Uranium Participation Corporation

2017 FIRST QUARTER REPORT

Uranium
Participation
Corporation

2017 FIRST QUARTER REPORT

FOR THE THREE MONTHS ENDED
MAY 31, 2016

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This Management's Discussion and Analysis ("MD&A") of Uranium Participation Corporation ("UPC") and its subsidiary (collectively, with "UPC", the "Corporation") provides a detailed analysis of the Corporation's business and compares its financial condition and results of operations to those of the previous year. This MD&A is dated as of June 21, 2016 and should be read in conjunction with the Corporation's unaudited interim consolidated financial statements and related notes for the three months ended May 31, 2016.

The unaudited interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Readers are also encouraged to consult the audited consolidated financial statements and the MD&A for the year ended February 29, 2016. All dollar amounts are expressed in Canadian dollars, unless otherwise noted. All uranium prices are based on prices published by Ux Consulting Company LLC ("UxC"). For all references to the net asset value ("NAV"), please refer to the "Non-IFRS Financial Performance Measures" section.

ABOUT URANIUM PARTICIPATION CORPORATION

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

Migration of Subsidiary

At February 29, 2016, the majority of the Corporation's uranium was held directly or indirectly through its wholly owned subsidiary, Uranium Participation Cyprus Limited ("UPCL"). UPCL was incorporated under the laws of the Republic of Cyprus on September 10, 2006. In August 2007, UPCL established a branch office in Luxembourg through which the operations of UPCL were conducted.

UPCL migrated to Bermuda on March 11, 2016, upon receipt of approval from the Bermuda Monetary Authority, and was registered by the Registrar of Companies in Bermuda under the name of Uranium Participation Bermuda Limited ("UPBL"). Immediately following the migration, the branch office in Luxembourg was closed and all assets and liabilities were transferred to UPBL. UPBL's activities continue to consist of directly investing in, and holding, uranium. The migration to Bermuda is expected to reduce the Corporation's operating costs.

URANIUM INDUSTRY

Current Market Conditions

Spot prices generally declined over the course of the three months ended May 31, 2016. As of February 29, 2016, spot prices started the period at US$32.15 per pound U_3O_8 and US$90.00 per KgU as UF_6. By May 31, 2016, spot prices declined to US$27.25 per pound U_3O_8 and US$77.00 per KgU as UF_6. During the period, the spot price of U_3O_8 briefly reached a ten year low of US$25.50 per pound U_3O_8, and has recovered to US$26.15 per pound U_3O_8 as at June 20, 2016. Market activity over this period has been characterized by rather thin trading volumes, where small shifts in supply and demand have had a notable influence on price. Some increased contracting activity has emerged in the mid-term market, however, most utility buyers have no current incentive to contract longer term, given sufficient near term supplies. That being the case, as significant uncontracted future demand grows nearer with each quarter, increased buying activity, on both spot and long term market, is expected to return to the market.

The persistence of current depressed price levels is taking its toll on primary production – as evidenced by Cameco Corporation's recently announced shutdown of the Rabbit Lake operation, reduced production from the McArthur River Mine in Saskatchewan, and the ramp down of its in-situ recovery (ISR) uranium operations in the United States. Uranium producers have been somewhat insulated from the low price of the commodity as a result of higher priced legacy contracts entered into during the last significant round of long term contracting in the period surrounding 2006-2007, and favourable exchange rate movements relative to the US dollar in recent years – both of which have provided temporary relief from a prolonged low spot price.

The outlook for demand growth continues to be positive in emerging markets. For example, China has reaffirmed near term targets for installed nuclear capacity (58 Gwe by 2020), and increased longer term forecasts (160 Gwe by 2040) as a major tool in their fight against air pollution. India has also announced a contract with Westinghouse to construct six new nuclear reactor units in the state of Andhra Pradesh, as one of the world's largest emerging markets accelerates its nuclear energy ambitions. The developed markets, however, have seen some setbacks recently – in the form of announced early plant retirements in deregulated US markets, due to competition from heavily subsidized renewables, low natural gas prices and dysfunctional market structures that fail to recognize the constant reliability and competitiveness of clean-air nuclear energy. This is happening, by contrast, at a time when large, new reactors are being built in the regulated markets of the Southeastern United States. The headlines have also reported several delays to the U.K.'s massive nuclear new build plans due to the financial challenges of their French partners. Japan's re-start efforts also remain slow due to continued legal challenges. Nevertheless, a growing chorus of energy and climate experts agree that the shift to a lower carbon future will be impossible without an increasing reliance on nuclear energy.

Taken together with the future challenges expected on the supply side, from the lack of investment in uranium mining development projects owing to the sustained low price environment, the demand growth expected in developing markets underpins strong long term fundamentals for the uranium market – with prices expected to rise once utilities around the world look to secure significant sources of material to meet future uncovered demand requirements from relatively scarce sources of future supply.

SUMMARY OF QUARTERLY FINANCIAL INFORMATION

	May 31, 2016	February 29, 2016	November 30, 2015	August 31, 2015
Uranium related (loss) gain (in thousands)	$ (112,744)	$ (62,263)	$ (8,563)	$ 68,190
Net (loss) gain for the period (in thousands)	$ (114,107)	$ (63,467)	$ (9,928)	$ 66,694
Net (loss) gain per common share – basic and diluted	$ (0.99)	$ (0.55)	$ (0.09)	$ 0.57
NAV[(1)] per share – basic and diluted	**$ 4.63**	**$ 5.62**	**$ 6.16**	**$ 6.24**
U_3O_8 spot price (US$)	$ 27.25	$ 32.15	$ 36.00	$ 36.75
UF_6 spot price (US$)	$ 77.00	$ 90.00	$ 99.00	$ 101.00
Foreign exchange noon-rate (US$ to CAD$)	1.3100	1.3523	1.3333	1.3223

	May 31, 2015	February 28, 2015	November 30, 2014	August 31, 2014
Uranium related gain (loss) (in thousands)	$ (67,101)	$ 36,178	$ 178,992	$ 39,629
Net (loss) gain for the period (in thousands)	$ (68,371)	$ 34,807	$ 177,395	$ 38,466
Net (loss) gain per common share – basic and diluted	$ (0.59)	$ 0.30	$ 1.52	$ 0.33
NAV[(1)] per share – basic and diluted	**$ 5.67**	**$ 6.26**	**$ 5.96**	**$ 4.44**
U_3O_8 spot price (US$)	$ 35.00	$ 38.75	$ 40.00	$ 31.00
UF_6 spot price (US$)	$ 98.50	$ 107.00	$ 112.50	$ 87.00
Foreign exchange noon-rate (US$ to CAD$)	1.2465	1.2508	1.1427	1.0858

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

OVERALL PERFORMANCE

(in thousands, except per share amounts)	Three Months Ended May 31, 2016		Three Months Ended May 31, 2015	
Unrealized losses on investments in uranium	$	(113,329)	$	(67,061)
Net loss for the period	$	(114,107)	$	(68,371)
Net loss per common share – basic and diluted	$	(0.99)	$	(0.59)
Total Assets		537,430	$	662,634
Total Liabilities		2,058	$	1,946
NAV(1)	**$**	**535,372**	$	660,688

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

The net loss for the three months ended May 31, 2016 was mainly due to unrealized net losses on investments in uranium of $113,329,000, storage fees of $502,000 and management fees of $426,000. The net loss for the three months ended May 31, 2015 was mainly due to unrealized net losses on investments in uranium of $67,061,000, storage fees of $550,000 and management fees of $553,000.

Unrealized net losses on investments in uranium during the three months ended May 31, 2016 were caused by the decrease in spot prices, as well as the decrease in the U.S. dollar to Canadian dollar exchange rate. The spot prices during the period decreased to US$27.25 per pound U_3O_8 and US$77.00 per KgU as UF_6 at May 31, 2016, from US$32.15 per pound U_3O_8 and US$90.00 per KgU as UF_6 at February 29, 2016. The U.S. Dollar to Canadian dollar exchange rate decreased to 1.3100 from 1.3523 during the period.

UPC's NAV per share decreased to $4.63 at May 31, 2016, from $5.62 at February 29, 2016. The NAV decreased to $535,372,000 at May 31, 2016, from $649,479,000 at February 29, 2016.

The Corporation had an effective tax rate of nil for the three months ended May 31, 2016, primarily due to the fact that the Company's available tax shelter and cost basis related to its investments in uranium give rise to a net deductible temporary difference – for which the Company does not recognize deferred tax assets.

Uranium Investment Portfolio

UPC's uranium investment portfolio consists of the following at period end:

(in thousands, except quantity amounts)	Quantity		Cost		Fair Value
Investments in Uranium:					
U_3O_8	9,470,024 lbs	$	454,486	$	338,056
UF_6	1,903,471 KgU	$	311,862	$	190,837 (1)
		$	766,348	$	528,893
U_3O_8 average cost and fair value per pound:					
In Canadian dollars		$	47.99	$	35.70 (2)
In United States dollars		$	43.97	$	27.25
UF_6 average cost and fair value per KgU:					
In Canadian dollars		$	163.84	$	100.26 (1)(2)
In United States dollars		$	151.62	$	76.53 (1)

(1) Includes a $1,167,000 fair value adjustment for UF_6 inventory held with the United States Enrichment Facility.
(2) Translation to Canadian dollars calculated at period-end foreign exchange noon-rate of 1.3100.

Uranium Lending Arrangement

In March 2015, the Corporation entered into an agreement to loan 1,300,000 pounds of U_3O_8 to an independent third party with a return date in April 2017. The loan was subject to a loan fee of 1.0% per annum, with payments to be calculated quarterly based on the average of the U_3O_8 spot price per pound, as defined and published by UxC at the end of each month for the previous three months. A bank guarantee was provided as collateral for the loan.

In March 2016, the Corporation and borrower agreed to terminate the loan one year before the original return date. As a result of the early termination, the Corporation received cash consideration of $559,000 (US$435,000) in April 2016 and the related bank guarantee was cancelled and returned to the borrower.

Fair Value Adjustment on UF_6 held with the USEC Facility

During the three months ended May 31, 2016, the Corporation transferred a total of 42,290 KgU as UF_6 held with the USEC Facility to another storage facility. The cost associated with the transfer amounted to $109,000. The transfer reduced the Corporation's UF_6 holdings with the USEC Facility to 336,276 KgU with a fair value of $33,920,000 before adjustments, as at May 31, 2016.

The fair value of UF_6 holdings reported at February 29, 2016 included a fair value adjustment loss of $1,276,000 to reflect the risks associated with the Corporation's material held with the USEC Facility. During the current period, the fair value adjustment was reduced to reflect the reduction in the remaining material held with the USEC Facility. As at May 31, 2016, the fair value adjustment recorded against the Corporations UF_6 holdings was reduced to $1,167,000.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were $8,216,000 at May 31, 2016, compared with $8,968,000 at February 29, 2016. The decrease of $752,000 was primarily due to net cash used in operations of $643,000.

Cash used by investing activities were related to costs of $109,000 associated with the transfers UF_6 held with the USEC Facility to another storage facility.

The working capital as at May 31, 2016 was $6,479,000.

The Corporation's capital structure consists of share capital and contributed surplus. Uranium purchases are normally funded through common share offerings with at least 85% of the gross proceeds of share offerings invested in, or set aside for, future purchases of uranium. At May 31, 2016, the Corporation has invested more than the required minimum amount of 85% of its aggregate gross proceeds of share offerings in uranium. In strictly limited circumstances, the Corporation can enter into short-term borrowing arrangements for up to 15% of its net asset value to facilitate the purchases of uranium. To date, the Corporation has not entered into any short-term borrowing arrangements.

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

In January 2016, the Corporation filed a normal course issuer bid ("2016 NCIB") with the TSX, authorizing the Corporation to purchase up to 10,192,641 of the Corporation's common shares during a 12 month period commencing January 18, 2016 and ending on January 17, 2017. To date, the Corporation has not made any purchase of its outstanding shares under the 2016 NCIB.

RELATED PARTY TRANSACTIONS

Management Services Agreement with the Manager

A new three year agreement was entered into between the Corporation and the Manager effective April 1, 2016. Under the new Management Services Agreement, the Manager will receive the following fees from the Corporation: a) a base fee of $400,000 per annum, payable in equal quarterly installments; b) a variable fee equal to (i) 0.3% per annum of the Corporation's total assets in excess of $100,000,000 and up to and including $500,000,000, and (ii) 0.2% per annum of the Corporation's total assets in excess of $500,000,000; c) a fee, at the discretion of the Board, for on-going monitoring or work associated with a transaction or arrangement (other than a financing, or the acquisition of or sale of U_3O_8 or UF_6); and d) a commission of 1.0% of the gross value of any purchases or sales of U_3O_8 or UF_6, or gross interest fees payable to the Corporation in connection with any uranium loan arrangements.

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

	Three Months Ended	
(in thousands)	**May 31, 2016**	May 31, 2015
Fees incurred with the Manager:		
Management fees	$ 426	$ 553
Total fees incurred with the Manager	**$ 426**	$ 553

As at May 31, 2016, trade and other payables included $176,000 (February 29, 2016: $260,000) due to the Manager with respect to the fees indicated above.

Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. The Corporation's key management personnel are the members of its Board of Directors.

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

	Three Months Ended	
(in thousands)	**May 31, 2016**	May 31, 2015
Directors' fees	$ 63	$ 58
Total key management personnel compensation	**$ 63**	$ 58

OUTSTANDING SHARE DATA

At June 21, 2016, there were 115,648,713 common shares issued and outstanding. There are no stock options or other instruments issued and outstanding.

CONTROLS AND PROCEDURES

The Corporation's management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to the financial statement preparation and presentation.

There has not been any change in the Corporation's internal control over financial reporting that occurred during the three months ended May 31, 2016 that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

NON-IFRS FINANCIAL PERFORMANCE MEASURES

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

ADDITIONAL INFORMATION

Additional information regarding UPC, including the Corporation's press releases, quarterly and annual reports and Annual Information Form, are available under the Corporation's profile at www.sedar.com.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

By their very nature, forward looking statements involve numerous factors, assumptions and estimates. A variety of factors, many of which are beyond the control of UPC, may cause actual results to differ materially from the expectations expressed in the forward looking statements. For a list of the principal risks of an investment in UPC, please refer to the "RISK FACTORS" section in the Corporation's annual information form dated May 11, 2016 available under the Corporation's profile 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.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in thousands of Canadian dollars except for share amounts)	At May 31, 2016	At February 29, 2016
ASSETS		
Current		
Cash and cash equivalents	$ 8,216	$ 8,968
Trade and other receivables	321	469
	8,537	9,437
Non-Current		
Investments in uranium (note 4)	528,893	642,113
Total assets	**$ 537,430**	$ 651,550
LIABILITIES		
Current		
Trade and other payables	$ 2,058	$ 2,071
Total liabilities	2,058	2,071
EQUITY		
Share capital (note 6)	822,343	822,343
Contributed surplus	6,762	6,762
Deficit	(293,733)	(179,626)
Total equity	535,372	649,479
Total liabilities and equity	**$ 537,430**	$ 651,550
Common shares		
Issued and outstanding (note 6)	**115,648,713**	115,648,713

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Expressed in thousands of Canadian dollars except for share and per share amounts)	Three Months Ended May 31, 2016	Three Months Ended May 31, 2015
URANIUM RELATED LOSS		
Unrealized losses on investments in uranium (note 4)	$ (113,329)	$ (67,061)
Realized loss on sale of conversion components	-	(140)
Income from lending of uranium (note 5)	585	100
	(112,744)	(67,101)
OPERATING EXPENSES		
Management fees (note 7)	(426)	(553)
Storage fees	(502)	(550)
Public company expenses	(174)	(148)
General office and miscellaneous	(141)	(77)
Legal and other professional fees	(42)	(18)
Interest income	16	46
Foreign exchange (loss) gain	(94)	30
	(1,363)	(1,270)
Net loss and comprehensive loss for the period	**$ (114,107)**	$ (68,371)
Net loss per common share		
Basic and diluted	**$ (0.99)**	$ (0.59)
Weighted average number of common shares outstanding		
Basic and diluted	**115,648,713**	116,578,731

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in thousands of Canadian dollars)	Share Capital	Contributed Surplus	Deficit	Total Equity
Balance at February 28, 2015	$ 831,048	$ 4,564	$ (104,554)	$ 731,058
Common shares purchased	(2,535)	536	-	(1,999)
Net loss for the period	-	-	(68,371)	(68,371)
Balance at May 31, 2015	$ 828,513	$ 5,100	$ (172,925)	$ 660,688
Balance at February 29, 2016	$ 822,343	$ 6,762	$ (179,626)	$ 649,479
Net loss for the period	-	-	(114,107)	(114,107)
Balance at May 31, 2016	**$ 822,343**	**$ 6,762**	**$ (293,733)**	**$ 535,372**

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended	
(Expressed in thousands of Canadian dollars)	**May 31, 2016**	May 31, 2015
Operating Activities		
Net loss for the period	$ (114,107)	$ (68,371)
Adjustment for:		
Unrealized losses on investments in uranium (note 4)	113,329	67,061
Realized loss on sale of conversion components	-	140
Changes in non-cash working capital:		
Change in trade and other receivables	148	(72)
Change in trade and other payables	(13)	(409)
Net cash used in operating activities	**(643)**	(1,651)
Investing Activities		
Costs associated with transfer of uranium (note 4)	(109)	-
Net cash used by investing activities	**(109)**	-
Financing Activities		
Common shares purchased, including transaction costs	-	(1,999)
Net cash used in financing activities	**-**	(1,999)
Decrease in cash and cash equivalents	(752)	(3,650)
Cash and cash equivalents – beginning of the period	8,968	17,753
Cash and cash equivalents – end of the period	**$ 8,216**	$ 14,103

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MAY 31, 2016 AND 2015

(Expressed in Canadian dollars, unless otherwise noted)

1. URANIUM PARTICIPATION CORPORATION

Uranium Participation Corporation ("UPC") was established under the *Business Corporations Act* (Ontario) on March 15, 2005. The address of its registered head office is 40 University Avenue, Suite 1100, Toronto, Ontario, Canada, M5J 1T1. Uranium Participation Bermuda Limited (together with UPC, the "Corporation") is the company's sole and wholly-owned subsidiary.

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

2. BASIS OF PRESENTATION

These interim consolidated financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, *Interim Financial Reporting.* These interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended February 29, 2016.

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

All uranium prices are based on prices published by Ux Consulting Company LLC ("UxC").

These financial statements were approved by UPC's Board of Directors on June 21, 2016.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these interim consolidated financial statements are consistent with those applied in the Corporation's audited annual consolidated financial statements for the year ended February 29, 2016.

4. INVESTMENTS IN URANIUM

The investments continuity summary is as follows:

(in thousands)		Cost		Fair Value Adjustment		Fair Value [(1)(2)]
Balance at February 29, 2016	$	766,348	$	(124,235)	$	642,113
Unrealized net losses on investments in uranium		-		(113,329)		(113,329)
UF_6 fair value adjustment [(2)]		-		109		109
Balance at May 31, 2016	**$**	**766,348**	**$**	**(237,455)**	**$**	**528,893**

The balance of investments in uranium consists of:

(in thousands, except quantity amounts)	Quantity		Cost		Fair Value Adjustment		Fair Value (1)(2)
U_3O_8	9,470,024 lbs	$	454,486	$	(116,430)	$	338,056
UF_6 (2)	1,903,471 KgU		311,862		(121,025)		190,837
Balance at May 31, 2016		**$**	**766,348**	**$**	**(237,455)**	**$**	**528,893**

(1) Investments in uranium are categorized in Level 2 of the fair value hierarchy. Fair values as at May 31, 2016 reflect spot prices published by UxC of US$27.25 per pound U_3O_8 and US$77.00 per KgU as UF_6, translated at the foreign exchange noon-rate of 1.3100.

(2) Included in the fair value of the Corporation's UF_6 holdings at May 31, 2016 is a fair value adjustment of $1,167,000 reducing the fair value to reflect the risks associated with the Corporation's UF_6 held with the United States Enrichment Facility ("USEC Facility"). During the period, the fair value adjustment was reduced by $109,000, to reflect the reduction in the remaining material held with the USEC Facility.

Transfer of UF_6 held with the USEC Facility to another storage facility

During the three months ended May 31, 2016, the Corporation transferred a total of 42,290 KgU as UF_6 held with the USEC Facility to another storage facility. The cost associated with the transfer amounted to $109,000. The transfer reduced the Corporation's UF_6 holdings with the USEC Facility to 336,276 KgU with a fair value of $33,920,000 before adjustments, as at May 31, 2016.

5. URANIUM LENDING ARRANGEMENTS

In March 2015, the Corporation entered into an agreement to loan 1,300,000 pounds of U_3O_8 to an independent third party with a return date in April 2017. The loan was subject to a loan fee of 1.0% per annum, with payments to be calculated quarterly based on the average of the U_3O_8 spot price per pound, as defined and published by UxC at the end of each month for the previous three months. Collateral for the loan, in the form of an irrevocable bank guarantee, was provided in the amount of US$56,000,000, which allowed for adjustments based on movements in the uranium price.

In March 2016, the Corporation and borrower agreed to terminate the loan one year before the original return date. As a result of the early termination, the Corporation received cash consideration of $559,000 (US$435,000) in April 2016 and the related bank guarantee was cancelled and returned to the borrower. The consideration received was recorded as income from lending of uranium in the statement of comprehensive loss.

6. COMMON SHARES

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

(in thousands, except common share amounts)	Number of Common Shares		Amount
Balance at February 29, 2016 and May 31, 2016	**115,648,713**	**$**	**822,343**

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

In January 2016, the Corporation filed a normal course issuer bid ("2016 NCIB") with the TSX, authorizing the Corporation to purchase up to 10,192,641 of the Corporation's common shares during a 12 month period commencing January 18, 2016 and ending on January 17, 2017. To date, the Corporation has not made any purchase of its outstanding shares under the 2016 NCIB.

7. RELATED PARTY TRANSACTIONS

Management Services Agreement with the Manager

A new three year agreement was entered into between the Corporation and the Manager effective April 1, 2016. Under the new Management Services Agreement, the Manager will receive the following fees from the Corporation: a) a base fee of $400,000 per annum, payable in equal quarterly installments; b) a variable fee equal to (i) 0.3% per annum of the Corporation's total assets in excess of $100,000,000 and up to and including $500,000,000, and (ii) 0.2% per annum of the Corporation's total assets in excess of $500,000,000; c) a fee, at the discretion of the Board, for on-going monitoring or work associated with a transaction or arrangement (other than a financing, or the acquisition of or sale of U_3O_8 or UF_6); and d) a commission of 1.0% of the gross value of any purchases or sales of U_3O_8 or UF_6, or gross interest fees payable to the Corporation in connection with any uranium loan arrangements.

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

	Three Months Ended	
(in thousands)	**May 31, 2016**	May 31, 2015
Fees incurred with the Manager:		
Management fees	$ 426	$ 553
Total fees incurred with the Manager	**$ 426**	$ 553

As at May 31, 2016, trade and other payables included $176,000 (February 29, 2016: $260,000) due to the Manager with respect to the fees indicated above.

Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. The Corporation's key management personnel are the members of its Board of Directors.

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

	Three Months Ended	
(in thousands)	**May 31, 2016**	May 31, 2015
Directors' fees	$ 63	$ 58
Total key management personnel compensation	**$ 63**	$ 58

Uranium Participation Corporation

BOARD OF DIRECTORS

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

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

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

Garth A. C. MacRae
Independent Financial Consultant

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

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

OFFICERS

David Cates
President and Chief Executive Officer

Mac McDonald
Chief Financial Officer

Scott Melbye
Vice President, Commercial

Amanda Willett
Corporate Secretary

MANAGER

Denison Mines Inc.
40 University Avenue, Suite 1100
Toronto, Ontario
M5J 1T1

www.denisonmines.com

OFFICE OF THE CORPORATION

40 University Avenue, Suite 1100
Toronto, Ontario M5J 1T1

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, 8th Floor
Toronto, Ontario M5J 2Y1

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

STOCK EXCHANGE LISTING

The Toronto Stock Exchange
Trading Symbol: U

Website: www.tmx.com

Managed by:

Denison Mines

40 University Avenue, Suite 1100, Toronto, Ontario M5J 1T1
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Uranium Participation Corporation

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