF_6 held with the USEC Facility.

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

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

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

Losses on the sale of the conversion components in December 2014 and February 2015 were $247,000 and $68,000, respectively. Transaction fees totaled $28,000.

In January 2014, the Corporation sold the conversion component contained in 100,000 KgU as UF_6 in return for 261,285 pounds of U_3O_8 and cash consideration of US$1,000,000. Gain on the sale of the conversion component was $52,000. Transaction fees totaled $10,000.

In September 2013, the Corporation sold the conversion component contained in 120,759 KgU as UF_6 in return for 315,525 pounds of U_3O_8 and cash consideration of US$1,117,000. Loss on the sale of the conversion component was $87,000. Transaction fees totaled $13,000.

6. INVESTMENT LENDING

In 2009, the Corporation entered into a loan of the conversion component of 1,332,230 KgU as UF_6 for a three year term, which was subsequently extended an additional year. The conversion component loaned was subject to a loan fee of 4.5% per annum based on the greater of the month end conversion value per KgU as UF_6 or US$11.75 per KgU as UF_6. To facilitate the loan of the conversion component, in December 2009, 1,332,230 KgU as UF_6 was transferred to the borrower, with 3,480,944 pounds of U_3O_8 and an irrevocable letter of credit of US$15,700,000 from a major financial institution sent to UPC as collateral. In May 2013, the loan return date was amended with the borrowed quantity separated into two tranches: 1) a conversion component of 865,000 KgU as UF_6 ("Tranche 1"); and 2) a conversion component of 467,230 KgU as UF_6 ("Tranche 2"). The return date for Tranche 1 was amended from December 31, 2013 to July 15, 2013, while the return date for Tranche 2 was extended from December 31, 2013 to December 31, 2014.

On July 15, 2013, Tranche 1 was returned to the Corporation and the collateral held by UPC was reduced to 1,220,811 pounds of U_3O_8 and an irrevocable letter of credit of US$6,039,000.

On December 31, 2014, Tranche 2 was returned to the Corporation and the letter of credit was cancelled.

7. INCOME TAXES

The Corporation is subject to varying rates of taxation due to its operations in multiple tax jurisdictions. Income tax expense for the years ended February 28, 2015 and 2014 is comprised of the following:

(in thousands)		2015		2014
Current tax expense	$	2	$	25
Total income tax expense	$	2	$	25

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 February 28, 2015 and 2014 are as follows:

(in thousands)		2015		2014
Net gain (loss) before taxes	$	128,682	$	(68,420)
Combined federal and provincial income tax rate		26.50%		26.50%
Computed income tax expense	$	34,101	$	(18,131)
Difference in current tax rates applicable in other jurisdictions		(28,419)		13,505
Change in deferred tax assets not recognized		(5,696)		5,346
Other		16		(695)
Total income tax expense	$	2	$	25

The components of the Corporation's deferred tax balances at February 28, 2015 and February 28, 2014 are comprised of temporary differences as presented below:

(in thousands)	2015	2014
Deferred tax assets		
Tax loss carry forwards	$ 2,084	$ -
Deferred tax assets - gross	$ 2,084	$ -
Set-off against deferred tax liabilities	(2,084)	-
Deferred tax assets (1)	$ -	$ -
Deferred tax liabilities		
Unrealized gains on investments	$ (2,084)	$ -
Deferred tax liabilities - gross	$ (2,084)	$ -
Set-off by deferred tax assets	2,084	-
Deferred tax liabilities (1)	$ -	$ -

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

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

(in thousands)	2015	2014
Deductible temporary differences	$ 5,316	$ 9,355
Tax losses	3,076	4,733
Total deferred tax assets not recognized	$ 8,392	$ 14,088

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	2015	2014
Tax losses - gross			
Canada	2030-2035	$ 18,868	$ 17,412
Cyprus	unlimited	402	396
Luxembourg	unlimited	3,700	2,346
Tax losses - gross		$ 22,970	$ 20,154
Tax benefit at tax rates between 2.96% to 26.50%		5,160	4,733
Set-off against deferred tax liabilities		(2,084)	-
Total tax loss assets not recognized		$ 3,076	$ 4,733

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, 2013	106,350,413	$	776,174
Common shares issued, net of issue costs	10,522,500		54,956
Balance at February 28, 2014	116,872,913	$	831,130
Issue costs on common shares issued in February 2014	-		(82)
Balance at February 28, 2015	116,872,913	$	831,048

On October 31, 2014, the Corporation filed a short form base shelf prospectus ("Prospectus") with the securities regulatory authorities in each of the provinces of Canada, other than Québec. The Corporation may issue common shares or warrants or any combination of such securities as units ("Securities"), in amounts, at prices, and on terms to be determined based on market conditions at the time of sale and as set forth in the Prospectus, for an aggregate offering amount of up to $200,000,000 during the 25 month period that the Prospectus remains effective until November 30, 2016. As at February 28, 2015, the Corporation has not issued any Securities pursuant to the Prospectus.

In November 2014, the Corporation filed a normal course issuer bid ("2014 NCIB") with the Toronto Stock Exchange authorizing the Corporation to purchase up to 7,500,000 of the Corporation's common shares during the 12 month period commencing November 24, 2014 and ending November 23, 2015, or on such earlier date as the Corporation completes its purchases. As at February 28, 2015, the Corporation did not purchase any of its outstanding shares under the 2014 NCIB. Subsequent to February 28, 2015, the Corporation purchased 356,500 of its outstanding shares under the 2014 NCIB during March 2015 (refer to note 12 for further details).

In September 2013, the Corporation filed a normal course issuer bid ("2013 NCIB") with the Toronto Stock Exchange authorizing the Corporation to purchase up to 8,035,744 of the Corporation's common shares during the 12 month period commencing September 30, 2013 and ending September 29, 2014. The Corporation did not purchase any of its outstanding shares under the 2013 NCIB.

In February 2014, the Corporation closed an equity offering of 10,522,500 common shares at a price of $5.47 per common share for gross proceeds of $57,558,000, less issue costs of $2,684,000.

9. RELATED PARTY TRANSACTIONS

Management Services Agreement with Denison Mines Inc.

Pursuant to its management services agreement with the Manager dated April 1, 2013, the Corporation will pay the following fees to the Manager: a) a commission of 1.5% of the gross value of any purchases or sales of uranium completed at the request of the Board of Directors; b) a minimum annual management fee of $400,000 (plus reasonable out-of-pocket expenses), plus an additional fee of 0.3% per annum based upon the Corporation's net asset value in excess of $100,000,000; and c) a fee, at the discretion of the Board of Directors, for on-going monitoring or work associated with a transaction or arrangement (other than a financing, or the purchase or sale of uranium).

The following outlines the fees paid to the Manager for the periods noted:

(in thousands)		2015		2014
Fees incurred with the Manager:				
Management fees	$	1,871	$	1,741
Transaction fees – commissions on uranium purchases		636		-
Total fees incurred with the Manager	$	2,507	$	1,741

As at February 28, 2015, trade and other payables included $250,000 (February 28, 2014: $177,000) 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. UPC's key management personnel includes members of its Board of Directors.

The following compensation was awarded to key management personnel for the periods noted:

(in thousands)	2015	2014
Directors' fees	$ 223	$ 193
Total key management personnel compensation	$ 223	$ 193

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 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, 2015, the Corporation has invested the required minimum amount of 85% of its aggregate gross proceeds of share offerings in uranium. The Corporation has no outstanding borrowing arrangements for the purchase of uranium.

Financial Risk

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

(a) Commodity Price Risk

The Corporation's net asset value is directly tied to the spot price of uranium published by UxCo. At February 28, 2015, a 10% increase in the uranium spot price would have increased the Corporation's total equity by $71,932,000, while a 10% decrease would have the same but opposite effect.

(b) 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, 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, 2015, a 10% increase in the U.S. dollar to Canadian dollar exchange rate would have increased the Corporation's total equity by $71,851,000, while a 10% decrease would have the same but opposite effect.

(c) Credit Risk

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

To limit the credit risk exposure on its cash and cash equivalents, the Corporation holds essentially all of its cash and cash equivalents in credit worthy financial institutions. Credit risk exposure on its trade and other receivables is limited since the Corporation lends uranium exclusively to large organizations and ensures that adequate security is provided for any loaned uranium.

(d) Liquidity Risk

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

Fair Value of Investments, Financial Assets and Financial Liabilities

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

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

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

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

The Corporation has not offset financial assets with financial liabilities.

11. COMMITMENT

In November 2014, the Corporation agreed to the sale of the conversion component contained in 250,000 KgU as UF_6 to occur over three tranches as mentioned in Note 5. The remaining sale to occur in May 2015 includes the sale of the conversion component contained in 100,000 KgU as UF_6 in return for 261,285 pounds of U_3O_8 and cash consideration of US$715,000.

12. SUBSEQUENT EVENTS

Investment Lending

The Corporation entered into an agreement to loan 1,300,000 pounds of U_3O_8 in March 2015 with a return date in April 2017. The loan is subject to a loan fee of 1.0% per annum, payable on a quarterly basis and is secured with an irrevocable bank guarantee.

Purchase of outstanding shares under the 2014 NCIB

In March 2015, the Corporation purchased 356,500 of its outstanding shares under the 2014 NCIB, at an average cost of $5.60 per share for a total expenditure of $1,996,000.

Uranium
Participation
Corporation

BOARD OF DIRECTORS

Paul J. Bennett
President and Chief Executive Officer
Energus 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.

OFFICERS

Ron F. Hochstein
President and Chief Executive Officer

James R. Anderson
Chief Financial Officer

Scott Melbye
Vice President, Commercial

Sheila Colman
Corporate Secretary

MANAGER

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AUDITORS

PricewaterhouseCoopers LLP
Toronto

REGISTRAR AND TRANSFER AGENT

Computershare Investor Services Inc.
100 University Avenue, 8th 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 MEETING OF SHAREHOLDERS

The Annual Meeting of the Shareholders of Uranium Participation Corporation will be held at the offices of Cassels Brock & Blackwell LLP, 40 King Street West, Suite 2100, Toronto, Ontario on Monday, June 29, 2015 at 9:30 a.m. (Eastern Time).

Managed by:

DENISON MINES

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