



**URANIUM PARTICIPATION CORPORATION**

**ANNUAL INFORMATION FORM**

FOR THE FISCAL YEAR ENDED FEBRUARY 29, 2008

MAY 6, 2008

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## CAUTION REGARDING FORWARD-LOOKING INFORMATION

This Annual Information Form (“AIF”) contains certain forward-looking statements and forward-looking information that are based on the current internal expectations, estimates, projections, assumptions and beliefs of Uranium Participation Corporation (“Uranium Participation Corp.” or the “Corporation”). Forward-looking statements generally can be identified by the use of forward-looking terminology such as “may”, “will”, “expect”, “intent”, “estimate”, “anticipate”, “plan”, “should”, “believe” or “continue” or the negative thereof or variations thereon or similar terminology.

By their very nature, forward-looking statements involve numerous factors, assumptions and estimates. A variety of factors, many of which are beyond the control of Uranium Participation Corp., may cause actual results to differ materially from the expectations expressed in the forward-looking statement. These factors include, but are not limited to, changes in commodity prices and foreign exchange. See “Risk Factors” for a further description of the principal risks to Uranium Participation Corp.

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

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*In this AIF, unless otherwise indicated, all dollar amounts are expressed in Canadian dollars, references to \$ are to Canadian dollars and references to US\$ are to United States currency.*

*This AIF is dated May 6, 2008. Except as otherwise indicated, the information contained in this AIF is stated as at February 29, 2008.*

## HISTORY AND SUBSIDIARIES

Uranium Participation Corp. was incorporated by Articles of Incorporation pursuant to the *Business Corporations Act* (Ontario) (the “OBCA”) on March 15, 2005 and became a publicly listed company on the Toronto Stock Exchange on May 10, 2005. The registered and head office of Uranium Participation Corp. is located at Atrium on Bay, Suite 402, 595 Bay Street, Toronto, Ontario, M5G 2C2. Uranium Participation Corp. has no employees. Denison Mines Inc. (the “Manager”) provides four officers to the Corporation, being the President, Chief Financial Officer, the Vice-President Marketing and the Corporate Secretary, pursuant to the terms of a Management Services Agreement dated March 30, 2005, as amended (the “Management Services Agreement”).

Uranium Participation Corp. is an investment holding entity which invests, through its wholly-owned subsidiaries, at least 85% of the proceeds of any equity offering in uranium with the primary investment objective of achieving appreciation in the value of its uranium holdings. Unless the context requires otherwise, references to “uranium” means uranium oxide in concentrates (“U<sub>3</sub>O<sub>8</sub>”) and uranium hexafluoride (“UF<sub>6</sub>”).

Uranium Participation Alberta Corp. (“UPAC”) is a wholly-owned subsidiary of Uranium Participation Corp. It was incorporated under the *Business Corporations Act* (Alberta) on May 4, 2005. UPAC directly invests in, and holds, uranium.

Uranium Participation Cyprus Limited (“UPCL”) is a wholly-owned subsidiary of Uranium Participation Corp. It was incorporated under the laws of the Republic of Cyprus on September 10, 2006. In August 2007, UPCL obtained a business licence and established a branch office in Luxembourg (“UPCL Luxembourg”).

Branch”) through which the operations of UPCL are conducted. UPCL directly invests in, and holds, uranium. UPAC and UPCL are collectively referred to as the “Subsidiaries”.

The Corporation carries on its operations through its Subsidiaries. Unless otherwise indicated or where the context otherwise requires, references to Uranium Participation Corp. or the Corporation include the Subsidiaries.

Uranium Participation Corp. is a taxable Canadian corporation and is not a mutual fund corporation for purposes of the *Income Tax Act* (Canada) (the “Tax Act”). The Corporation is subject to income tax on its taxable income, computed in accordance with the ordinary rules and at the rates ordinarily applicable to public corporations under the Tax Act. Currently the Corporation recognizes unrealized gains or losses on its investments in uranium and accrues future income taxes payable based on the unrealized gains. Realized gains or losses on the sale of uranium will be recognized for income tax purposes at the time realized and will be taxed as income or capital gains, as applicable.

## **GENERAL DEVELOPMENT OF THE BUSINESS**

### **History**

Uranium Participation Corp. was established in March 2005 as an investment holding company, created to invest substantially all of its assets in U<sub>3</sub>O<sub>8</sub>. On March 30, 2005, Uranium Participation Corp. entered into the Management Services Agreement with the Manager. See “Business of Uranium Participation Corp. - Management of Uranium Participation Corp.” In May 2005, Uranium Participation Corp. completed an initial public offering of units, consisting of common shares of the Corporation and common share purchase warrants (the “2005 Warrants”).

Since incorporation to the end of the fiscal year, the Corporation has completed six public offerings with aggregate gross proceeds of \$468.7 million. In the September 2006 offering, each unit offered consisted of one common share and one-quarter of a warrant to purchase common shares (the “2006 Warrants”). The net proceeds from the offerings were used to fund the purchase of uranium, to fund future purchases of uranium and for general corporate purposes.

In February 2006, the Board of Directors of Uranium Participation Corp. (the “Board”) approved changes to the Corporation’s by-laws to allow the Corporation to invest in UF<sub>6</sub>, in addition to U<sub>3</sub>O<sub>8</sub>, and to allow the Corporation to enter into arrangements to lend its uranium to third parties. The Board also approved changes to the compensation provisions of the Management Services Agreement. These changes were subsequently confirmed by at least two thirds of the votes cast at a special meeting of the Corporation’s shareholders held for that purpose on March 27, 2006. See “Business of Uranium Participation Corp. - Management of Uranium Participation Corp., Management and Management Services Agreement”.

The Corporation entered into an agreement effective January 1, 2007 to lend 500,000 KgU as UF<sub>6</sub> for a period of three years at a loan rate of 5% per annum based upon the value of the material loaned adjusted quarterly. Security for the loan is an irrevocable letter of credit from a major financial institution.

In March 2008, the Corporation completed an additional public offering of 7,331,250 common shares. The gross proceeds of this offering were \$74.8 million. The net proceeds are being used to fund commitments to purchase uranium and to fund ongoing obligations of the Corporation.

Spot prices for U<sub>3</sub>O<sub>8</sub> as quoted by Ux Consulting Company LLC (“UxCo”) steadily increased through 2005, 2006 and 2007, reaching US\$36.25 by December 31, 2005, US\$72.00 by December 31, 2006 and US\$90.00 on December 31, 2007. On February 29, 2008, the spot price was US\$73.00. Notwithstanding the overall increase, the spot price experienced considerable volatility during the course of 2007, ranging from US\$72.00 to US\$136.00.

As of February 29, 2008, the Corporation has purchased or taken delivery of 4,475,000 pounds of U<sub>3</sub>O<sub>8</sub> and 1,417,230 KgU as UF<sub>6</sub>. Subsequent to February 29, 2008, the Corporation had additional commitments to purchase 900,000 pounds of U<sub>3</sub>O<sub>8</sub> for delivery on or before May 31, 2008 and 75,000 KgU as UF<sub>6</sub> for delivery in June 2008.

The net asset value per common share (“NAV”) at February 29, 2008 was \$8.96 based on the spot price for U<sub>3</sub>O<sub>8</sub> of US\$73.00 per pound, the spot price for UF<sub>6</sub> of US\$200.00 per KgU and the Canadian/U.S. dollar exchange rate of \$0.9798. For information regarding the calculation of the NAV, see “Business of Uranium Participation Corp. – Calculation of NAV”.

## **BUSINESS OF URANIUM PARTICIPATION CORP.**

### **Investment Objective and Strategy**

Uranium Participation Corp. is an investment holding entity created to invest, through its wholly-owned subsidiaries, at least 85% of the gross proceeds of any equity offerings in uranium, with the primary investment objective of achieving appreciation in the value of its holdings. While it is not the current intention of Uranium Participation Corp. to do so in the short term, it may subsequently sell some or all of its holdings in uranium. An investment in the common shares provides an investment alternative for investors interested in investing directly in uranium. The common shares represent an indirect interest in physical uranium owned by Uranium Participation Corp.

The strategy of Uranium Participation Corp. is to invest in holdings of uranium and not to actively speculate with regard to short-term changes in uranium prices. This strategy will provide investors with an ability to effectively invest in uranium in a manner that does not directly include risks associated with investments in companies that engage in the exploration, mining and processing of uranium.

All uranium owned by Uranium Participation Corp. is stored at licensed uranium conversion or enrichment facilities (each one, a “Facility” or collectively, the “Facilities”) in Canada, France and the United States. The Manager, on behalf of Uranium Participation Corp., negotiates storage arrangements with the Facilities. See “Business of Uranium Participation Corp. - Management of Uranium Participation Corp.” In order for the Manager to remove or request the removal of the uranium held in storage on behalf of Uranium Participation Corp., a certified resolution of the Board of Directors must be delivered to the Manager authorizing such transfer.

As the primary investment objective of Uranium Participation Corp. is appreciation in the value of its uranium holdings, rather than selling any part thereof, the expenses of Uranium Participation Corp. are required to be satisfied by cash on hand that is not otherwise invested. Revenue, that is expected to exceed annual expenses, is also generated through the lending of uranium. Annual expenses, including capital taxes, are estimated to be approximately \$3.8 million dollars.

### **Investment Policies**

In furtherance of the strategy of Uranium Participation Corp., the Board of Directors has established an investment policy, which is included in the by-laws of Uranium Participation Corp. The policy provides that at least 85% of the gross proceeds of any offering of securities by the Corporation must be invested in, or held for future purchases of, uranium, and the policy may only be amended by the Corporation’s shareholders. Furthermore, the policy provides that Uranium Participation Corp. may not enter into any borrowing arrangements to borrow monies except in strictly limited circumstances to facilitate uranium purchase payments. Under such circumstances, Uranium Participation Corp. may enter into arrangements to borrow monies for which all outstanding amounts do not exceed 15% of Uranium Participation Corp.’s total net assets.

## **Operations**

Uranium Participation Corp. completed its initial public offering (the "IPO") in May 2005, which raised gross proceeds of \$100.0 million. Approximately 89% of the gross proceeds from the IPO were invested in U<sub>3</sub>O<sub>8</sub>.

Prior to the delivery of U<sub>3</sub>O<sub>8</sub>, the Manager entered into storage agreements with three Facilities, namely Cameco Corporation, Comurhex and ConverDyn, in Canada, France and the United States, respectively. All U<sub>3</sub>O<sub>8</sub> purchased was book transferred and stored at these Facilities pursuant to such storage agreements. Subsequently and prior to the purchase of UF<sub>6</sub>, the Manager entered into storage agreements with Eurodif and USEC in France and the United States respectively for the storage of UF<sub>6</sub>. All UF<sub>6</sub> purchased was book transferred and stored at these Facilities pursuant to storage agreements.

Subsequent to the IPO and prior to February 29, 2008, the Corporation raised gross proceeds of \$368.7 million in five equity financings and received \$31.1 million from the exercise of warrants issued under two of the offerings. As at February 29, 2008, the Corporation holds 4,475,000 pounds of U<sub>3</sub>O<sub>8</sub> and 1,417,230 KgU as UF<sub>6</sub> at a total cost of \$450.9 million representing 90.2% of the gross proceeds of the equity financings and the warrant exercise proceeds.

In March 2008, Uranium Participation Corp. completed another equity financing which raised gross proceeds of \$74.8 million. The proceeds are being used to purchase uranium. As of the date of this AIF, the Corporation has purchased or has commitments to purchase 900,000 pounds of U<sub>3</sub>O<sub>8</sub> for delivery on or before May 31, 2008 and 75,000 KgU as UF<sub>6</sub> for delivery in June 2008.

All purchases of uranium are made in U.S. dollars and the storage costs from the Facilities are paid in either U.S. dollars or Euros. The spot price for uranium quoted by UxCo is also quoted in U.S. dollars. As a consequence, the activities and the financial results of Uranium Participation Corp. are directly affected by changes in the relative exchange rates with the Canadian dollar. Spot prices for U<sub>3</sub>O<sub>8</sub> have increased from US\$29.00 per pound at the time of completion of the IPO to US\$63.00 as of the date of this AIF. During the same period, the U.S. dollar exchange rate fell from 1.2372 to 1.0164, partly offsetting the increased value of the U<sub>3</sub>O<sub>8</sub> when converted to Canadian dollars.

## **Calculation of NAV and Value of Securities**

At the end of each month, the Manager is obligated under the Management Services Agreement to calculate and disclose the NAV. The NAV is determined by multiplying the quantity of uranium held by or on behalf of the Corporation by the last spot price for uranium for the month published by UxCo, plus cash and any other assets held by the Corporation, less any outstanding payables, indebtedness and all other liabilities of the Corporation and dividing the result by the number of common shares outstanding. Any amounts in U.S. dollars are converted into Canadian dollars based on the noon rate of exchange as published by the Bank of Canada as at the last business day prior to the NAV calculation.

Uranium Participation Corp. is not a mutual fund and an investment in common shares is not redeemable. Moreover, the NAV may not necessarily reflect the actual realizable value of uranium held by Uranium Participation Corp. See "Risk Factors - Lack of Investment Liquidity" and "Risk Factors - Net Asset Value".

## **Management of Uranium Participation Corp.**

### ***Management and Management Services Agreement***

In March 2005, the Manager entered into the Management Services Agreement with the Corporation, which was subsequently amended as of March 27, 2006. By way of a plan of arrangement completed between the Manager and International Uranium Corporation on December 1, 2006 (the "Denison Arrangement"), the Manager became a wholly-owned subsidiary of Denison Mines Corp. ("DMC").

The Management Services Agreement has an initial term of five years (the "Initial Term"), commencing March 30, 2005, and will continue thereafter unless terminated by either party upon 180 days previous written

notice. Uranium Participation Corp. has the right to terminate the Management Services Agreement for an unremedied breach by the Manager of any of its material obligations under the Management Services Agreement or otherwise in accordance with its terms. On February 14, 2006 and subject to shareholder approval, the Board approved changes to the Management Services Agreement to amend its provisions relating to compensation and align it with changes to the Corporation's Investment Policy of the Corporation's by-laws which allowed the Corporation to invest in UF<sub>6</sub> and to permit the Corporation to enter into lending arrangements with its uranium. These amendments were subsequently approved by the Corporation's shareholders on March 27, 2006.

Pursuant to the Management Services Agreement, the Manager is required to manage Uranium Participation Corp.'s activities in accordance with reasonable and prudent business practices and may delegate, with the approval of the Board and at its own cost, any of its duties or obligations under the Management Services Agreement to any third party. All purchases and sales of uranium are made by the Manager on behalf of Uranium Participation Corp. in accordance with the Management Services Agreement and title of uranium purchases remains with the Corporation. The Manager is obligated to use commercially reasonable efforts to purchase and sell the uranium at the best prices available to it over a prudent period of time.

All purchases and sales of uranium are and will continue to be completed by the Manager in accordance with standard industry practices for and on behalf of Uranium Participation Corp. When the Board instructs the Manager to purchase or sell uranium, the Manager may put out a tender for an offer to purchase uranium or an offer to sell uranium, whichever the case may be. Consistent with industry practice, such tender will stipulate the quantity to be purchased or sold, delivery particulars and payment particulars, but not price. Typical purchasers or sellers of uranium include producers of uranium, traders and utilities that operate nuclear power facilities. The Manager may also negotiate directly with potential suppliers (off-market transactions) for the purchase or sale of uranium. There is no public market through which these purchases and sales may occur and accordingly all such purchase and sale transactions are private. The pool of potential purchasers and sellers is limited and each transaction may require the negotiation of specific provisions. Accordingly, a purchase or sell cycle pursuant to a tender or an off-market transaction may take several months to complete. Since all purchases are confidential, neither the Manager nor Uranium Participation Corp. will be able to publicly disclose any vendor from whom Uranium Participation Corp. would potentially purchase uranium or any seller to whom Uranium Participation Corp. may sell uranium.

In the event that the Manager determines that it would be beneficial to purchase or sell U<sub>3</sub>O<sub>8</sub> or UF<sub>6</sub> from, or to the production or inventories of the Manager, of one of its affiliates, of McClean Uranium Limited, or of any other related party (as such term is defined in Multilateral Instrument 61-101, formerly Ontario Securities Commission Rule 61-501, as amended, a "Related Party") of the Manager ("Related Purchases"), then such purchases or sales will require the unanimous approval of the independent directors of Uranium Participation Corp. for all amounts over \$1,000,000 in the aggregate. Such transactions will also require the unanimous approval of the Independent Review Committee (the "IRC"). To date, the only such purchase occurred in June 2007 when the Corporation purchased 75,000 pounds of U<sub>3</sub>O<sub>8</sub> from an affiliate of the Manager at a price US\$130.00 per pound for total consideration of US\$9,750,000.

The Manager does not have any ownership interest in Uranium Participation Corp., and the two companies do not have any directors in common.

Any lending arrangements for uranium will be completed by the Manager in accordance with standard industry practices for and on behalf of Uranium Participation Corp. When the Board instructs the Manager to lend uranium, any such loan will stipulate the quantity, interest rate, duration, security, covenants and such other provisions as may be appropriate.

In addition to its responsibilities for purchasing or selling uranium for and on behalf of the Corporation, the Manager is required to arrange for storage of the uranium at the Facilities, arrange insurance coverage, prepare regulatory filing materials, reports for shareholders, furnish office facilities, provide officers for Uranium Participation Corp. and generally manage the business and affairs of the Corporation.

In consideration of the Manager carrying out its duties and obligations under the terms of the Management Services Agreement, 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; and
- (b) \$400,000 per annum, plus:
  - (i) a fee equal to 0.3% per annum of Uranium Participation Corp.'s total assets in excess of \$100 million and up to \$200 million; and
  - (ii) a fee equal to 0.2% per annum of Uranium Participation Corp.'s assets for any excess over \$200 million of total assets;
- (c) a fee of \$200,000 upon the completion of each equity financing where the proceeds payable to Uranium Participation Corp. exceed \$20 million;
- (d) a fee of \$200,000 for each transaction or arrangement (other than the acquisition or sale of uranium) of business where the gross value of such transaction exceeds \$20 million (an "Initiative"); and
- (e) an annual fee up to a maximum of \$200,000, at the discretion of the Board, for on-going monitoring or work associated with an Initiative, provided that in exercising its discretion the Board shall consider, among factors, the effort expended by the Manager and the value derived by the Corporation from such Initiative.

Uranium Participation Corp. paid an aggregate of \$2.5 million and \$2.2 million to the Manager for commissions on purchases of uranium, and \$2.2 million and \$2.5 million in other fees for the fiscal years ended February 28, 2007 and February 29, 2008, respectively. Included in fees paid to the Manager in fiscal years 2007 and 2008 is \$0.4 million and \$0.1 million respectively in connection with the provision of credit facilities that have subsequently been terminated. See "Interests of Management and Others in Material Transactions".

Under the terms of the Management Services Agreement, any directors, officers or employees of the Manager who are also officers of Uranium Participation Corp. are paid by the Manager and do not receive any remuneration from Uranium Participation Corp. for their work on behalf of the Company.

### **Governance of the Corporation: Standing Committees of the Corporation**

#### ***Independent Review Committee***

The Corporation has established an Independent Review Committee from its qualified independent members of the Board of Directors. The IRC has adopted a charter 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 the Manager, as contemplated by National Instrument 81-107, Independent Review Committee for Investments Funds of the Canadian Securities Administrators ("NI 81-107"). Policies and procedures to be followed by the Manager and the IRC in conflict of interest matters are outlined in the IRC's charter. Conflict of interest matters are also reviewed by the Corporation's Board of Directors pursuant to the Management Services Agreement.

## Market Overview

### *Uranium Uses*

The only significant commercial use for  $U_3O_8$  is as a fuel for nuclear power plants for the generation of electricity. Through the process of nuclear fission, the uranium isotope U-235 can undergo a nuclear reaction whereby its nucleus is split into smaller particles. Nuclear fission releases significant amounts of energy, and is the basis of power generation in the nuclear industry.

The first practical use of nuclear power occurred in 1951, when an experimental nuclear reactor at a United States ("U.S.") research centre in Idaho Falls lit four ordinary light bulbs. In the late 1950s, the first full-scale nuclear power plants went into service in the U.S., the United Kingdom, Russia and France. The nuclear industries of these countries and several others grew rapidly during the 1960s and 1970s. The first export orders for nuclear power reactors were awarded in 1958 and were followed by the spread of nuclear electricity generation to many other countries, including Canada, Germany, Switzerland, Spain, Belgium, Finland and Japan. Reactor technology was also exported by Russia to several Eastern European countries, including the former East Germany, the former Czechoslovakia, Bulgaria and Hungary. Many of these countries developed their own nuclear expertise, leading to the development of today's international nuclear industry.

Uranium has other uses in the fields of medical diagnosis and other industries. Uranium is also used as a feedstock for over 200 private nuclear reactors, which are operated for research purposes and for the production of isotopes for medical and industrial end uses.

### *Uranium Production Process*

The initial step in the process of preparing uranium ore for use in a nuclear reactor is the mining and upgrading of the ore in a uranium processing facility, or mill, to produce uranium concentrates containing 80-90%  $U_3O_8$ . Uranium concentrates are priced and sold based on the  $U_3O_8$  content.

The second step in the preparation of uranium for use in a nuclear reactor takes place at licensed uranium conversion facilities where  $U_3O_8$  is converted to  $UF_6$ . Above 56 degrees Celsius,  $UF_6$  is a gas and is in a suitable form to be enriched to produce fuel for the majority of the types of reactors. Following the production of  $UF_6$ , enrichment and fuel fabrication steps are required before the nuclear fuel is ready for loading into a nuclear reactor.

### *Demand*

The demand for uranium is directly linked to the level of electricity generated by nuclear power plants. The cost structure of nuclear power generation, which involves much higher capital costs and generally lower fuel costs compared to most other forms of power generation, dictates that nuclear plants are kept operational at high load factors to achieve optimal economics. As a result, the demand for uranium fuel is more predictable than most other commodities. Demand forecasts for uranium depend largely on installed and operable nuclear power generation capacity, regardless of economic fluctuations or the demand for other forms of power.

UxCo, in its uranium demand forecasts, has estimated that worldwide uranium demand will increase from approximately 180 million pounds of  $U_3O_8$  in 2007 to nearly 212 million pounds by 2015 representing an annual compound growth rate of about 2%.

World net electricity consumption is expected to increase by 85% by 2030, according to the International Energy Outlook 2007 (the "IEO 2007") reference case forecast. Total demand for electricity is projected to increase on average by 2.3% per year from 16,424 billion kilowatt hours in 2004 to 30,364 billion kilowatt hours in 2030. The IEO 2007 forecast assumes strong economic growth in non-OECD countries with GDP growth of 5.3 percent annually compared with 2.5 percent for OECD countries. As a result of higher fossil fuel prices, energy security concerns, improved reactor designs and environmental concerns, new nuclear capacity is expected to be a significant part of meeting this growth in electricity demand.

According to the World Nuclear Association ("WNA"), as of March 2008, there were a total of 439 operable commercial nuclear power plants globally in 30 countries with an aggregate installed generating capacity of 372.0 gigawatts of electricity. These commercial nuclear plants are currently supplying approximately 16% of the world's power requirements. Another 35 commercial nuclear power plants (representing 28.8 gigawatts of electricity) are under construction in 12 countries and another 91 reactors (99.1 gigawatt) are planned. New construction is presently centered in Asia, principally in China, South Korea and India.

The demand for uranium may also be increased by the trend toward improving plant load factors, but may be muted by the premature closing of some nuclear power plants. Factors increasing fuel demand are expected to continue to be offset in part by a trend in increased efficiency in nuclear power plants and reductions in tails assay during enrichment.

### *Supply*

Uranium is supplied from primary mine production, and from secondary sources such as the drawdown of excess inventories, uranium made available from the decommissioning of nuclear weapons, re-enriched depleted uranium tails, and used reactor fuel that has been reprocessed. The Manager estimates that only approximately 64% of annual uranium consumption was sourced from primary mine production in 2007.

### *Primary Production*

The uranium production industry is characterized by a small number of companies operating in relatively few countries. UxCo reports that in 2007, mine supply was approximately 115.5 million pounds of  $U_3O_8$ . In 2007, approximately 89% of the estimated world production was provided by eight producers: Cameco Corporation, AREVA, Energy Resources of Australia Ltd., Rössing Uranium Limited and BHP Billiton in the western world, and KazAtomProm in Kazakhstan, NAVOI Mining Metallurgical Kombinat in Uzbekistan and TVEL in Russia.

Approximately 82% of estimated world production was sourced from seven countries (in order of production, from greatest to least): Canada, Australia, Kazakhstan, Russia, Niger, Namibia and Uzbekistan. The Canadian uranium industry has been the leading supplier of uranium in recent years with production of 24.6 million pounds of  $U_3O_8$  in 2007, which represented approximately 23% of world production.

There is a growing requirement for increased uranium production to meet the forecast needs of reactors worldwide. However, a critical consideration in evaluating the potential for new supply is the ability, lead time and capital costs needed to permit and develop new uranium production. The lead time for most new production facilities from discovery to production has historically been approximately 10-20 years due to environmental challenges and the technical difficulties inherent in uranium mining.

### *Secondary Sources*

Every year since 1985, world primary uranium production has been less than uranium consumption. The resulting shortfall has been met from a number of secondary sources. The de-enrichment of nuclear weapons through blending with low enriched uranium from conventional production sources has contributed the largest proportion of this supply and is expected to meet about 6% of demand over the next ten years. Also, some utilities in Europe use reprocessed uranium and plutonium derived from used reactor fuel as a source of supply and depleted uranium tails from reactors can be re-enriched and added to the fuel mix, supplying 6% to 8% of world demand. Excess inventories held by utilities, producers, other fuel cycle participants and governments have also served as a source of supply, although this is a finite source.

### *Uranium from Nuclear Disarmament*

The most significant secondary source of uranium is from de-enriching nuclear weapons. In February 1993, the U.S. and Russia entered into an agreement (the "Russian HEU Agreement") to manage the sale of highly enriched uranium ("HEU"). Under the Russian HEU Agreement, over a term of 20 years, 500 tonnes of HEU derived from dismantling nuclear weapons, are to be diluted in Russia and delivered to the U.S. as low enriched uranium ("Disarmament Uranium"), suitable for use in nuclear power plants.

In March 1999, Cameco Corporation, AREVA and NUKEM, Inc. (the "Western Companies") entered into an agreement whereby they would market a substantial portion of the Disarmament Uranium ("Western Agreement"). Cameco Corporation reports that as a result of various amendments to the Western Agreement, the Western Companies are now committed to the purchasing and selling of almost 163 million pounds of  $U_3O_8$  from 2004 through to the end of 2013.

Russia, through its agent Techsnabexport ("Tenex"), had also been selling a portion of the Disarmament Uranium not purchased by the Western Companies. In November 2003, Tenex terminated its contract for sales to the U. S. (the "Tenex Termination") through Globe Nuclear Services and Supply. Russia currently consumes more than twice as much  $U_3O_8$  as it produces and is proceeding with an ambitious nuclear power development program which will make this shortfall in  $U_3O_8$  supply even more pronounced.

As a result of the Tenex Termination and the subsequent amendments to the Western Agreement, the amount of Disarmament Uranium that would have been available to the market in the western world has been reduced by about 74 million pounds of  $U_3O_8$  in the period from 2004 to 2013. The Russian HEU Agreement terminates in 2013 and Russia has formally stated that the agreement will not be renewed, as had once been anticipated. Additionally, as a result of the dramatic rise in uranium and enrichment prices of the past two years, Russia has notified all of the parties to the HEU Agreement that the previously agreed pricing can no longer stand. Renegotiation of the component prices among the parties has begun and is expected to be completed later this year.

#### *The Uranium Market and Prices*

Utilities secure a substantial percentage of their uranium requirements by entering into medium and long-term contracts with uranium producers. These contracts typically provide for deliveries to begin one to four years after signing and continue for several years thereafter.

There is currently no regulated commodity market underwritten by a market maker for the various components of nuclear fuel. As such, the market participants rely upon multiple published prices based on historical data and market sentiment.

Contracted uranium prices are established by a number of methods, including base price levels adjusted by inflation indices, reference prices (multiple published spot prices as well as long term reference prices) and annual price negotiations. Many contracts also contain floor prices, ceiling prices and other negotiated provisions, which affect the price ultimately paid. Prices under uranium supply contracts are usually confidential.

Utilities also acquire uranium by way of spot and near-term purchases from producers and traders. Spot market purchases are those that call for delivery within one year. Traders generally source their uranium from organizations holding excess inventory including utilities, producers and governments. Over the period from 1996 through 2004, annual spot market demand averaged just under 20 million pounds  $U_3O_8$  or about 12% of the annual world consumption, but had jumped to about 35 million pounds in 2005 and 2006 as the rebuilding of utility inventories commenced, and investors and hedge funds entered the market as significant buyers. Spot market volume returned to its traditional level of approximately 20 million pounds in 2007.

Historically, spot prices have been more volatile than long-term contract prices. In December 2000, the spot price reached an all-time low of US\$7.10 per pound. The uranium price increased at a moderate rate reaching US\$14.50 per pound  $U_3O_8$  by the end of 2003. The spot price increased steadily from that date reaching US\$72.00 by the end of 2006. A further market impact in October 2006 was the announcement of the flooding and indefinite postponement of the start up of the Cigar Lake mine in northern Saskatchewan. The Cigar Lake mine was scheduled to ramp up to an annual production rate of 18.0 million pounds by 2008. Producers were also active in the spot market, purchasing material to fill contractual demand, which they could not supply due to production issues at their respective operations. During the first half of 2007, the spot price continued its rapid rise reaching a peak of US\$136.00 in June 2007. At the end of June 2007, the spot price dropped US\$3.00, the first decline in the spot price since May of 2003. In the last half of 2007, the spot

price was very volatile dropping to US\$75.00 in October, then rebounding to US\$95.00 in December. Prices have continued to be volatile in 2008. As of the date hereof, the uranium spot price is US\$63.00 per pound U<sub>3</sub>O<sub>8</sub>.

The long-term uranium price has undergone a similar increase over the past several years, but with significantly less volatility, rising from just under US\$11.00 per pound U<sub>3</sub>O<sub>8</sub>, at the end of 2002, to US\$95.00 per pound in May 2007. Since that time, the long-term price has remained at US\$95.00 per pound U<sub>3</sub>O<sub>8</sub> until declining to US\$90.00 in April, 2008. The long-term price rose due to increased demand from utilities as they placed more of their requirements under contract.

UF<sub>6</sub> is a separate commodity from U<sub>3</sub>O<sub>8</sub>, although its price will be principally affected by the price of the U<sub>3</sub>O<sub>8</sub> because U<sub>3</sub>O<sub>8</sub> is converted to produce UF<sub>6</sub>. Through conversion, 2.61285 pounds of U<sub>3</sub>O<sub>8</sub> will produce 1 KgU as UF<sub>6</sub>. The value of UF<sub>6</sub> (the "UF<sub>6</sub> Value") is obtained by adding (i) the spot price of U<sub>3</sub>O<sub>8</sub> multiplied by 2.61285 and (ii) the spot conversion price. The spot price of UF<sub>6</sub> (the "UF<sub>6</sub> Price") is published by UxCo and it may be higher or lower than the UF<sub>6</sub> Value depending on the variation in demand for its components. As at February 29, 2008, the UF<sub>6</sub> Price was US\$0.26 above the UF<sub>6</sub> Value.

At February 29, 2008 prices of U<sub>3</sub>O<sub>8</sub> and conversion, U<sub>3</sub>O<sub>8</sub> constitutes over 95.5% of the UF<sub>6</sub> Value. Accordingly, any change in the UF<sub>6</sub> Price will largely be attributable to changes in the price of U<sub>3</sub>O<sub>8</sub>. UF<sub>6</sub> as a commodity may trade at a discount or a premium to the value of U<sub>3</sub>O<sub>8</sub> plus conversion, depending on a variety of factors including demand for each of U<sub>3</sub>O<sub>8</sub> and conversion.

#### *Supply Deficit*

Each year since 1985, the consumption of uranium has exceeded primary production by a substantial margin. To date, this large supply gap has been accommodated by sales from existing inventories, de-enrichment of HEU and recycling programs. The Manager believes that there is only a relatively small amount of uranium held in inventories that are in excess of strategic inventory levels and therefore available for sale.

The uranium market will face a growing supply deficit until new mine production can be implemented. The Manager believes that decreasing, available inventories, the recognition by Russia of its own internal need for uranium supply as a net importer and the construction of approximately 25-35 new commercial reactors over the next 10 to 15 years will exacerbate this shortfall. The Manager believes that the long-term fundamentals of the uranium market are positive.

#### **Government Regulation**

The production, handling and storage of uranium are subject to various levels of extensive governmental controls and regulations which are amended from time to time. Uranium Participation Corp. is unable to predict what additional legislation or amendments may be proposed that might affect the uranium business or when any proposals, if enacted, might become effective.

Outlined below are certain government controls and regulations which materially affect the uranium industry.

#### *Treaty on the Non-Proliferation of Nuclear Weapons (the "NPT")*

The NPT was established in 1970 and is an international treaty with the following objectives: to prevent the spread of nuclear weapons and weapons technology, to foster the peaceful uses of nuclear energy, and to further the goal of achieving general and complete disarmament. The NPT establishes a safeguards system under the responsibility of the International Atomic Energy Agency (the "IAEA"). A number of countries are signatories to the NPT, including Canada, the U.S., the United Kingdom and France.

Article III of the NPT states that each State party to the NPT will undertake not to provide fissionable material, or equipment designed for the processing of fissionable material, to other States unless the fissionable material will be subject to the safeguards of the NPT, as enforced by the IAEA.

### *Canadian Uranium Industry Regulation*

The federal government of Canada has recognized that the uranium industry has special importance in relation to the national interest and therefore regulates the industry through regulations and policy announcements. The regulations and policy announcements apply to any uranium property or plant in Canada which the Canadian Nuclear Safety Commission ("CNSC") may determine to be, or to have the capability of, producing or processing uranium for nuclear fuel application. The regulations require that the property or plant be owned legally or beneficially by a company incorporated pursuant to Canadian laws.

### *Canadian Nuclear Safety and Control Act*

In Canada, control of the use and export of uranium is governed by the Nuclear Safety and Control Act (the "NSCA").

The NSCA authorizes the CNSC to make regulations governing all aspects of the development and application of nuclear energy, including uranium mining, milling, conversion and transportation. The most significant powers given to the CNSC are in the licensing area. The NSCA grants the CNSC licensing authority for all nuclear activities in Canada, including the issuance of new licences to new operators, the renewal of existing licences, and amendments to existing licences. A person may only possess or dispose of nuclear substances and construct, operate and decommission its nuclear facilities in accordance with the terms of a CNSC licence. The licence specifies conditions that licensees must satisfy in order to maintain the right to operate nuclear facilities.

The NSCA grants to the CNSC the power to act as a court of record, the right to require financial guarantees for nuclear waste management and decommissioning as a condition of granting a licence, order-making powers and the right to impose monetary penalties. The NSCA also grants the CNSC power to require nuclear power plant operator re-certification and to set requirements for nuclear facility security measures. The NSCA also provides for increased emphasis on environmental matters, including a requirement that licensing applicants make adequate provision for the protection of the environment. Additional regulatory priority is evident in the areas of quality assurance and human factor engineering and assessment.

A fundamental principle in nuclear regulation is that the licensee bears the responsibility for safety, with the CNSC setting safety objectives and auditing the licensee's performance against the objectives. The regulations made under NSCA include provisions dealing with a facility's licence requirements, radiation protection, physical security for all nuclear facilities and the transport of radioactive materials. The CNSC has also issued guidance documents to assist licensees in complying with regulatory requirements such as decommissioning, emergency planning, and optimization of radiation protection measures.

All of the Canadian operations of the Facilities, which may be used by Uranium Participation Corp., will be governed primarily by licences granted by the CNSC and are subject to all applicable federal statutes and regulations and to all laws of general application in the province where the operation is located, except to the extent that such laws conflict with the terms and conditions of the licence or applicable federal laws. Failure to comply with licence conditions or applicable statutes and regulations may result in orders being issued which may cause operations to cease or be curtailed or may require installation of additional equipment, other remedial action or the incurring of additional capital or other expenditures to remain compliant.

### *Canadian Uranium Export Regulation*

The export of uranium is regulated by the federal government of Canada, which establishes nuclear energy policy. Licences and export permits granted by the CNSC and the federal Department of Foreign Affairs and International Trade respectively, are required to be obtained for all exports. Uranium Participation Corp. will require that the Manager obtain any required permits for all such exports.

### *U.S. Uranium Industry Regulation*

Uranium recovery in the U.S. is primarily regulated by the Nuclear Regulatory Commission ("NRC") pursuant to the Atomic Energy Act of 1954, as amended, title II of the Energy Reorganization Act of 1974,

and titles I and II of the Uranium Mill Tailings Radiation Control Act of 1978. Its primary function is to regulate the various commercial and institutional uses of nuclear energy and to ensure the protection of employees, the public and the environment from radioactive materials. The NRC also regulates most aspects of the uranium recovery process. The NRC regulations pertaining to uranium recovery facilities are contained in Title 10 of the Code of Federal Regulations ("10 CFR"). The NRC issues Domestic Source Material Licences pursuant to 10 CFR Part 40. The regulations governing the movement of nuclear materials within the United States are at 10 CFR Part 71 and the regulations governing the import and export of uranium are at 10 CFR Part 110.

Pursuant to these regulations, a licensee who transfers, receives, or adjusts the inventory, in any manner, of uranium source material or who exports or imports uranium source material, must complete a Nuclear Material Transaction Report in accordance with NRC instructions. This report is the primary mechanism for tracking physical movements of U.S. or any other origin uranium to foreign and domestic buyers.

The review of a licence application is governed by the National Environmental Policy Act ("NEPA") which is implemented through 10 CFR Part 51.

In all cases, failure to comply with NRC license and/or state permit-to-mine conditions, or the failure to comply with other applicable rules and regulations, can bring enforcement action. For the state, this starts with non-cited violations for minor, easily correctable violations (generally through "conference and conciliation"), through notices of violation ("NOV's") which can include: fines; supplemental environmental projects; remedial action; additional monitoring and permit changes; and, ultimately, could include orders to cease operations. NRC enforcement policy describes a progression of enforcement starting with a NOV and working through a pre-enforcement conference, fines, imprisonment and the barring of workers or contractors from working in the nuclear industry. Under state and federal law, criminal charges are possible if violations are deemed to be the result of criminal intent or action.

Other agencies are involved in the regulation of the uranium industry, either directly or indirectly, including the Environmental Protection Agency, the Department of Transportation, the Bureau of Land Management, Department of Energy, the Department of Defense, the Department of Homeland Security, the Army Corps of Engineers, and the U.S. Fish and Wildlife Service.

The U.S. government also enters into international agreements for nuclear co-operation and trade with specific countries (or political blocs such as the European Union), with the general goal of supporting the peaceful uses of nuclear energy while upholding specific U.S. foreign policy and non-proliferation objectives. The NRC participates in this process by providing comment and clearance or approval of the proposed international agreements. While specific sales contracts are not reviewed or approved, the NRC is responsible for issuing export and import licenses for the shipment of uranium outside the U.S.

## **RISK FACTORS**

There are a number of factors that could negatively affect Uranium Participation Corp.'s business and the value of Uranium Participation Corp.'s securities, including the factors listed below. Such factors could materially affect the Corporation's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Corporation. The following information pertains to the outlook and conditions currently known to Uranium Participation Corp. that could have a material impact on the financial condition of Uranium Participation Corp. This information, by its nature, is not all-inclusive. It is not a guarantee that other factors will not affect Uranium Participation Corp. in the future.

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

Since almost all of Uranium Participation Corp.'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 Uranium Participation Corp's control. Such factors include, among others: demand for nuclear power; improvements in nuclear reactor efficiencies; reprocessing of used reactor fuel and the re-enrichment of depleted uranium tails; sales of excess civilian and military inventories (including from the dismantling of nuclear weapons) by governments and industry participants; and production levels and production costs in key uranium producing countries.

Since UF<sub>6</sub> is a different commodity than U<sub>3</sub>O<sub>8</sub>, its price is affected by its own supply/demand balance as well as the supply/demand balances of U<sub>3</sub>O<sub>8</sub> and for conversion services. As a result, the UF<sub>6</sub> Price may move differently than the spot price of U<sub>3</sub>O<sub>8</sub> or the spot conversion price alone. The factors that affect the UF<sub>6</sub> Price will affect the NAV of the Corporation, which in turn may affect the price of the Corporation's securities.

Set out in the table below is the spot price for U<sub>3</sub>O<sub>8</sub> per pound, and the UF<sub>6</sub> price per KgU at December 31 for the five calendar years ended December 31, 2007, and as February 29, 2008<sup>(1)</sup>.

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

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

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

#### *No Public Market for Uranium*

There is no public market for the sale of uranium. The uranium future market on NYMEX does not provide for physical delivery of uranium, only cash on settlement; and the trading forum by certain buyers does not offer a formal market but rather facilitates the introduction of buyers to sellers. Uranium Participation Corp. may not be able to acquire uranium, or once acquired, sell uranium for a number of months. The pool of potential purchasers and sellers is limited and each transaction may require the negotiation of specific provisions. Accordingly, a purchase or sale cycle may take several months to complete. In addition, as the supply of uranium is limited, with average spot market sales over the last ten years being only approximately 22 million pounds of U<sub>3</sub>O<sub>8</sub> per year, Uranium Participation Corp. may experience additional difficulties purchasing uranium in the event that it is a significant buyer. The inability to purchase and sell on a timely basis in sufficient quantities could have a material adverse effect on the securities of Uranium Participation Corp.

From time to time, the Corporation enters into commitments to purchase U<sub>3</sub>O<sub>8</sub> or UF<sub>6</sub>. Such commitments are generally subject to conditions in favour of both the vendor and the Corporation, and there is no certainty that the purchases contemplated by such commitments will be completed.

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

The international uranium industry, including the supply of uranium concentrates, is competitive. Supplies are available from a relatively small number of western world uranium mining companies, from certain republics of the former Soviet Union and the People's Republic of China, from excess inventories, including inventories made available from decommissioning of nuclear weapons, from reprocessed uranium and plutonium, from used reactor fuel, and from the use of excess Russian enrichment capacity to re-enrich depleted uranium tails held by European enrichers in the form of UF<sub>6</sub>. The supply of uranium from Russia and from certain republics of the former Soviet Union is, to some extent, impeded by a number of international trade agreements and policies. These agreements and any similar future agreements, governmental policies or trade restrictions are beyond the control of the Corporation and may affect the supply of uranium available for sale and use in the United States and Europe, which are the largest markets for uranium in the world.

### *Foreign Exchange Rates*

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

### *Risks Associated with the Facilities*

Under the Management Services Agreement, the Manager is required to arrange for all uranium to be stored at Facilities and to ensure that the Facilities provide satisfactory indemnities for the benefit of Uranium Participation Corp. or ensure that Uranium Participation Corp. has the benefit of insurance arrangements obtained on standard industry terms. There is no guarantee that either the indemnities or insurance in favour of Uranium Participation Corp. will fully cover or absolve Uranium Participation Corp. in the event of loss or damage. Uranium Participation Corp. may be financially and legally responsible for losses and/or damages not covered by indemnity provisions or insurance. Such responsibility could have a material adverse effect on the financial condition of Uranium Participation Corp.

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

### *Lack of Operational Liquidity*

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

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

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

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

### *Lack of Investment Liquidity*

Uranium Participation Corp. is not a mutual fund, and an investment in its common shares and warrants is not redeemable. Uranium Participation Corp.'s liquidity will rely principally on sales or lending by Uranium Participation Corp. of uranium. Accordingly, Uranium Participation Corp. may not have the resources to declare any dividends or make other cash distributions unless and until a determination is made to sell a portion of its uranium holdings.

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

#### *Net Asset Value*

The NAV reported by Uranium Participation Corp. 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 Uranium Participation Corp.

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

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

#### *Market Price of Common Shares*

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

The market price of the common shares and any outstanding warrants may also be affected by the management expense ratio, which is calculated for each reporting period as the total investment operation expenses (including income tax provisions) for the period over the average net asset value of the Corporation.

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

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

#### *Resignation by Manager*

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

#### *Conflict of Interest*

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

#### *Uranium Lending*

The Corporation has and may again 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 from its portfolio.

#### *Regulatory Change*

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

## CAPITAL STRUCTURE AND DIVIDENDS

### Common Shares

The authorized capital of Uranium Participation Corp. consists of an unlimited number of common shares, which are more particularly described below. As of February 29, 2008, Uranium Participation Corp. had an aggregate of 64,991,841 common shares issued and outstanding. As at the date of this AIF, Uranium Participation Corp. had an aggregate of 72,323,091 common shares issued and outstanding.

The by-laws provide that the rights, privileges, restrictions and conditions attaching to the common shares are as follows:

*Notice of Meetings.* Holders of common shares are entitled to notice of, and to attend, all meetings of shareholders.

*Voting Rights.* Uranium Participation Corp. shall not, without the prior approval of the holders thereof given by the affirmative vote of at least 66 $\frac{2}{3}$ % of the votes cast at a meeting of the holders of the common shares duly called for that purpose:

- (i) approve any change in the minimum amount of the gross proceeds of any offerings of Uranium Participation Corp., which must be invested in uranium as required by its By-laws. This minimum amount is currently set at 85% of the gross proceeds of offerings;
- (ii) approve any change in the restrictions on the investments which Uranium Participation Corp. is permitted to make;
- (iii) create any class of shares ranking in preference or priority to the common shares;
- (iv) create any class of shares ranking, as to dividends, in preference to, or on a parity with, the common shares; or
- (v) consolidate or subdivide the common shares.

*Sale and Purchase of Common Shares.* Uranium Participation Corp. may, at any time or times, subject to applicable regulatory requirements, purchase or sell in the open market or by invitation for tenders to all holders all or any part of the common shares then outstanding.

*Rights on Liquidation.* In the event of liquidation, dissolution or winding-up of Uranium Participation Corp., the holders of common shares are entitled to participate pro rata in the distribution of the proceeds from the sale of uranium and any other net assets of Uranium Participation Corp., subject to applicable laws.

### Common Share Purchase Warrants

On May 10, 2005, an aggregate of 5,000,000 of the 2005 Warrants were issued. The 2005 Warrants expired on May 10, 2007. Each 2005 Warrant entitled the holder thereof to purchase, before the time of expiry, one Common Share at an exercise price of \$6.25. Of the 5,000,000 2005 Warrants issued, 4,958,539 were exercised for 4,958,539 common shares.

On September 14, 2006, an aggregate of 2,840,911 of the 2006 Warrants were issued. Each 2006 Warrant entitles the holder thereof to purchase, before the time of expiry on September 14, 2008, one Common Share at an exercise price of \$12.00. As of February 29, 2008, Uranium Participation Corp. had an aggregate of 2,828,799 of the 2006 Warrants outstanding. As at the date of this AIF, Uranium Participation Corp. had an aggregate of 2,828,799 of the 2006 Warrants outstanding.

## Dividends

The Directors have adopted a policy of dedicating cash flow to reinvestment in the business and repayment of debt. Accordingly, no dividends have been declared to date.

## MARKET FOR SECURITIES

### Trading Price and Volume

The common shares and the 2006 Warrants are traded on the Toronto Stock Exchange under the symbols “U” and “U.WT.A” respectively. Until their expiration, the 2005 Warrants traded on the Toronto Stock Exchange under the symbol “U.WT.” The following table sets forth, for the months indicated, the high and low closing sale prices and trading volumes as reported on the Toronto Stock Exchange.

Month	Common Shares – U		2005 Warrants – U. WT <sup>(1)</sup>		2006 Warrants – U.WT.A	
	Price Range \$	Volume (thousands)	Price Range \$	Volume (thousands)	Price Range \$	Volume (thousands)
2007						
March	13.74 – 16.15	11,057	7.49 – 9.93	419	4.30 – 6.65	518
April	15.55 – 18.65	13,580	9.37 – 12.49	477	7.60 – 9.52	481
May	15.54 – 17.40	11,531	9.25 – 11.24	351	6.90 – 8.59	128
June	14.31 – 16.69	13,580	—	—	4.50 – 7.00	345
July	11.83 – 14.69	19,215	—	—	2.95 – 4.60	370
August	9.35 – 11.93	18,893	—	—	1.70 – 3.00	453
September	9.70 – 11.82	12,597	—	—	1.90 – 3.30	215
October	10.51 – 13.80	31,819	—	—	2.72 – 3.64	304
November	10.50 – 13.61	17,037	—	—	2.41 – 3.43	229
December	10.11 – 11.76	12,770	—	—	1.88 – 2.78	129
2008						
January	9.10 – 11.14	12,396	—	—	1.07 – 2.13	270
February	9.14 – 11.55	22,251	—	—	1.00 – 1.94	182

<sup>(1)</sup> The 2005 Warrants expired and ceased trading on May 10, 2007.

## GOVERNANCE OF THE CORPORATION

### Board of Directors and Officers

The Board is responsible for the governance and the oversight of the affairs of Uranium Participation Corp. The following table sets out the names and the municipality of residence of each of the directors and officers of Uranium Participation Corp., their respective positions and offices held with the Corporation and their principal occupations as of the date hereof. The following table also identifies the members of each committee of the Board of Directors.

<u>Name and Province of Residence</u>	<u>Position with Uranium Participation Corp.</u>	<u>Principal Occupation</u>
Paul J. Bennett <sup>(1,2,3,4)</sup> Calgary, Alberta	Director	President and Chief Executive Officer of Energen Resources Ltd. and President and Chief Executive Officer of Rodinia Oil Corp.
Jeff Kennedy <sup>(2)</sup> Toronto, Ontario	Director	Chief Financial Officer and Director, Equity Capital Markets and a director of Cormark Securities Inc. (“Cormark”)

<u>Name and Province of Residence</u>	<u>Position with Uranium Participation Corp.</u>	<u>Principal Occupation</u>
Garth MacRae <sup>(1,2,3,4,5)</sup> Toronto, Ontario	Director	Independent Financial Consultant
Richard H. McCoy <sup>(1,2,3,4,6)</sup> Toronto, Ontario	Director	Retired; Formerly Vice Chairman Investment Banking, TD Securities Inc.
E. Peter Farmer Toronto, Ontario	President	Chief Executive Officer and Director of DMC and of the Manager
James R. Anderson Mississauga, Ontario	Chief Financial Officer	Executive Vice President and Chief Financial Officer of DMC and Chief Financial Officer of the Manager
Donald C. Campbell Newmarket, Ontario	Vice President, Marketing	Vice President, Commercial of DMC and of the Manager
Brenda R. Lazare Toronto, Ontario	Corporate Secretary	Canadian Counsel and Corporate Secretary of DMC and Corporate Secretary of the Manager

Notes:

- (1) Member of the Audit Committee
- (2) Member of the Corporate Governance and Nominating Committee.
- (3) Member of the Independent Review Committee
- (4) The Board has determined that this individual is “independent” for the purpose of reviewing potential Related Purchases. See “Business of Uranium Participation Corp. - Management of Uranium Participation Corp., Manager and Management Services Agreement”
- (5) Chair, Audit Committee
- (6) Chairman of the Board

As of the date of this AIF, the directors and officers of Uranium Participation Corp. beneficially owned, directly or indirectly, 63,140 common shares, representing less than 1% of the issued and outstanding common shares.

**Except as noted below, each of the foregoing directors and officers has held the same principal occupation for the previous five years.**

*Paul J. Bennett*

Mr. Bennett became a director in June 2005. Mr. Bennett is also a director and the President of UPAC. Mr. Bennett is the President and Chief Executive Officer of Energus Resources Ltd. and became the President and Chief Executive Officer of Rodinia Oil Corp. in August 2006. Mr. Bennett has held executive and senior management positions with ExxonMobil Canada, Sable Offshore Energy Project and Mobil Oil Canada (MOCAN). He has also served as a director of the Maritimes and Northeast Pipeline and is currently on the Board of Directors of Armistice Resources Corp. and Rodinia Oil Corp. Mr. Bennett has over 37 years of domestic and international experience in geology, mining and oil/gas exploration, development and production. Mr. Bennett graduated from the University of Toronto in 1972 with an HBSc. in Geology and again in 1974 with an MSc. in Structural Geology. He is a member of CSPG and AAPG and is a Professional Geologist (P. Geol) licensed in the Province of Alberta (APEGGA). He has received a number of oil and gas industry awards.

*E. Peter Farmer*

Mr. Farmer is the President of the Corporation and the Chief Executive Officer of the Manager. Upon completion of the Denison Arrangement, Mr. Farmer became the Chief Executive Officer and a director of

DMC. Prior to that, Mr. Farmer served as the President and Chief Executive Officer of the Manager from 2004 to 2006 and served as a director of that company since 2003. Mr. Farmer joined Denison Energy Inc. (a predecessor of the Manager) in June 1985 as General Counsel and Secretary and later served as Vice President, General Counsel and Secretary before his appointment as President and Chief Executive Officer in March 1997. Prior to joining the Manager, Mr. Farmer practiced law with the firm of Beechie and Kerr and served as Counsel for Avco Financial Services and Union Enterprises Ltd. Mr. Farmer completed his B.A. at Queen's University in 1971 and received his LL.B. from the University of Windsor in 1974.

*James R. Anderson*

Mr. Anderson is the Chief Financial Officer of the Corporation and the Chief Financial Officer of the Manager. Upon the completion of the Denison Arrangement, Mr. Anderson became the Executive Vice-President and Chief Financial Officer of DMC. Prior to that, Mr. Anderson served as the Executive Vice President and Chief Financial Officer of the Manager from 2004 to 2006. Prior to joining the Manager, Mr. Anderson was Managing Director of Exel Energy Group Inc. Prior to that, he held the position of Senior Vice President and Chief Financial Officer at Rogers Cable Inc. Mr. Anderson, a Chartered Accountant, has held various senior positions in marketing, development, accounting and finance at companies in the energy sector, including Westcoast Energy Inc. and Union Gas Limited. Mr. Anderson has served as a director on a number of boards of companies in the gas sector. Mr. Anderson has been a Chartered Accountant since 1974.

*Donald C. Campbell*

Mr. Campbell is the Vice-President Marketing of the Corporation and the Vice-President, Commercial of the Manager. Upon completion of the Denison Arrangement, Mr. Campbell became the Vice-President, Commercial of DMC. Mr. Campbell served as the Vice President, Marketing and Special Projects for the Manager from 2004 to 2006. He held the position of Vice President, Marketing and Special Projects of Denison Energy Inc. from 1993 to 2004. From 1986 to 1993, he was Vice President, Special Projects for Denison Energy. Mr. Campbell has 49 years of mining and oil and gas experience in Canada and internationally. Mr. Campbell graduated from the University of New Brunswick in 1959 with a B.Sc. in Civil Engineering and is a registered Professional Engineer in Ontario.

*Brenda R. Lazare*

Ms Lazare became the Corporate Secretary of Uranium Participation Corporation on May 31, 2007. She is also Canadian Counsel and Corporate Secretary of the Manager. Prior to joining Denison, Ms Lazare was General Counsel for Tucows Inc., an internet services company. Ms Lazare received her LL.B and her B.C.L. from McGill University in 1985. She is a member of the Law Society of Upper Canada and the Law Society of England and Wales.

*Garth A.C. MacRae*

Mr. MacRae, a Chartered Accountant, became a director of the Corporation in 2005 and is Chair of the Audit Committee. He has served as a director of Dundee Corporation since 1991 and served as Vice Chairman from 1993 until 2004. Mr. MacRae currently serves as a director of Breakwater Resources Ltd., Dundee Corporation, Dundee Precious Metals Inc., Dundee Wealth Management Inc., Eurogas Corporation, GeneNews Limited, Great Plains Exploration Inc. and Torque Energy Inc.

*Richard H. McCoy*

Mr. McCoy became a director of the Corporation in 2005. and is the Chairman of its Board. Prior to retiring in October, 2003, Mr. McCoy was Vice Chairman, Investment Banking at TD Securities Inc. Mr. McCoy currently serves as a director of Aberdeen Asia-Pacific Income Investment Co. Ltd, ACE Aviation Holdings Inc., Gerdau Ameristeel Corp., Jazz Air Income Fund, MDS Inc., Pizza Pizza Royalty Fund and Rothmans Inc.

## Standing Committees of the Board

### *The Audit Committee*

The Board has established an Audit Committee comprised of three of its directors, all of whom qualify as independent and financially literate as such terms are defined under Multilateral Instrument 52-110 - Audit Committees (“MI 52-110”). Being governed by National Instrument 81-106 – Investment Fund Continuous Disclosure (“NI 81-106”), the Corporation is not obligated to comply with MI 52-110. Nonetheless, the Board has chosen to follow the regulations as they apply to audit committees.

This committee is responsible for such matters as the review of financial statements and related press releases, monitoring Uranium Participation Corp.’s financial reporting, accounting systems and internal controls and for the review of the independence and selection of, and liaising with, external auditors. The Board has adopted a charter of the audit committee (the “Charter”) which sets out the audit committee’s mandate, organization, powers and responsibilities. The complete Charter is attached as Schedule A to this AIF.

### *The Corporate Governance and Nominating Committee*

The Corporate Governance and Nominating Committee, which is comprised of all four directors, is responsible for developing Uranium Participation Corp.’s approach to corporate governance issues, advising the Board of Directors in filling vacancies and, periodically, reviewing the composition and effectiveness of the Board of Directors, the contribution of individual directors and the remuneration paid to the directors.

## Compensation of the Board

Currently three members of the Board of Directors are independent. Each of the independent members of the Board of Directors is paid such remuneration for their services as the Board of Directors may, from time to time, determine. Until otherwise determined, such compensation includes a retainer of \$25,000 per year for each director, plus \$1,000 per attended meeting of the Board of Directors and committees of the Board of Directors. Uranium Participation Corp. also reimburses the members of the Board of Directors for out-of-pocket expenses for attending such meetings, and all directors participate in the indemnification arrangements described under the Management Services Agreement.

## Directors and Officers of the Manager

The following table sets out the names and the municipalities of residence of each of the directors and officers of the Manager for whom disclosure is not made elsewhere in this AIF, their respective positions and offices held with the Manager and their principal occupations as of the date hereof.

Name and Municipality of Residence	Position with the Manager	Principal Occupation
Ron F. Hochstein Coquitlam, British Columbia, Canada	Director, President	President and Chief Operating Officer of DMC
William M. Shaver Oakville, Ontario, Canada	Vice President	Executive Vice President, Mine Development and Canadian Operations of DMC

## Management

The following is a brief description of the directors and officers of the Manager for whom disclosure is not made elsewhere in this AIF. Also included is a description of their positions held during the last five years.

### *Ron F. Hochstein*

Mr. Hochstein P.Eng., was appointed President and Chief Operating Officer of the Manager on December 1, 2006. Mr. Hochstein was also appointed President and Chief Operating Officer of DMC on December 1, 2006. Prior to then, he served as President and Chief Executive Officer of International Uranium Corporation (“IUC”), as DMC was named prior to December 1, 2006. Mr. Hochstein has served as a director to DMC since April 2000. Mr. Hochstein joined IUC in October 1999 as Vice-President, Corporate Development and later served as Vice-President and Chief Operating Officer, prior to his appointment as President and Chief

Executive Officer in April 2000. Mr. Hochstein is a Professional Engineer and holds an MBA from the University of British Columbia and a B.Sc. from the University of Alberta. Mr. Hochstein is also a director of Atacama Minerals Corp. (TSX-V), Fortress Minerals Corp. (TSX-V), JNR Resources Inc. (TSX-V), Santoy Resources Ltd. (TSX-V).

*William M. Shaver*

Mr. Shaver was appointed Vice-President of the Manager on December 1, 2006. At the same time, Mr. Shaver was appointed as Executive Vice President, Mining and Canadian Operations of DMC. Prior to then, Mr. Shaver served as Executive Vice-President, Mining of the Manager commencing in September 2006. From 2004 until his appointment with the Manager, Mr. Shaver was President of Shaver Engineering Limited, and prior to that, Senior Vice-President of Dynatec Corporation from 1980 to 2004.

**The IRC**

The IRC consists of the qualified independent Board members. The members of the IRC are Paul J. Bennett, Garth A. C. MacRae and Richard H. McCoy. The mandate of the IRC provides that the IRC must provide a recommendation or approval of transactions in which there is a conflict of interest between the Corporation and the Manager, as contemplated by National Instrument 81-107, Independent Review Committee for Investment Funds of the Canadian Securities Administrators (“NI 81-107”). The IRC has prepared a report to shareholders for the year ended February 29, 2008 and will do so on at least an annual basis. Each report will be available on the Corporation’s website at [www.uraniumparticipation.com](http://www.uraniumparticipation.com) and will also be available to shareholders at no cost by contacting the Corporation at [blazare@denisonmines.com](mailto:blazare@denisonmines.com).

All fees and expenses for the IRC are paid by the Corporation. The fees paid by the Corporation to the IRC members for the year ended February 29, 2008 were \$3,000. The IRC became fully operational on November 1, 2007. Since November 1, 2007, the IRC has dealt with three conflict matters relating to the purchase of uranium by the Corporation that would generate fees for the Manager.

**CONFLICTS OF INTEREST**

*Principal Holders of Securities*

To the knowledge of the directors and executive officers of the Corporation, as of the date of this AIF, save as noted below, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, voting securities of the Corporation carrying more than 10 percent of the voting rights attached to any class of voting securities of the Corporation.

According to public filings, Wellington Management Company, LLP controls 7,504,900 common shares of the Corporation, representing approximately 10.3% of the outstanding common shares of the Corporation.

*The Manager*

The Manager does not have an ownership interest in the Corporation. All of the Corporation’s Board members are independent of the Manager. As of the date hereof, the directors and officers of the Corporation in the aggregate own less than 1% of the outstanding capital of the Manager. As of the date hereof, the directors and officers of the Manager in the aggregate own less than 1% of the Common shares of the Corporation.

The Manager is a wholly-owned subsidiary of DMC, a public company which has uranium production in the United States and Canada, and uranium exploration and development in Canada, the United States, Mongolia and Zambia. DMC is involved in the exploration, development, production and marketing of uranium through its 100% ownership of the White Mesa mill in Utah and its 22.5% interest in the McClean Lake joint venture in northern Saskatchewan and a 30% ownership interest in McClean Uranium Limited, a company that markets a substantial portion of the McClean Lake uranium production. AREVA holds a 70% ownership interest in both the McClean Lake joint venture and McClean Uranium Limited.

The possible conflicts of interest between the Manager and Uranium Participation Corp. have been addressed as follows:

- (i) limitations on the ability of the Manager to purchase uranium from or sell uranium to Related Parties (See "Business of Uranium Participation Corp. – Management of Uranium Participation Corp.");
- (ii) the ability of the Manager to lend uranium is at the Board's discretion;
- (iii) all board members are independent of the Manager;
- (iv) restrictions on the business to be carried on by Uranium Participation Corp. (see "Business of Uranium Participation Corp."); and
- (v) oversight by the IRC.

#### *The Board*

Mr. Kennedy, one of the Corporation's directors, is an officer and a director of Cormark. Cormark acted as lead underwriter on three public offerings which the Corporation completed since February 28, 2007, being those offerings described in the Corporation's prospectuses dated and filed on SEDAR ([www.sedar.com](http://www.sedar.com)) on April 2, 2007, October 11, 2007 and March 11, 2008. As such, the Corporation paid Cormark an aggregate of approximately \$6,096,368 in consideration of the two offerings completed in the 2008 fiscal year and \$2,991,150 on account of the offering completed after the end of the fiscal year.

#### *The IRC*

As at May 6, 2008, the percentage of common shares of the Corporation beneficially owned, directly or indirectly, in aggregate, by all members of the IRC did not exceed ten (10) percent of the outstanding common shares of the Corporation. As at May 6, 2008, the percentage of common shares of Denison Mines Corp. ("DMC"), parent company of the Manager, beneficially owned, directly or indirectly, in aggregate, by all members of the IRC was less than one (1) percent of the outstanding common shares of DMC. As at May 6, 2008, no member of the IRC beneficially owned, directly or indirectly, any interest in a third party service provider to the Corporation or the Manager.

### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Uranium Participation Corp. and the Manager have entered into the Management Services Agreement, pursuant to which the Manager administers the activities of Uranium Participation Corp. See "Business of Uranium Participation Corp. - Management of Uranium Participation Corp."

During the year ended February 29, 2008, Uranium Participation Corp. has paid to the Manager the following amounts in accordance with the terms of the Management Services Agreement (in thousands of dollars):

Management Fees	\$1,901
Equity Financing Fees	400
Commissions on purchase of uranium	2,246
Shareholder Information and other compliance	6
General office and miscellaneous	4
Interest and other debt related expenses	
Interest on loan payable	91
Standby fees on line of credit	<u>4</u>
TOTAL	<u>\$4,652</u>

Reference is made to Note 5 of the Corporation's financial statements for the year ended February 29, 2008, a copy of which is available under the Corporation's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

In September 2006, Uranium Participation Corp. entered into a credit facility with the Manager. Interest under the credit facility was equal to the prime rate of interest offered by a Canadian chartered bank plus 1%. Standby fees also applied at the rate of 1% on the undrawn amount. The \$11.6 million borrowed under the credit facility was repaid in April 2007.

In June 2007, the Corporation purchased 75,000 pounds of U<sub>3</sub>O<sub>8</sub> from an affiliate of the Manager at price of US\$130.00 per pound for a total consideration of US\$9,750,000.

In March 2008, the Corporation paid the Manager equity financing fees of \$200,000.

## **LEGAL PROCEEDINGS**

Management of the Corporation is not aware of any litigation outstanding, threatened or pending as of the date hereof by or against Uranium Participation Corp. or relating to the business which would be material to the Corporation.

## **MATERIAL CONTRACTS**

Reference is made to the material contracts which have been filed by Uranium Participation Corp. with the Canadian securities regulatory authorities on the SEDAR website at [www.sedar.com](http://www.sedar.com). Below are the particulars of each contract, other than those entered into in the ordinary course of business, that is material to Uranium Participation Corp. and that was entered into between March 2006 and February 29, 2008 or was entered into before those dates but is still in effect:

1. The Management Services Agreement. See “Business of Uranium Participation Corp. – Management of Uranium Participation Corp.”.
2. The 2006 Warrant Indenture dated September 14, 2006 between Uranium Participation Corp. and Computershare Trust Company of Canada (the “2006 Warrant Agent”). Pursuant to the 2006 Warrant Indenture, the Corporation issued an aggregate of 2,840,911 2006 Warrants and appointed the 2006 Warrant Agent to administer the 2006 Warrants. The 2006 Warrant Indenture sets out the terms of the 2006 Warrants, the material terms of which are described herein under “Capital Structure - Common Share Purchase Warrants”.

Copies of these agreements are available on the SEDAR website at [www.sedar.com](http://www.sedar.com) or may be inspected at the Corporation’s registered office upon reasonable request.

## **REGISTRAR AND TRANSFER AGENT**

Computershare Investor Services Inc. acts as the registrar and transfer agent for the Common shares and the 2006 Warrants. The address for Computershare Investor Services Inc. is 100 University Avenue, 9th Floor, Toronto, ON M5J 2Y1, Canada, and the phone number is 1-800-564-6253.

## **NAMES AND INTERESTS OF EXPERTS**

PricewaterhouseCoopers LLP, Toronto, Ontario, the Corporation’s external auditors, have prepared the audit report on the audited comparative consolidated financial statements of the Corporation as at and for the years ended February 28, 2007 and February 29, 2008. PricewaterhouseCoopers LLP have confirmed to the Corporation that they are independent in accordance with the independence rules of the Institute of Chartered Accountants of Ontario.

## ADDITIONAL INFORMATION

Additional information regarding the Corporation is available on the SEDAR website at [www.sedar.com](http://www.sedar.com). Additional information concerning the Corporation is provided in the Corporation's Management Report on Fund Performance and Financial Statements for the year ended February 29, 2008. You may obtain a copy of these documents by calling 416-979-1991 or from your dealer or by e-mail at [blazare@denisonmines.com](mailto:blazare@denisonmines.com).

The Corporation's Management Information Circular and such other information and documentation filed on SEDAR can be found at [www.sedar.com](http://www.sedar.com) or on the Corporation's website at [www.uraniumparticipation.com](http://www.uraniumparticipation.com). Copies of these documents may also be obtained by writing to:

Corporate Secretary  
Uranium Participation Corporation  
Atrium on Bay  
Suite 402  
595 Bay Street  
Toronto, Ontario  
M5G 2C2

Telephone: (416) 979-1991 Ext: 366  
Facsimile: (416) 979-5893  
Email: [blazare@denisonmines.com](mailto:blazare@denisonmines.com)

The Manager may be contacted at the following address:

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

Telephone: (416) 979-1991 Ext: 366  
Facsimile: (416) 979-5893

**Schedule A**  
**Audit Committee Mandate**

**A. Composition of the Committee**

- (1) The Board shall appoint from among its members annually at the first meeting of the Board following the annual meeting of the shareholders a committee to be known as the Audit Committee (the “Committee”) to be composed of three (3) directors or such other number not less than three (3) as the Board may from time to time determine.
- (2) Any member of the Committee may be removed or replaced at any time by the Board. Any member of the Committee ceasing to be a director shall cease to be a member of the Committee. Subject to the foregoing, each member of the Committee shall hold office as such until the next annual appointment of members after his or her election. Any vacancy occurring in the Committee shall be filled at the next meeting of the Board.
- (3) Each member of the Committee shall:
  - (a) be a member of the Board;
  - (b) not be an officer or employee of the Company or any of its affiliates;
  - (c) not be an officer or employee of the manager of the Company; and
  - (d) be an unrelated director as defined in the Toronto Stock Exchange (the “TSX”) Corporate Governance Guidelines (“TSX Guidelines”) as the same may be amended from time to time; and
  - (e) satisfy the independence requirements applicable to members of audit committees under each of Multilateral Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators (“MI 52-110”) and any other applicable laws and regulations as the same may be amended from time to time.
- (4) The Committee shall elect annually a chairperson from among its members.

**B. Purpose**

- (1) The Committee’s purpose is to assist the Board in its supervision of the management of the business and affairs of the Company through oversight of:
  - (a) the integrity of the Company’s financial statements, Management’s Reports of Fund Performance (“MRFP”) and other financial reporting;
  - (b) the integrity of the Company’s internal control and management information systems;
  - (c) the Company’s compliance with all applicable laws, rules, regulations, policies and other requirements of governments, regulatory agencies and stock exchanges relating to financial disclosure;
  - (d) the auditor’s qualifications and activities;
  - (e) communication among the auditor, management and the Board; and
  - (f) such other matters as are determined by the Board from time to time.
- (2) In carrying out its oversight role, the Committee and the Board recognize that the Company’s management is responsible for:
  - (a) implementing and maintaining internal controls and disclosure controls;

- (b) the preparation, presentation and integrity of the Company's financial statements; and
- (c) the appropriateness of the accounting principles and reporting policies that are used by the Company.

**C. Committee Resources**

(1) The Committee shall have direct channels of communication with the Company's auditor to discuss and review specific issues as appropriate.

(2) The Committee, or any member of the Committee with the approval of the Committee, may retain at the expense of the Company such independent legal, accounting (other than the auditor) or other advisors on such terms as the Committee may consider appropriate and shall not be required to obtain the approval of the Board in order to retain or compensate any such advisors.

(3) The Committee shall have unrestricted access to Company personnel and documents and shall be provided with the resources necessary to carry out its responsibilities.

**D. Committee Responsibilities**

(1) The responsibilities of the Committee shall be to:

(a) with respect to financial accounting matters:

- (i) review with management and the external auditors the annual consolidated financial statements before making recommendations to the Board relating to approval of the statements;
- (ii) review with management and the external auditors interim financial statements before making recommendations to the Board relating to approval of the statements;
- (iii) review and discuss with management and the external auditors all public disclosure documents containing audited or unaudited financial information including: any Prospectus; the Annual Report; unaudited interim reports; quarterly portfolio disclosure, the Annual Information Form; Management Information Circular, MFRP, material change report and any press release announcing annual or interim financial results of operations. The review will be conducted to ensure that no statement is contained therein which is inconsistent with facts, estimates or judgments contained in the audited or unaudited financial statements;
- (iv) satisfy itself that adequate procedures are in place for the review of the Company's disclosure of financial information extracted or derived from the Company's financial statements, other than the Company's financial statements, MFRP and earnings press releases, and shall periodically assess the adequacy of those procedures;
- (v) prior to the completion of the annual audit, and at any other time deemed advisable by the Committee, review and discuss with management and the auditor the quality of the Company's accounting policies and financial statement presentation, including, without limitation, the following:
  - 1. all critical accounting policies and practices to be used, including, without limitation, the reasons why certain estimates or policies are or are not considered critical and how current and anticipated future events may impact those determinations as well as an assessment of any proposed modifications by the auditors that were not made;
  - 2. all alternative accounting treatments for policies and practices that have been discussed by management and the auditors; and
  - 3. other material written communications between the auditor and management, including, without limitation, any management letter, schedule of unadjusted differences, the

management representation letter, report on internal controls, as well as the engagement letter and the independence letter;

- (vi) review annually the accounting principles and practices followed by the Company and any changes in the same as they occur;
  - (vii) review new accounting principles of the Canadian Institute of Chartered Accountants which would have a significant impact on the Company's financial reporting as reported to the Committee by management;
  - (viii) review the status of material contingent liabilities as reported to the Committee by management;
  - (ix) review the status of income tax returns and potentially significant tax problems as reported to the Committee by management; and
  - (x) review any errors or omissions in the current or prior year's financial statements which appear material as reported to the Committee by management.
- (b) with respect to the external auditors:
- (i) be directly responsible for the appointment, retention, termination and oversight of the work of the auditor (including, without limitation, resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or services for the Company;
  - (ii) approve, prior to the auditor's audit, the auditor's audit plan (including, without limitation, staffing), the scope of the auditor's review and all related fees; and
  - (iii) satisfy itself as to the independence of the auditor. The Committee shall pre-approve any non-audit services (including, without limitation, fees therefor) provided to the Company or its subsidiaries by the auditor or any auditor of any such subsidiary and shall consider whether these services are compatible with the auditor's independence, including, without limitation, the nature and scope of the specific non-audit services to be performed and whether the audit process would require the auditor to review any advice rendered by the auditor in connection with the provision of non-audit services.
- (c) with respect to internal controls:
- (i) review with management and the external auditors the quality and adequacy of the Company's internal accounting, financial disclosure and operations controls, including policies, procedures and systems to assess, monitor and manage business risks. In addition, the Committee will evaluate the appropriateness and timeliness of the disposition of any recommendations for improvements in internal controls and procedures;
  - (ii) obtain external auditors reports on significant findings and recommendations, together with management's responses; and
  - (iii) discuss with management, policies regarding risk assessment and risk management. While it is the responsibility of management to assess and manage the Company's exposure to risk, the Committee will discuss and review guidelines and policies that govern the process. The discussion may include the Company's financial risk exposures and the steps that management has taken to monitor and control such exposures, recognizing that the Committee is not required to be the sole body responsible for risk assessment and management.
- (d) with respect to general audit matters:
- (i) inquire of management and the external auditors as to any activities that may or may not appear to be illegal or unethical;

- (ii) review with management and the external auditors any material frauds reported to the Audit Committee;
  - (iii) review with the external auditors the adequacy of staffing for accounting and financial responsibilities; and
  - (iv) report and make recommendations to the Board as the Committee considers appropriate.
- (2) In addition, the Board may refer to the Committee such matters and questions relating to the Company as the Board may from time to time see fit.
- (3) Any member of the Committee may require the auditors to attend any or every meeting of the Committee.

**E. Meetings**

(1) The times of and the places where meetings of the Audit Committee shall be held and the calling of and procedure at such meetings shall be determined from time to time by the Committee, provided however that the Committee shall meet at least quarterly, and the Committee shall maintain minutes or other records of its meetings and activities. Notice of every such meeting to be given in writing not less than seven (7) days prior to the date fixed for the meeting, and shall be given to the auditors of the Company, that the auditors shall be entitled to attend and be heard thereat. Meetings shall be convened whenever requested by the auditors or any member of the Audit Committee in accordance with the *Ontario Business Corporations Act*.

(2) As part of each meeting of the Committee at which it recommends that the Board approve the financial statements of the Company, and at such other times as the Committee deems appropriate, the Committee shall meet separately with the auditor to discuss and review specific issues as appropriate.

(3) A majority of the Committee shall constitute a quorum.

**F. Evaluation of Mandate**

On at least an annual basis, the Committee shall review and assess the adequacy of this Mandate and recommend any proposed changes to the Board of Directors.