

**Uranium
Participation
Corporation**



2014 ANNUAL REPORT

2014 Annual Report

Uranium
Participation
Corporation



www.uraniumparticipation.com

To Our Shareholders

This past fiscal year has proven to be another challenging one for Uranium Participation Corporation, as the uranium market continued to feel the impacts of the 2011 crisis at the Fukushima-Dachii nuclear power facility. The reduction in demand due to the shutdown of the Japanese reactor fleet, coupled with primary production increases and increased secondary supplies resulted in continued pressure on the uranium price. Uranium spot prices declined from US\$42.25 per pound at March, 2013 to US\$35.50 per pound by the end of the fiscal year.

Uranium Participation Corporation's net asset value decreased to \$602.5 million at February 28, 2014 from \$615.9 million at February 28, 2013. This decrease was primarily due to unrealized losses on investments of \$64.1 million, resulting from the decline in U_3O_8 and UF_6 spot prices offset slightly by the strengthened U.S. dollar to Canadian dollar foreign exchange rate. Accordingly, net asset value per common share decreased \$0.64 or 11.1% to \$5.15 at February 28, 2014 from \$5.79 at February 28, 2013.

Despite the weakening uranium spot prices during the Corporation's past fiscal year, we believe that the fundamentals of the uranium market remain strong. Global nuclear power capacity is projected to increase due to aggressive new build programs in China, Russia, India and the Middle East. As of May 1, 2014 there are 72 nuclear reactors under construction in 14 countries. Based on the most recent statistics from the World Nuclear Association, there are a total of 245 reactors that are either under construction, or planned around the world. By comparison, prior to the Fukushima incident, in February 2011, there were only 218 reactors under construction or planned. Industry projections indicate that by 2030, there will be an estimated 609 nuclear reactors in operation worldwide in 41 countries and that uranium demand will grow from 172.1 million pounds of U_3O_8 in 2013 to 265.0 million pounds in 2030. In order to meet future demand, new mines will need to be developed and brought into production. Many of these projects are currently being deferred or delayed due to weak uranium prices. Prices will need to increase appreciably to support the higher cost production profile of new mines and significant capital expenditures that will be required to meet the production forecasts.

Near the end of the past fiscal year, the Corporation's stock price began to trade in ranges where it would be accretive to raise funds through the issuance of equity to purchase additional uranium stocks. In February 2014, the Corporation closed on an equity financing deal of 10,522,500 common shares at a price of \$5.47 per common share for proceeds, net of costs, of \$54,956,000. Proceeds are planned to be used primarily for the purchase of uranium, and to date, the Corporation has purchased 750,000 pounds of uranium at a cost of US\$26,075,000, with an additional 100,000 pounds, at a price of US\$34.50 per pound, to be delivered prior to the end of June 2014.

Given the increasing complexity of the uranium market, the Board of Directors committed last fiscal year to enhance the Board's uranium industry experience. Initially, Mr. George Assie, a former executive from Cameco Corporation, joined the Board and provided valuable insight and advice. Mr. Assie unfortunately resigned at the end of the fiscal year. He was replaced by Mr. Thomas Hayslett, who brings more than 35 years of nuclear fuel and market experience to the Board, having held positions at both The Ux Consulting Company and Tennessee Valley Authority. The Board wishes to further enhance its industry knowledge with the nomination of Mr. Ganpat Mani for election at the upcoming annual meeting of shareholders. With his experience as former President and Chief Executive Officer at ConverDyn Corp. and various positions with other public uranium companies, Mr. Mani knows the sector well and will provide valuable input.

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

Yours truly,

Ron Hochstein
President and Chief Executive Officer

May 5, 2014

**URANIUM PARTICIPATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED FEBRUARY 28, 2014**

(Expressed in Canadian dollars, unless otherwise noted)

This Management's Discussion and Analysis ("MD&A") provides a detailed analysis of the financial condition and results of operations for the year ended February 28, 2014, in comparison with the corresponding prior year periods. This MD&A is current as of May 5, 2014 and should be read in conjunction with Uranium Participation Corporation's (the "Corporation" or "UPC") audited consolidated financial statements and related notes for the year ended February 28, 2014, prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts are expressed in Canadian dollars, unless otherwise noted. All uranium prices are based on prices published by Ux Consulting Company LLC ("UxCo").

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

By their very nature, forward looking statements involve numerous factors, assumptions and estimates. A variety of factors, many of which are beyond the control of UPC, may cause actual results to differ materially from the expectations expressed in the forward looking statements. For a list of the principal risks of an investment in UPC, please refer to the "RISK FACTORS" section of UPC's Short Form Prospectus dated January 29, 2014 ("Prospectus"), available on SEDAR at www.sedar.com.

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

OVERVIEW

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

SELECTED ANNUAL FINANCIAL INFORMATION

	Year ended		
	February 28, 2014	February 28, 2013	February 29, 2012
Total income, including unrealized investment gains (losses) (in thousands)	\$ (63,549)	\$ (95,157)	\$ (237,896)
Net loss for the year (in thousands)	(68,445)	(96,211)	(223,503)
Net loss per common share – basic and diluted	(0.64)	(0.90)	(2.09)
Total assets (in thousands)	604,664	617,742	716,844
Total long-term liabilities (in thousands)	–	–	3,021
Net asset value per common share ("NAV") – basic and diluted ⁽²⁾	5.15	5.79	6.70
U_3O_8 spot price ⁽¹⁾ (US\$) at year end date	35.50	42.00	52.00
UF_6 spot price ⁽¹⁾ (US\$) at year end date	99.00	120.00	141.00
Noon US\$→CAD\$ exchange rate at year end date	1.1075	1.0285	0.9866

¹ Reflects spot prices published by UxCo. Translation to Canadian dollars calculated at the period end noon foreign exchange rate.

² See "Non-GAAP Financial Performance Measures".

SUMMARY OF QUARTERLY FINANCIAL RESULTS

	2014		2013	
	February 28	November 30	August 31	May 31
Total income (loss), including unrealized investment gains (losses) (in thousands)	\$ 9,521	\$ 13,801	\$ (67,980)	\$ (18,891)
Net income (loss) for the period (in thousands)	8,254	12,591	(69,286)	(20,004)
Net income (loss) per common share – basic and diluted	0.08	0.12	(0.65)	(0.19)
NAV ⁽²⁾ – basic and diluted	5.15	5.07	4.95	5.60
U ₃ O ₈ spot price ⁽¹⁾ (US\$) at period end date	35.50	36.25	35.00	40.50
UF ₆ spot price ⁽¹⁾ (US\$) at period end date	99.00	102.50	100.25	115.50
Noon US\$→CAD\$ exchange rate at period end date	1.1075	1.0599	1.0553	1.0339

	2013		2012	
	February 28	November 30	August 31	May 31
Total income, including unrealized investment gains (losses) (in thousands)	\$ 21,617	\$ (74,999)	\$ (71,438)	\$ 29,663
Net income (loss) for the period (in thousands)	20,684	(75,085)	(69,194)	27,384
Net income (loss) per common share – basic and diluted	0.19	(0.71)	(0.65)	0.26
NAV ⁽²⁾ – basic and diluted	5.79	5.60	6.30	6.95
U ₃ O ₈ spot price ⁽¹⁾ (US\$) at period end date	42.00	42.00	48.50	52.00
UF ₆ spot price ⁽¹⁾ (US\$) at period end date	120.00	119.75	133.75	139.00
Noon US\$→CAD\$ exchange rate at period end date	1.0285	0.9932	0.9863	1.0349

¹ Reflects spot prices published by UxCo. Translation to Canadian dollars calculated at the period end noon foreign exchange rate.

² See "Non-GAAP Financial Performance Measures".

OVERALL PERFORMANCE

The following financial information was obtained directly from or calculated using the Corporation's consolidated financial statements for the periods noted below.

(in thousands, except per share amounts)	Three months ended		Year ended	
	February 28,		February 28,	
	2014	2013	2014	2013
Unrealized gains (losses) on investments	\$ 9,477	\$ 21,396	\$ (64,084)	\$ (96,023)
Net income (loss) for the period	8,254	20,684	(68,445)	(96,211)
Net income (loss) per common share – basic and diluted	\$ 0.08	\$ 0.19	\$ (0.64)	\$ (0.90)

Net income for the three months ended February 28, 2014 was due to unrealized gains on investments of \$9,477,000, offset by storage fees of \$586,000 and management fees of \$445,000. This compares to net income for the three months ended February 28, 2013 due to unrealized gains on investments of \$21,396,000, offset by storage fees of \$228,000 and management fees of \$388,000.

Net loss for the year ended February 28, 2014 was due to unrealized losses on investments of \$64,084,000, storage fees of \$2,163,000 and management fees of \$1,741,000. This compares to a net loss for the year ended February 28, 2013 due to unrealized losses on investments of \$96,023,000, storage fees of \$1,587,000 and management fees of \$1,638,000, offset by income tax recoveries of \$3,034,000.

Unrealized gains and losses on investments were caused by fluctuating U₃O₈ and UF₆ spot prices. In fiscal 2014, spot prices for U₃O₈ started the year at US\$42.00 per pound at February 28, 2013, decreased to US\$36.25 per pound at November 30, 2013 and declined further to US\$35.50 per pound at February 28, 2014. UF₆ similarly started the year at US\$120.00 per KgU at February 28, 2013, decreased to US\$102.50 per KgU at November 30, 2013 and declined further to US\$99.00 per KgU at February 28, 2014. The U.S. dollar to Canadian dollar foreign exchange rate fluctuated from 1.0285 at February 28, 2013 to 1.0599 at November 30, 2013 to 1.1075 at February 28, 2014. As a result, in spite of the decline in U.S. dollar denominated uranium prices in the fourth quarter, Canadian dollar denominated uranium prices increased due to the strengthening of the U.S. dollar.

In fiscal 2013, spot prices for U₃O₈ started the year at US\$52.00 per pound at February 29, 2012, decreased to US\$42.00 per pound at November 30, 2012 and remained at this price at February 28, 2013. UF₆ similarly started the year at US\$141.00 per KgU at February 29, 2012, decreased to US\$119.75 per KgU at November 30, 2012 and closed the fiscal year at US\$120.00 per KgU at February 28, 2013. The U.S. dollar to Canadian dollar foreign exchange rate fluctuated from 0.9866 at February 29, 2012 to 0.9932 at November 30, 2012 to 1.0285 at February 28, 2013.

UPC's net asset value per common share⁽¹⁾ ("NAV") decreased to \$5.15 at February 28, 2014 from \$5.79 per share at February 28, 2013. Total equity ("net asset value") decreased to \$602,460,000 at February 28, 2014 from \$615,949,000 at February 28, 2013.

The substantively enacted future tax rates, in UPC's various jurisdictions, range from 3.0% to 26.5%. The Corporation had an effective tax rate of nil for the year ended February 28, 2014 compared to an effective tax rate of 3.1% for the year ended February 28, 2013. Deferred tax assets increased during the year ended February 28, 2014 but were not recognized, resulting in an effective tax rate of nil, since it remained uncertain that sufficient taxable income would be available in future years to warrant recognition.

Investment Portfolio

UPC's investment portfolio consists of the following as at February 28, 2014:

(in thousands, except quantity amounts)	Quantity	Cost	Fair Value
Investments in Uranium:			
U ₃ O ₈	7,826,811 lbs	\$ 376,860	\$ 307,721
UF ₆	2,153,471 KgU	\$ 353,357	\$ 232,125 ⁽²⁾
		\$ 730,217	\$ 539,846
U ₃ O ₈ average cost and market value per pound:			
- In Canadian dollars		\$ 48.15	\$ 39.32 ⁽³⁾
- In United States dollars		\$ 44.01	\$ 35.50
UF ₆ average cost and market value per KgU:			
- In Canadian dollars		\$ 164.09	\$ 109.64 ⁽³⁾
- In United States dollars		\$ 152.26	\$ 99.00

Sale of Conversion Components

In September 2013, the Corporation sold the conversion component of 120,759 KgU as UF₆ for cash consideration of \$1,171,000 (US\$1,117,000). To facilitate the sale of the conversion component, UPC transferred 120,759 KgU as UF₆ to the buyer and received 315,525 pounds of U₃O₈ and cash consideration noted above. Loss from the sale of conversion components was \$87,000, net of transaction costs of \$13,000.

In January 2014, the Corporation sold the conversion component of 100,000 KgU as UF₆ for cash consideration of \$1,093,000 (US\$1,000,000). To facilitate the sale of the conversion component, UPC transferred 100,000 KgU as UF₆ to the buyer and received 261,285 pounds of U₃O₈ and cash consideration noted above. Income from the sale of conversion components was \$52,000, net of transaction costs of \$10,000.

Uranium Lending Arrangement

The Corporation initially entered into a loan of the conversion component of 1,332,230 KgU as UF₆ in December 2009 for a three year term which was subsequently extended an additional year. The conversion component loaned is subject to a loan fee of 4.5% per annum based on the greater of the adjusted monthly value and US\$15,654,000. To facilitate the loan of the conversion component in December 2009, 1,332,230 KgU as UF₆ was transferred to the borrower with 3,480,944 pounds of U₃O₈ and an irrevocable letter of credit of US\$15,700,000 from a major financial institution sent to UPC as collateral. In May 2013, the loan return date was amended with the borrowed quantity separated into two tranches: 1) a conversion component of 865,000 KgU as UF₆ ("Tranche 1"); and 2) a conversion component of 467,230 KgU as UF₆ ("Tranche 2"). The return date for Tranche 1 was amended from December 31, 2013 to July 15, 2013 while the return date for Tranche 2 was extended from December 31, 2013 to December 31, 2014.

On July 15, 2013, Tranche 1 was returned and the collateral held by the Corporation was reduced to 1,220,811 pounds of U₃O₈ and an irrevocable letter of credit of \$6,688,000 (US\$6,039,000).

Fair Value Adjustment on UF₆

In May 2013, the United States Enrichment Corporation ("USEC Enrichment Facility") announced that it ceased uranium enrichment at its Paducah Gaseous Diffusion Plant in Kentucky. In March 2014, USEC Inc., the parent company of the USEC Enrichment Facility announced that USEC Inc. had filed a voluntary petition and a plan of reorganization under Chapter 11 of the bankruptcy code in the United States Bankruptcy Court for the District of Delaware. None of USEC Inc.'s subsidiaries, including the USEC Enrichment Facility have filed for bankruptcy protection.

At February 28, 2014, the Corporation has 1,077,000 KgU as UF₆ stored at the USEC Enrichment Facility with a value of \$118,084,973. The Corporation has also booked a fair value adjustment of \$3,987,000 to reflect the liquidity risk of its UF₆ stored at the USEC Enrichment Facility. The Corporation plans to relocate this material to another enrichment facility through location swaps over the next two years and currently expects the cost of this process, if any, to be offset by the above noted fair value adjustment.

¹ See "Non-GAAP Financial Performance Measures"

² Includes a \$3,987,000 fair value adjustment for UPC's UF₆ inventory held at the USEC Enrichment Facility.

³ Translation to Canadian dollars calculated at period end noon foreign exchange rate.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were \$64,553,000 at February 28, 2014 compared with \$11,191,000 at February 28, 2013. The increase of \$53,362,000 was primarily due to the closing of an equity financing in February 2014 of 10,522,500 common shares at a price of \$5.47 per common share for proceeds, net of costs, of \$54,956,000. The Corporation also received \$2,264,000 from the sale of conversion components, offset by storage fee payments of \$2,163,000 and management fees of \$1,741,000. The majority of the proceeds from the equity financing are expected to be used for future purchases of uranium, with the balance used to fund the ongoing obligations of the Corporation such as management fees and storage fees.

The Corporation's capital structure consists of share capital and contributed surplus. Uranium purchases are normally funded through common share offerings with at least 85% of the gross proceeds of share offerings invested in, or set aside for future purchases of uranium. In strictly limited circumstances, the Corporation can enter into short-term borrowing arrangements for up to 15% of its net asset value to facilitate the purchases of uranium.

In July 2012, the Corporation filed a normal course issuer bid ("2012 NCIB") with the Toronto Stock Exchange authorizing the Corporation to purchase up to 9,273,299 of the Corporation's common shares during the 12-month period commencing July 31, 2012 and ending July 30, 2013 or on such earlier date as the Corporation completes its purchases. UPC did not repurchase any of its outstanding shares under the 2012 NCIB.

In September 2013, the Corporation filed a new normal course issuer bid ("2013 NCIB") with the Toronto Stock Exchange authorizing the Corporation to purchase up to 8,035,744 of the Corporation's common shares during the 12-month period commencing September 30, 2013 and ending September 29, 2014 or on such earlier date as the Corporation completes its purchases. At February 28, 2014, the Corporation has not repurchased any of its outstanding shares under the 2013 NCIB.

RELATED PARTY TRANSACTIONS

Denison Mines Inc.

A new management services agreement was signed with the Manager on April 1, 2013 after the expiry of the original management services agreement. Under terms of the new 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 of Directors; b) a minimum annual management fee of \$400,000 (plus reasonable out-of-pocket expenses) plus an additional fee of 0.3% per annum based upon the Corporation's net asset value in excess of \$100,000,000; and c) a fee, at the discretion of the Board, for on-going monitoring or work associated with a transaction or arrangement (other than a financing, or the purchase or sale of uranium).

The new management services agreement has a three-year term and may be terminated by either party upon the provision of 120 days written notice.

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

(in thousands)	Three months ended February 28,		Year ended February 28,	
	2014	2013	2014	2013
Fees incurred with the Manager:				
Management fees	\$ 445	\$ 388	\$ 1,741	\$ 1,638
Net fees incurred with the Manager	\$ 445	\$ 388	\$ 1,741	\$ 1,638

As at February 28, 2014, accounts payable and accrued liabilities included \$177,000 due to the Manager with respect to the fees indicated above.

Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. UPC's key management personnel includes members of its Board of Directors. The Corporation does not employ any additional personnel, as its affairs are administered by the personnel of the Manager.

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

(in thousands)	Three months ended February 28,		Year ended February 28,	
	2014	2013	2014	2013
Directors' fees	\$ 50	\$ 51	\$ 193	\$ 160
Total key personnel compensation	\$ 50	\$ 51	\$ 193	\$ 160

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

(in thousands)	February 28, 2014	
	Fair Value	Carrying Value
Cash and cash equivalents	\$ 64,553	\$ 64,553
Trade and other receivables	265	265
Investments in uranium	539,846	539,846
Trade and other payables	(2,204)	(2,204)
	\$ 602,460	\$ 602,460

The Corporation is exposed to commodity price risk, currency risk, credit risk, and liquidity risk in relation to its financial instruments and other instruments.

Commodity Risk

The Corporation's net asset value is directly tied to the spot price of uranium published by UxCo. At February 28, 2014, a 10% increase (decrease) in the uranium spot price would have increased (decreased) the Corporation's net asset value by approximately \$53,985,000.

Currency Risk

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

As the prices of uranium are quoted in U.S. currency, fluctuations in the Canadian dollar relative to the U.S. dollar can significantly impact the valuation of uranium from a Canadian dollar perspective. At February 28, 2014, a 10% increase (decrease) in the U.S. dollar to Canadian dollar exchange rate would have increased (decreased) the Corporation's net asset value by approximately \$56,753,000.

At February 28, 2014, the Corporation held cash and cash equivalents totaling \$64,553,000 of which US\$26,330,000 was in U.S. currency. As a result, the Corporation is exposed to currency risk on this balance denominated in US currency because this is a balance that is not denominated in the Corporation's functional currency. Management held this balance in US currency because subsequent to the year end, the Corporation entered into agreements to purchase 850,000 pounds of uranium at prices totaling US\$29,529,000. The remaining balance of cash and cash equivalents that is not denominated in US currency (primarily denominated in Canadian dollars) is exposed to currency risk because it may be used to purchase uranium and the value of the Canadian dollar relative to the U.S. dollar will affect the amount of uranium which may be purchased.

Credit Risk

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

To mitigate the credit risk exposure on its cash and cash equivalents, the Corporation holds essentially all of its cash and cash equivalents in credit worthy financial institutions.

Credit risk exposure on its trade and other receivables is limited since the Corporation lends uranium exclusively to large organizations and ensures that adequate security is provided for any loaned uranium.

Liquidity Risk

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

OFF-BALANCE SHEET ARRANGEMENTS

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

SUBSEQUENT EVENTS

Subsequent to February 28, 2014, the Corporation agreed to purchase 850,000 pounds of U₃O₈ at an average cost of US\$34.74. 750,000 pounds have been delivered and the remainder will be delivered prior to the end of June, 2014.

OUTSTANDING SHARE DATA

At May 5, 2014, there were 116,872,913 common shares issued and outstanding.

CONTROLS AND PROCEDURES

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

The Corporation's management is responsible for establishing and maintaining an adequate system of internal control over financial reporting and conducted an evaluation of the effectiveness of internal control over financial reporting based on the *Internal Control – Integrated Framework, 1992* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, the President and Chief Executive Officer and Chief Financial Officer concluded that its internal control over financial reporting was effective as of February 28, 2014.

There has not been any change in the Corporation's internal control over financial reporting that occurred during the year ended February 28, 2014 that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

Investments in Uranium

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

Deferred Income Taxes

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

Functional Currency

Functional currencies are determined based on the currency of the primary economic environment for UPC and its subsidiary. Where the assessment of functional currency under IFRS provides mixed indicators for an entity, management uses judgment in the ultimate determination of that entity's functional currency.

RISK FACTORS

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

Some significant changes or trends in economic conditions that occurred in the current fiscal year which, if continued, could materially affect the Corporation's future operating results are as follows:

Risks Associated with USEC Inc.

In March 2014, USEC voluntarily filed for bankruptcy as part of a financial restructuring plan. None of USEC's subsidiaries has filed for bankruptcy protection and USEC has publicly stated that it does not anticipate any adverse effects on the customers or operations of its subsidiary, United States Enrichment Corporation, which is one of the licensed facilities where the Corporation stores UF₆. However, if United States Enrichment Corporation is adversely affected by USEC's bankruptcy, there may be the potential that the Corporation could face delays or incur additional costs in accessing its UF₆ or that creditors of United States Enrichment Corporation or its parent company may challenge the Corporation's title to its UF₆.

Apart from USEC's financial difficulties, the United States Enrichment Corporation ceased enrichment operations in 2013. As a result, many utilities have sought enrichment services from other suppliers. With fewer enrichment customers, United States Enrichment Corporation has less demand for the UF₆ in its facility. The Corporation has been working to book transfer its UF₆ from United States Enrichment Corporation to other licensed facilities, but it has had few opportunities to do so due to the low demand for UF₆ at United States Enrichment Corporation. While the Corporation is continuing to pursue opportunities, it may take a considerable amount of time to transfer its entire UF₆, and the Corporation may incur costs doing so, which could be significant.

The Corporation's contract with United States Enrichment Corporation expires on December 31, 2014, after which UPC will have 180 days to remove its UF₆ from the facility. While the parties are currently negotiating an amendment to the contract, there is a risk that the contract will not be amended prior to its expiry.

Uranium Price Volatility from Demand and Supply Factors

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

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

	2010	2011	2012	2013	2014
U ₃ O ₈ ⁽¹⁾	\$41.75	\$69.75	\$52.00	\$42.00	\$35.50
UF ₆ ⁽¹⁾	\$114.00	\$194.00	\$141.00	\$120.00	\$99.00

¹ Reflects spot prices published by UxCo in U.S. dollars.

Foreign Exchange Rates

UPC maintains its accounting records, reports its financial position and results and pays certain operating expenses in Canadian currency. In addition, its securities trade in Canadian currency. As the prices of uranium are quoted in U.S. currency, fluctuations in the U.S. currency exchange rate relative to the Canadian currency can significantly impact the valuation of uranium and the associated purchase price from a Canadian currency perspective. The month-end U.S. dollar relative to the Canadian dollar fluctuated between 1.0072 and 1.1119 throughout the fiscal year, starting the year on February 28, 2013 at 1.0285 and ending the year on February 28, 2014 at 1.1075. Because exchange rate fluctuations are beyond UPC's control, there can be no assurance that such fluctuations will not have an adverse effect on UPC's operations or on the trading value of its securities.

Public Acceptance of Nuclear Energy and Competition from Other Energy Sources

The growth of the uranium and nuclear power industry will depend upon continued and increased acceptance of nuclear technology as a means of generating electricity. Because of unique political, technological and environmental factors that affect the nuclear industry, the industry is subject to public opinion risks which could have an adverse impact on the demand for nuclear power and increase the regulation of the nuclear power industry. An accident at a nuclear reactor anywhere in the world could impact the continued acceptance by the public and regulatory authorities of nuclear energy and the future prospects for nuclear generators, which could have a material adverse effect on UPC. As a consequence of the Japanese nuclear incident in March 2011, most countries, while declaring their support for nuclear power, have called for technical reviews of all safety and security systems of existing nuclear plants and those under construction and a review of the nuclear safety regulations governing the industry. This can be expected to result in the premature closure of a few reactors, particularly the older ones, and to delay the forecast growth rate of nuclear capacity.

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

Risks Associated with the 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 UPC or ensure that UPC has the benefit of insurance arrangements obtained on standard industry terms. There is no guarantee that either the indemnities or insurance in favour of UPC will fully cover or absolve UPC in the event of loss or damage. UPC 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 UPC.

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 UPC 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 UPC.

Uranium Lending

The Corporation has entered and may from time to time enter into uranium lending arrangements. It has, and will in the future, ensure that adequate security is provided for any loaned uranium. However, there is a risk that the borrower may not be able to return the uranium and may, in lieu, repay the equivalent value of borrowed uranium in cash. In such circumstances, given the limited supply of U_3O_8 and UF_6 , the Corporation may not be able to replace the uranium loaned.

No Public Market for Uranium

There is no public market for the sale of uranium. The uranium 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. UPC 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, UPC 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 UPC.

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

Uranium Industry Competition and International Trade Restrictions

The international uranium industry, including the supply of uranium concentrates, is competitive. Supplies are available from a relatively small number of uranium mining companies, 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 enrichment capacity to re-enrich depleted uranium tails.

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

Lack of Operational Liquidity

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

Lack of Investment Liquidity

UPC's liquidity will rely principally on sales or lending by UPC of uranium. Accordingly, UPC 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 UPC 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 UPC.

The NAV is calculated by deducting the Corporation's liabilities from its assets as at the relevant period end and dividing the result by the number of common shares outstanding. The liabilities include liabilities for future income taxes.

Market Price of Common Shares

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

Reliance on Board of Directors and Manager

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

Resignation by Manager

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

Conflict of Interest

Directors and officers of UPC may provide investment, administrative and other services to other entities and parties. The directors and officers of UPC 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 UPC as they arise from time to time.

Regulatory Change

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

Impact of Global Economic Conditions

Global financial conditions have been increasingly volatile, and the economies of certain countries have experienced instability in recent years. In Cyprus, where UPCL carries on business, the government was recently required to refinance its public debt, which had an impact on uninsured deposits in financial institutions in that country. The Corporation takes precautions to mitigate against risks associated with carrying on business in uncertain financial conditions and markets and was not impacted by the recent restructuring in Cyprus. However, there is no guarantee that the Corporation will not be adversely impacted by risks arising from global financial conditions and unstable economies in the future.

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

Disclosure and Internal Controls

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

NON-GAAP FINANCIAL PERFORMANCE MEASURES

This MD&A contains references to "net asset value per common share ("NAV")" and "diluted NAV" which are non-GAAP financial performance measures. NAV is calculated as the value of total assets less the value of total liabilities divided by the total number of common shares outstanding as at a specific date. Diluted NAV is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method. The term NAV or diluted NAV does not have any standardized meaning according to GAAP and therefore may not be comparable to similar measures presented by other companies. There is no comparable GAAP financial measure presented in UPC's consolidated financial statements and thus no applicable quantitative reconciliation for such non-GAAP financial performance measure. The Corporation has calculated NAV and diluted NAV consistently for many years and believes these measures provide information useful to its shareholders in understanding UPC's performance, and may assist in the evaluation of the Corporation's business relative to that of its peers.

Responsibility for Financial Reporting

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

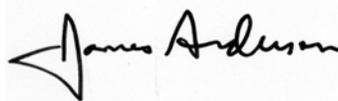
The preparation of consolidated financial statements requires the selection of appropriate accounting policies in accordance with International Financial Reporting Standards and the use of estimates and judgments by management to present fairly and consistently the consolidated financial position of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

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

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



Ron F. Hochstein
President and Chief Executive Officer



James R. Anderson
Chief Financial Officer

May 5, 2014

Independent Auditor's Report

To the Shareholders of Uranium Participation Corporation

We have audited the accompanying consolidated financial statements of Uranium Participation Corporation and its subsidiary, which comprise the consolidated statements of financial position as at February 28, 2014 and February 28, 2013 and the consolidated statements of comprehensive loss, consolidated statements of changes in equity, and consolidated statements of cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Uranium Participation Corporation and its subsidiary as at February 28, 2014 and February 28, 2013 and their financial performance and their cash flows for the years then ended in accordance with IFRS.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada
May 5, 2014

URANIUM PARTICIPATION CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars, except share amounts)	At February 28, 2014	At February 28, 2013
ASSETS		
Current		
Cash and cash equivalents	\$ 64,553	\$ 11,191
Trade and other receivables	265	345
	64,818	11,536
Non-Current		
Investments in uranium (note 3)	539,846	606,206
Total assets	\$ 604,664	\$ 617,742
LIABILITIES		
Current		
Trade and other payables	\$ 2,204	\$ 1,793
Total liabilities	2,204	1,793
EQUITY		
Share capital (note 5)	831,130	776,174
Contributed surplus	4,564	4,564
Deficit	(233,234)	(164,789)
Total equity	602,460	615,949
Total liabilities and equity	\$ 604,664	\$ 617,742
Common shares		
Issued and outstanding (note 5)	116,872,913	106,350,413

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

ON BEHALF OF THE BOARD OF URANIUM PARTICIPATION CORPORATION



Richard H. McCoy
Director



Garth A. C. MacRae
Director

URANIUM PARTICIPATION CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS YEARS ENDED FEBRUARY 28, 2014 and 2013

(in thousands of Canadian dollars, except share and per share amounts)	2014	2013
INCOME		
Unrealized losses on investments (note 3)	\$ (64,084)	\$ (96,023)
Income from investment lending (note 7)	433	703
Loss from sale of conversion components (note 3)	(35)	–
Interest	137	163
	<u>(63,549)</u>	<u>(95,157)</u>
EXPENSES		
Transaction fees	52	–
Management fees (note 6)	1,741	1,638
Storage fees	2,163	1,587
Public company expenses	475	497
General office and miscellaneous	225	217
Legal and other professional fees	145	124
Capital taxes	159	–
Foreign exchange loss (gain)	(89)	25
	<u>4,871</u>	<u>4,088</u>
Net loss before taxes	(68,420)	(99,245)
Income tax expense (recovery)	25	(3,034)
Net and comprehensive loss for the year	<u>\$ (68,445)</u>	<u>\$ (96,211)</u>
Net loss per common share		
Basic and diluted	\$ (0.64)	\$ (0.90)
Weighted average number of common shares outstanding		
Basic and diluted	107,227,288	106,350,413

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

URANIUM PARTICIPATION CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY YEARS ENDED FEBRUARY 28, 2014 and 2013

(in thousands of Canadian dollars)	Share capital	Contributed surplus	Deficit	Total equity
Balance at February 29, 2012	\$ 776,174	\$ 4,564	\$ (68,578)	\$ 712,160
Net loss for the year	–	–	(96,211)	(96,211)
Balance at February 28, 2013	776,174	4,564	(164,789)	615,949
Common share issue, net of issue costs	54,956	–	–	54,956
Net loss for the year	–	–	(68,445)	(68,445)
Balance at February 28, 2014	\$ 831,130	\$ 4,564	\$ (233,234)	\$ 602,460

URANIUM PARTICIPATION CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED FEBRUARY 28, 2014 and 2013

(in thousands of Canadian dollars)	2014	2013
Operating Activities		
Net loss for the year	\$ (68,445)	\$ (96,211)
Adjustments for:		
Unrealized losses on investments (note 3)	64,084	96,023
Loss from sale of conversion components (note 3)	35	–
Deferred income tax recovery	–	(3,021)
Changes in non-cash working capital:		
Change in trade and other receivables	80	(51)
Change in trade and other payables	411	264
Change in income taxes payable	–	(134)
Net cash used in operating activities	(3,835)	(3,130)
Investing Activities		
Sale of conversion components (note 3)	2,241	–
Net cash generated by investing activities	2,241	–
Financing Activities		
Common share issue, net of issue costs (note 5)	54,956	–
Net cash generated by financing activities	54,956	–
Increase (decrease) in cash and cash equivalents	53,362	(3,130)
Cash and cash equivalents – beginning of year	11,191	14,321
Cash and cash equivalents – end of year	\$ 64,553	\$ 11,191

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

URANIUM PARTICIPATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars, unless otherwise noted)

1. URANIUM PARTICIPATION CORPORATION

Uranium Participation Corporation ("UPC") was established under the Business Corporations Act (Ontario) ("OBCA") on March 15, 2005. The address of its registered head office is 595 Bay Street, Suite 402, Toronto, Ontario, Canada, M5G 2C2.

UPC, including its subsidiary (collectively, the "Corporation") invests substantially all of its assets in uranium oxide in concentrates ("U₃O₈") and uranium hexafluoride ("UF₆") (collectively "investments in uranium") with the primary investment objective of achieving appreciation in the value of its uranium holdings through increases in the uranium price. Denison Mines Inc. (the "Manager"), under the direction of the Corporation's board of directors, provides general administration and management services to the Corporation. The common shares of UPC trade publicly on the Toronto Stock Exchange under the symbol U.

Reclassification to an Ordinary Reporting Issuer

When the Corporation became a public company in 2005, it was classified as an investment fund by the Ontario Securities Commission. As such, the Corporation has complied with investment fund rules in Ontario.

In February 2013, the Corporation's shareholders authorized UPC's reclassification from an investment fund to an ordinary reporting issuer under applicable securities laws in Canada. The Corporation became an ordinary reporting issuer on February 22, 2013, the date the shareholders authorized the reclassification. These consolidated financial statements have been prepared in compliance with securities legislation applicable to ordinary reporting issuers.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

These consolidated financial statements of the Corporation as at and for the year ended February 28, 2014 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and with interpretations of the International Financial Reporting Interpretations Committee which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook – Accounting.

These consolidated financial statements were authorized for issue by the Corporation's Board of Directors on May 5, 2014.

(b) Principles of Consolidation

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

(c) Accounting Estimates and Judgments

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

(i) Investments in Uranium

Investments in uranium are measured at fair value at each reporting period-end based on the most recent spot prices for uranium published by Ux Consulting Company, LLC ("UxCo") and converted to Canadian dollars using the month-end foreign exchange rate. Management may also adjust the fair value of the investments in uranium based on its assessment of the valuation impact of risks associated with the location where the uranium is stored (see note 3 for further details as at February 28, 2014.).

(ii) Deferred Income Taxes

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

(iii) **Functional Currency**

Functional currencies are determined based on the currency of the primary economic environment for UPC and its subsidiary. Where the assessment of functional currency under IFRS provides mixed indicators for an entity, management uses judgment in the ultimate determination of that entity's functional currency.

(d) **Investments**

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

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

(e) **Investments Lending**

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

(f) **Sale of Conversion Components**

The sale of conversion components is recognized when the significant risks and rewards of ownership of conversion components passes to the buyer. The income or loss from the sale of conversion components is calculated as the difference between the consideration received and the fair value of the conversion components as reported by UxCo on the date when the significant risks and rewards of ownership of conversion components passes to the buyer.
Cash and Cash Equivalents

(g) **Cash and cash equivalents consist of cash and highly liquid investments with a maturity of three months or less at the date of acquisition.**

(h) **Income Taxes**

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

Deferred income tax assets and liabilities are determined based on temporary differences between the financial reporting and tax bases of assets and liabilities, and are measured using the enacted or substantively enacted tax rates and laws that are expected to apply when the differences are expected to reverse. The benefit of tax losses and credits which are available to be carried forward are recognized as assets to the extent that they are likely to be utilized against future taxable income.

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

(i) **Net Income (Loss) per Common Share**

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

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

(j) **Operating Segment**

The Corporation manages its business under a single operating segment, consisting of holdings of assets in uranium oxide in concentrates ("U₃O₈") and uranium hexafluoride ("UF₆"), for the primary purpose of achieving appreciation in the value of its uranium holdings through increases in the uranium price. All of the Corporation's assets and income are attributable to this single operating segment.

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

(k) *Foreign currency transactions and balances*

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

Recent Accounting Pronouncements

The Corporation adopted the following accounting standards effective March 1, 2013:

IFRS 10 Consolidated Financial Statements

IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC-12 *Consolidation-Special Purpose Entities* and IAS 27 *Consolidated and Separate Financial Statements*.

The Corporation assessed its control conclusions for its subsidiary on March 1, 2013 and determined that no changes were necessary on adoption of IFRS 10.

IFRS 12 Disclosure of Interest in Other Entities

IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities.

The Corporation determined that its current disclosure relating to its subsidiary meets the requirements of IFRS 12.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single set of requirements for all fair value measurements. IFRS 13 defines fair value, sets out a framework to measure fair value and introduces consistent requirements for disclosures on fair value measurements.

The adoption of IFRS 13 did not require any adjustment to the valuation techniques used by the Corporation to measure fair value and did not result in any measurement adjustments as at March 1, 2013; however, adoption of this standard resulted in additional disclosure on the valuation of the Corporation's financial instruments and investments in uranium.

IAS 1 Presentation of Financial Statements

IAS 1 was amended requiring items within Other Comprehensive Income be grouped based on whether the items may be reclassified to profit or loss in the future.

The Corporation determined that the adoption of the IAS 1 amendments did not have an impact on the Corporation's financial statement presentation.

The Corporation has not yet adopted the following accounting pronouncements effective for the Corporation's fiscal periods beginning on or after March 1, 2014:

IFRS 9 Financial Instruments

IFRS 9 as issued in November 2009 and later expanded and amended will ultimately replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 replaces the multiple classifications for financial assets in IAS 39 with two measurement categories, amortized cost and fair value, which are based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. In November 2013, the IASB removed the mandatory effective date pending the finalization of the impairment requirements. The Corporation has not yet assessed the impact nor determined whether it will early adopt this standard.

3. INVESTMENTS IN URANIUM

The investments continuity summary is as follows:

(in thousands)	Cost	Fair Value Adjustment	Fair Value ⁽¹⁾
Balance at February 29, 2012	\$ 732,493	\$ (30,264)	\$ 702,229
Unrealized losses on investments	–	(96,023)	(96,023)
Balance at February 28, 2013	\$ 732,493	\$(126,287)	\$ 606,206
Unrealized losses on investments	–	(64,291)	(64,291)
Sale of conversion components	(2,276)	207	(2,069)
Balance at February 28, 2014	\$ 730,217	\$(190,371)	\$ 539,846

The balance of investments in uranium consists of:

(in thousands, except quantity amounts)	Quantity	Cost	Fair Value Adjustment	Fair Value ⁽¹⁾
U ₃ O ₈	7,826,811 lbs	\$ 376,860	\$ (69,139)	\$ 307,721
UF ₆ ⁽²⁾	2,153,471 KgU	353,357	(121,232)	232,125
Balance at February 28, 2014		\$ 730,217	\$(190,371)	\$ 539,846

⁽¹⁾ Fair values reflect spot prices published by UxCo of US\$35.50 per pound U₃O₈ and US\$99.00 per KgU UF₆, translated at the noon foreign exchange rate of 1.1075 at February 28, 2014.

⁽²⁾ At February 28, 2014, the Corporation has 1,077,000 KgU as UF₆ stored at the United States Enrichment Facility ("USEC Enrichment Facility") with a value of \$118,084,973. In addition the Corporation has booked a fair value adjustment of \$3,987,000 to reflect the liquidity risk on the Corporation's UF₆ held at the USEC Enrichment Facility.

⁽³⁾ The Corporation has transferred 467,230 KgU as UF₆ to a third party and taken in exchange 1,220,811 pounds of U₃O₈, effectively lending the conversion component of the UF₆. See note 7 for further details of this arrangement.

In September 2013, the Corporation sold the conversion component of 120,759 KgU as UF₆ for cash consideration of \$1,171,000 (US\$1,117,000). To facilitate the sale of the conversion component, UPC transferred 120,759 KgU as UF₆ to the buyer and received 315,525 pounds of U₃O₈ and cash consideration noted above. Loss from the sale of conversion components was \$87,000, net of transaction costs of \$13,000.

In January 2014, the Corporation sold the conversion component of 100,000 KgU as UF₆ for cash consideration of \$1,093,000 (US\$1,000,000). To facilitate the sale of the conversion component, UPC transferred 100,000 KgU as UF₆ to the buyer and received 261,285 pounds of U₃O₈ and cash consideration noted above. Income from the sale of conversion components was \$52,000, net of transaction costs of \$10,000.

4. INCOME TAXES

The Corporation is subject to varying rates of taxation due to its operations in multiple tax jurisdictions. Income tax expense (recovery) for the years ended February 28, 2014 and 2013 is comprised of the following:

(in thousands)	2014	2013
Current tax expense (recovery)	\$ 25	\$ (13)
Deferred tax expense (recovery)	–	(3,021)
Total income tax expense (recovery)	\$ 25	\$ (3,034)

Reconciliations of the combined Canadian federal and Ontario provincial income tax rate to the Corporation's effective rate of income tax for the years ended February 28, 2014 and 2013 are as follows:

(in thousands)	2014	2013
Net loss before taxes	\$ (68,420)	\$ (99,245)
Combined federal and Ontario provincial income tax rate	26.50%	26.50%
Computed income tax expense (recovery)	(18,131)	(26,300)
Difference in current tax rates applicable in other jurisdictions	13,505	18,688
Change in deferred tax assets not recognized	5,346	4,271
Impact of legislative changes	–	173
Other	(695)	134
Income tax expense (recovery)	\$ 25	\$ (3,034)

The components of the Corporation's deferred tax balances at February 28, 2014 and February 28, 2013 are comprised of temporary differences as presented below:

(in thousands)	2014	2013
Deferred tax assets:		
Tax benefit of operating loss carryforwards	\$ –	\$ 2,161
Gross deferred tax assets	–	2,161
Deferred tax assets set off against deferred tax liabilities	–	(2,161)
Deferred tax assets ⁽¹⁾	\$ –	\$ –
Deferred tax liabilities:		
Unrealized gain on investments	\$ –	\$ 2,161
Gross deferred tax liabilities	–	2,161
Deferred tax assets set off against deferred tax liabilities	–	(2,161)
Deferred tax liabilities ⁽¹⁾	\$ –	\$ –

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

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

(in thousands)	2014	2013
Deductible temporary differences	\$ 9,355	\$ 7,118
Tax losses	4,733	1,624
Total deferred tax assets not recognized	\$ 14,088	\$ 8,742

(in thousands)	Expiry Date	2014	2013
Tax losses – gross			
Canada	2030-2034	\$ 17,412	\$ 14,059
Cyprus	Unlimited	396	309
Luxembourg	Unlimited	2,346	961
Tax losses – gross		\$ 20,154	\$ 15,329
Tax benefits at tax rates between 2.96% and 26.50%		4,733	3,785
Set off against deferred tax liabilities		–	(2,161)
Total tax loss assets not recognized		\$ 4,733	\$ 1,624

5. COMMON SHARES

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

(in thousands except common share amounts)	Number of Common Shares	Amount
Balance at February 29, 2012 and February 28, 2013	106,350,413	\$ 776,174
Common share issue, net of issue costs	10,522,500	54,956
Balance at February 28, 2014	116,872,913	\$ 831,130

In July 2012, the Corporation filed a normal course issuer bid ("2012 NCIB") with the Toronto Stock Exchange authorizing the Corporation to purchase up to 9,273,299 of the Corporation's common shares during the 12-month period commencing July 31, 2012 and ending July 30, 2013 or on such earlier date as the Corporation completes its purchases. UPC did not repurchase any of its outstanding shares under the 2012 NCIB.

In September 2013, the Corporation filed a new normal course issuer bid ("2013 NCIB") with the Toronto Stock Exchange authorizing the Corporation to purchase up to 8,035,744 of the Corporation's common shares during the 12-month period commencing September 30, 2013 and ending September 29, 2014 or on such earlier date as the Corporation completes its purchases. At February 28, 2014, the Corporation has not repurchased any of its outstanding shares under the 2013 NCIB.

In February 2014, the Corporation closed an equity offering of 10,522,500 common shares at a price of \$5.47 per common share for gross proceeds of \$57,558,000 less issue costs of \$2,602,000.

6. RELATED PARTY TRANSACTIONS

Denison Mines Inc.

A new management services agreement was signed with the Manager on April 1, 2013 after the expiry of the original management services agreement. Under terms of the new 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 of Directors; b) a minimum annual management fee of \$400,000 (plus reasonable out-of-pocket expenses) plus an additional fee of 0.3% per annum based upon the Corporation's net asset value in excess of \$100,000,000; and c) a fee, at the discretion of the Board, for on-going monitoring or work associated with a transaction or arrangement (other than a financing, or the purchase or sale of uranium).

The following outlines the fees paid to the Manager for the years ended February 28, 2014 and 2013:

(in thousands)	2014	2013
Fees incurred with the Manager:		
Management fees	\$ 1,741	\$ 1,638
Net fees incurred with the Manager	\$ 1,741	\$ 1,638

As at February 28, 2014, accounts payable and accrued liabilities included \$177,000 due to the Manager with respect to the fees indicated above.

Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. UPC's key management personnel includes members of its Board of Directors. The Corporation does not employ any additional personnel, as its affairs are administered by the personnel of the Manager.

The following compensation was awarded to key management personnel for the years ended February 28, 2014 and 2013:

(in thousands)	2014	2013
Directors' fees	\$ 193	\$ 160
Total key personnel compensation	\$ 193	\$ 160

7. INVESTMENT LENDING

The Corporation initially entered into a loan of the conversion component of 1,332,230 KgU as UF₆ in December 2009 for a three year term which was subsequently extended an additional year. The conversion component loaned is subject to a loan fee of 4.5% per annum based on the greater of the adjusted monthly value and US\$15,654,000. To facilitate the loan of the conversion component in December 2009, 1,332,230 KgU as UF₆ was transferred to the borrower with 3,480,944 pounds of U₃O₈ and an irrevocable letter of credit of US\$15,700,000 from a major financial institution sent to UPC as collateral. In May 2013, the loan return date was amended with the borrowed quantity separated into two tranches: 1) a conversion component of 865,000 KgU as UF₆ ("Tranche 1"); and 2) a conversion component of 467,230 KgU as UF₆ ("Tranche 2"). The return date for Tranche 1 was amended from December 31, 2013 to July 15, 2013 while the return date for Tranche 2 was extended from December 31, 2013 to December 31, 2014.

On July 15, 2013, Tranche 1 was returned to the Corporation and the collateral held by the Corporation was reduced to 1,220,811 pounds of U₃O₈ and an irrevocable letter of credit of \$6,688,000 (US\$6,039,000). At February 28, 2014, the remaining conversion component loaned of 467,230 KgU as UF₆ had a market value of \$4,140,000 (US\$3,738,000).

8. CAPITAL MANAGEMENT AND FINANCIAL RISK

Capital Management

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

At February 28, 2014, the Corporation has invested 85.0% of its aggregate gross proceeds of share offerings in uranium. Proceeds from its February 2014 share issue are planned to be used primarily for the purchase of uranium subsequent to year-end (see note 9). The Corporation has no outstanding borrowing arrangements for the purchase of uranium.

Financial Instruments

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

Financial Risk

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

(a) *Commodity Price Risk*

The Corporation's net asset value is directly tied to the spot price of uranium published by UxCo. At February 28, 2014, a 10% increase (decrease) in the uranium spot price would have increased (decreased) the Corporation's total equity by approximately \$53,985,000.

(b) *Currency Risk*

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

As the prices of uranium are quoted in U.S. currency, fluctuations in the Canadian dollar relative to the U.S. dollar can significantly impact the valuation of uranium from a Canadian dollar perspective. At February 28, 2014, a 10% increase (decrease) in the U.S. dollar to Canadian dollar exchange rate would have increased (decreased) the Corporation's total equity by approximately \$56,753,000.

At February 28, 2014, the Corporation held cash and cash equivalents totaling \$64,553,000 of which US\$26,330,000 was in U.S. currency. As a result, the Corporation is exposed to currency risk on this balance denominated in US currency because this is a balance that is not denominated in the Corporation's functional currency. Management held this balance in US currency because subsequent to the year end, the Corporation entered into agreements to purchase 850,000 pounds of uranium at prices totaling US\$29,529,000. The remaining balance of cash and cash equivalents that is not denominated in US currency (primarily denominated in Canadian dollars) is exposed to currency risk because it may be used to purchase uranium and the value of the Canadian dollar relative to the U.S. dollar will affect the amount of uranium which may be purchased.

(c) *Credit Risk*

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

To mitigate the credit risk exposure on its cash and cash equivalents, the Corporation holds essentially all of its cash and cash equivalents in credit worthy financial institutions.

Credit risk exposure on its trade and other receivables is limited since the Corporation lends uranium exclusively to large organizations and ensures that adequate security is provided for any loaned uranium (see note 7).

(d) *Liquidity Risk*

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

Fair Value of Investments, Financial Assets and Financial Liabilities

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

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

Investments in uranium are categorized in Level 2. Investments in uranium are measured at fair value at each reporting period-end based on the most recent spot prices for uranium published by Ux Consulting Company, LLC ("UxCo") and converted to Canadian dollars using the month-end foreign exchange rate. Management may also adjust the fair value of the investments in uranium based on its assessment of the valuation impact of risks associated with the location where the uranium is stored (see note 3 for further details as at February 28, 2014.)

The Corporation has not offset financial assets with financial liabilities.

9. SUBSEQUENT EVENTS

Subsequent to February 28, 2014, the Corporation agreed to purchase 850,000 pounds of U_3O_8 at an average cost of US\$34.74. 750,000 pounds have been delivered and the remainder will be delivered prior to the end of June, 2014.



BOARD OF DIRECTORS

Paul J. Bennett
President and Chief Executive Officer
Energen Resources Ltd.;
Consultant to PetroFrontier Corp.

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

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

Garth A. C. MacRae
Independent Financial Consultant

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

OFFICERS

Ron F. Hochstein
President and Chief Executive Officer

James R. Anderson
Chief Financial Officer

Donald C. Campbell
Vice President, Commercial

Sheila Colman
Corporate Secretary

MANAGER

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www.denisonmines.com

OFFICE OF THE CORPORATION

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595 Bay Street, Suite 402
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Telephone: 416-979-1991
Facsimile: 416-979-5893

Website: www.uraniumparticipation.com

AUDITORS

PricewaterhouseCoopers LLP
Toronto

REGISTRAR AND TRANSFER AGENT

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

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

STOCK EXCHANGE LISTING

The Toronto Stock Exchange
Trading Symbol: U

Website: www.tmx.com

ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

The Annual and Special Meeting of the Shareholders of Uranium Participation Corporation will be held at the offices of Dentons Canada LLP, 77 King Street West, Toronto, Ontario on Thursday, July 3, 2014 at 9:30 a.m. (Eastern Time).

Managed by:



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