Uranium Participation Corporation

2017 SECOND QUARTER REPORT

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FOR THE THREE AND SIX MONTHS ENDED

AUGUST 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 October 6, 2016 and should be read in conjunction with the Corporation's unaudited interim consolidated financial statements and related notes for the three and six months ended August 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"), applicable to the preparation of the interim financial statements, including International Accounting Standards ("IAS") 34, *Interim Financial Reporting*. 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

Uranium prices continued to be under downward pressure over the course of the reporting period, with prices reaching a high of USD$32.15 per pound U_3O_8 on March 1, 2016 and then dropping to USD$25.00 per pound U_3O_8 range by mid-July 2016. During the second quarter, the price fluctuated in a narrow trading range and ended the quarter at USD$25.25 per pound U_3O_8. Since the beginning of 2016, the spot price of uranium has fallen nearly 35% and currently resides at USD$22.50 pounds per U_3O_8. Uranium prices in 2011, prior to the Fukushima events, were in the range of USD$70.00 per pound U_3O_8. Analysts point to continued increases in primary mine production (despite negative price signals) and excess secondary supplies as the reasons for persistent oversupply in the market. On the demand side of the equation, the slow pace of reactor restarts in Japan and relatively low levels of utility contracting have failed to provide the conditions for a sustained rally in prices off of levels not seen since 2005. The low level of current contracting volumes, however, is expected to become a positive driver as substantial levels of utility reactor requirements remain uncommitted in future years. The contracting cycle that usually precedes the arrival of a period of significant unfilled requirements should rapidly bring the supply and demand conditions back into balance, and potentially into a sustained period of shortfall. The potential for shortfall exists in the fact that the lead times required for new mine production are extremely long in the uranium sector, and that an extended period of low prices has not incentivized the required investment needed to advance new projects.

The broader fundamentals of the nuclear energy market continue to be positive and stand in stark contrast to the near term uranium price weakness. Presently, 447 reactors are operable around the world with 59 under construction and an additional 168 units firmly planned or ordered. The ten new reactors connected to the grid globally in 2015 resulted in a net gain of almost 5,000 Mwe of installed nuclear capacity – which represents the highest annual growth in capacities in the past 25 years. This growth is being driven largely by the emerging markets of China, India, South Korea and Russia, however, the more traditional, developed markets are also building new reactors. The United Kingdom is advancing major new nuclear power projects on multiple sites and the U.S. added one unit to its fleet in 2016 with four more currently under construction. The need for large amounts of reliable baseload electricity, environmental concerns around carbon emissions, and crisis level air pollution, are driving decision makers increasingly towards nuclear energy. Even with significant competition from heavily subsidized renewables and low natural gas prices, the need for grid-stabilizing, base load, nuclear power should continue to be recognized and valued in the global energy mix. With global nuclear energy capacities expected to grow between two and three percent each year for the next decade and beyond, the long term outlook for the uranium market remains positive.

SUMMARY OF QUARTERLY FINANCIAL INFORMATION

	August 31, 2016	May 31, 2016	February 29, 2016	November 30, 2015
Uranium related loss (in thousands)	$ (35,717)	$ (112,744)	$ (62,263)	$ (8,563)
Net loss for the period (in thousands)	$ (37,232)	$ (114,107)	$ (63,467)	$ (9,928)
Net loss per common share – basic and diluted	$ (0.32)	$ (0.99)	$ (0.55)	$ (0.09)
NAV(1) per share – basic and diluted	**$ 4.31**	**$ 4.63**	**$ 5.62**	**$ 6.16**
U_3O_8 spot price (US$)	$ 25.25	$ 27.25	$ 32.15	$ 36.00
UF_6 spot price (US$)	$ 72.25	$ 77.00	$ 90.00	$ 99.00
Foreign exchange noon-rate (US$ to CAD$)	1.3124	1.3100	1.3523	1.3333

	August 31, 2015	May 31, 2015	February 28, 2015	November 30, 2014
Uranium related gain (loss) (in thousands)	$ 68,190	$ (67,101)	$ 36,178	$ 178,992
Net gain (loss) for the period (in thousands)	$ 66,694	$ (68,371)	$ 34,807	$ 177,395
Net gain (loss) per common share – basic and diluted	$ 0.57	$ (0.59)	$ 0.30	$ 1.52
NAV(1) per share – basic and diluted	**$ 6.24**	**$ 5.67**	**$ 6.26**	**$ 5.96**
U_3O_8 spot price (US$)	$ 36.75	$ 35.00	$ 38.75	$ 40.00
UF_6 spot price (US$)	$ 101.00	$ 98.50	$ 107.00	$ 112.50
Foreign exchange noon-rate (US$ to CAD$)	1.3223	1.2465	1.2508	1.1427

(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 or gain of the Corporation is primarily driven by unrealized net losses or gains on investments in uranium that are recognized in the period. Unrealized net losses or gains on investments in uranium are generally a result of changes in the spot price of uranium and the U.S. dollar to Canadian dollar exchange rate – both of which can fluctuate significantly between periods.

OVERALL PERFORMANCE

	Three Months Ended		Six Months Ended	
(in thousands, except per share amounts)	**August 31, 2016**	August 31, 2015	**August 31, 2016**	August 31, 2015
Unrealized (losses) gains on investments in uranium	$ (35,752)	$ 68,039	$ (149,081)	$ 978
Income from lending and/or relocation of uranium	$ 35	$ 151	$ 620	$ 251
Operating expenses	$ (1,515)	$ (1,496)	$ (2,878)	$ (2,766)
Net (loss) gain for the period	$ (37,232)	$ 66,694	$ (151,339)	$ (1,677)
Net (loss) gain per common share – basic and diluted	$ (0.32)	$ 0.57	$ (1.31)	$ (0.01)

	At August 31, 2016		At August 31, 2015	
Total Assets	$	500,039	$	729,608
Total Liabilities	$	1,899	$	2,226
NAV[(1)]	**$**	**498,140**	$	727,382

(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 August 31, 2016 was due primarily to unrealized net losses on investments in uranium of $35,752,000 and operating expenses of $1,515,000. The net gain for the three months ended August 31, 2015 was due to unrealized net gains on investments in uranium of $68,039,000, offset in part by operating expenses of $1,496,000.

The net loss for the six months ended August 31, 2016 was due to unrealized net losses on investments in uranium of $149,081,000 and operating expenses of $2,878,000. The net loss for the six months ended August 31, 2015 was mainly due to operating expenses of $2,766,000, partly offset by unrealized net gains on investments in uranium of $978,000.

Unrealized net losses on investments in uranium during the three and six months ended August 31, 2016 were caused by decreases in the spot prices and overall decrease in the U.S. dollar to Canadian dollar exchange rate.

Unrealized net gains on investments in uranium during the three months ended August 31, 2015 were caused by an increase in the spot prices, along with an increase in the U.S. dollar to Canadian dollar exchange rate. Unrealized net gains on investments in uranium during the six months ended August 31, 2015 were caused by an increase in the U.S. dollar to Canadian dollar exchange rate, partly offset by the decrease in spot prices.

UPC's NAV per share decreased to $4.31 at August 31, 2016, from $5.62 at February 29, 2016. The NAV decreased to $498,140,000 at August 31, 2016, from $649,479,000 at February 29, 2016. The decrease was mainly as a result of the decrease in the fair value of investments in uranium.

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

Operating Expenses

Operating expenses are comprised of storage costs, management fees, public company expenses and general and administrative expenses.

Storage fees, excluding the costs incurred to transfer UF_6 held with the United States Enrichment Facility ("USEC Facility") to other storage facilities, were $578,000 and $1,080,000 during the three and six months ended August 31, 2016, respectively (August 31, 2015 - $650,000 and $1,200,000). The decrease in storage fees was due to lower costs incurred as a result of transferring holdings of uranium to other storage facilities.

Management fees were $501,000 and $927,000 during the three and six months ended August 31, 2016, respectively (August 31, 2015 - $555,000 and $1,108,000). The decrease in management fees was due to the decrease in the NAV, on which the management fees are based. During the three and six months ended August 31, 2016, management fees included a one-time fee of $100,000 (August 31, 2015 - $nil) for work associated with the migration of the Corporation's subsidiary.

Operating expenses of $1,515,000, partially offset by income from lending and/or relocation of uranium of $35,000, for the three months ended August 31, 2016, represents approximately 0.2% of the NAV at February 29, 2016.

Operating expenses of $2,878,000, partially offset by income from lending and/or relocation of uranium of $620,000, for the six months ended August 31, 2016, represents approximately 0.3% of the NAV at February 29, 2016.

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	$	313,819
UF_6	1,903,471 KgU	$	311,862	$	180,369
		$	766,348	$	494,188
U_3O_8 average cost and fair value per pound:					
In Canadian dollars		$	47.99	$	33.14
In United States dollars		$	43.97	$	25.25
UF_6 average cost and fair value per KgU:					
In Canadian dollars		$	163.84	$	94.76
In United States dollars		$	151.62	$	72.20

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 August 31, 2016, the remaining fair value adjustment recorded against the Corporation's UF_6 holdings was $120,000.

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

During the six months ended August 31, 2016, the Corporation transferred a total of 347,290 KgU as UF_6 held with the USEC Facility to another storage facility. The cost associated with the transfer amounted to $1,304,000. The transfer reduced the Corporation's UF_6 holdings with the USEC Facility to 31,276 KgU, with a fair value of $2,966,000 before adjustments, as at August 31, 2016.

Following the end of the quarter, on September 30, 2016, the Corporation transferred the remaining 31,276 KgU as UF_6 held with the USEC Facility to another storage facility. The costs associated with transferring the material amounted to US$94,000. The transfer reduced the Corporation's remaining holdings of UF_6 with the USEC Facility to nil.

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.

Uranium Relocation Agreement

In July 2016, the Corporation entered into an agreement with an independent third party to relocate a total of 700,000 KgU as UF_6 to an alternate storage facility. The transfers are expected to be made over the next two years, in three separate tranches, and will be completed in exchange for a fee payable to the Corporation of US$1.00 per KgU for the initial 12 months of each transfer and US$0.50 per KgU for each subsequent year after the end of the initial 12 month period. The term of the agreement requires the return and transfer of the 700,000 KgU as UF_6 back to the original storage facility in May 2020. The fee received is recorded as income from relocation of uranium in the statement of comprehensive (loss) gain.

In July 2016, the Corporation completed the first of the three tranches, for a transfer of 300,000 KgU as UF_6.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were $5,562,000 at August 31, 2016, compared with $8,968,000 at February 29, 2016. The decrease of $3,406,000 was primarily due to net cash used in operations of $2,102,000 and cash used in investing activities of $1,304,000. Cash used by investing activities are related to the costs associated with the transfers of UF_6 held with the USEC Facility to another storage facility.

The working capital as at August 31, 2016 was $3,952,000.

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 August 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 August 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		Six Months Ended	
(in thousands)	**August 31, 2016**	August 31, 2015	**August 31, 2016**	August 31, 2015
Fees incurred with the Manager:				
Management fees	$ 501	$ 555	$ 927	$ 1,108
Total fees incurred with the Manager	**$ 501**	$ 555	**$ 927**	$ 1,108

Management fees during the three and six months ended August 31, 2016 included a one-time fee of $100,000 for work associated with the migration of the Corporation's subsidiary.

As at August 31, 2016, trade and other payables included $223,000 (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 outlines the compensation and expense reimbursements paid to key management personnel for the periods ending:

	Three Months Ended		Six Months Ended	
(in thousands)	**August 31, 2016**	August 31, 2015	**August 31, 2016**	August 31, 2015
Directors' fees & expenses	$ 72	$ 55	$ 135	$ 113
Total key management personnel compensation & expense reimbursements	**$ 72**	$ 55	**$ 135**	$ 113

OUTSTANDING SHARE DATA

At October 6, 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 and six months ended August 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 August 31, 2016	At February 29, 2016
ASSETS		
Current		
Cash and cash equivalents	$ 5,562	$ 8,968
Trade and other receivables	289	469
	5,851	9,437
Non-Current		
Investments in uranium (note 4)	494,188	642,113
Total assets	**$ 500,039**	$ 651,550
LIABILITIES		
Current		
Trade and other payables	$ 1,899	$ 2,071
Total liabilities	1,899	2,071
EQUITY		
Share capital (note 6)	822,343	822,343
Contributed surplus	6,762	6,762
Deficit	(330,965)	(179,626)
Total equity	498,140	649,479
Total liabilities and equity	**$ 500,039**	$ 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) GAIN

(Expressed in thousands of Canadian dollars except for share and per share amounts)	Three Months Ended August 31, 2016	Three Months Ended August 31, 2015	Six Months Ended August 31, 2016	Six Months Ended August 31, 2015
URANIUM RELATED (LOSS) GAIN				
Unrealized (losses) gains on investments in uranium (note 4)	$ (35,752)	$ 68,039	$ (149,081)	$ 978
Income from lending of uranium (note 5)	-	151	585	251
Income from relocation of uranium (note 5)	35	-	35	-
Realized loss on sale of conversion components	-	-	-	(140)
	(35,717)	68,190	**(148,461)**	1,089
OPERATING EXPENSES				
Management fees (note 7)	(501)	(555)	(927)	(1,108)
Storage fees (note 4)	(726)	(650)	(1,228)	(1,200)
Public company expenses	(181)	(162)	(355)	(310)
General office and miscellaneous	(54)	(78)	(195)	(155)
Legal and other professional fees	(55)	(29)	(97)	(47)
Interest income	14	54	30	100
Foreign exchange loss	(12)	(76)	(106)	(46)
	(1,515)	(1,496)	**(2,878)**	(2,766)
Net (loss) gain and comprehensive (loss) gain for the period	**$ (37,232)**	$ 66,694	**$ (151,339)**	$ (1,677)
Net (loss) gain per common share				
Basic and diluted	**$ (0.32)**	$ 0.57	**$ (1.31)**	$ (0.01)
Weighted average number of common shares outstanding				
Basic and diluted	**115,648,713**	116,516,413	**115,648,713**	116,547,572

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	-	-	(1,677)	(1,677)
Balance at August 31, 2015	$ 828,513	$ 5,100	$ (106,231)	$ 727,382
Balance at February 29, 2016	$ 822,343	$ 6,762	$ (179,626)	$ 649,479
Net loss for the period	-	-	(151,339)	(151,339)
Balance at August 31, 2016	**$ 822,343**	**$ 6,762**	**$ (330,965)**	**$ 498,140**

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended	
(Expressed in thousands of Canadian dollars)	**August 31, 2016**	August 31, 2015
Operating Activities		
Net loss for the period	$ (151,339)	$ (1,677)
Adjustment for:		
Unrealized losses (gains) on investments in uranium (note 4)	149,081	(978)
Realized loss on sale of conversion components	-	140
Costs associated with transfer of uranium (note 4)	148	-
Changes in non-cash working capital:		
Change in trade and other receivables	180	(21)
Change in trade and other payables	(172)	(129)
Net cash used in operating activities	**(2,102)**	(2,665)
Investing Activities		
Costs associated with transfer of uranium (note 4)	(1,304)	-
Sale of conversion components	-	891
Net cash (used) generated by investing activities	**(1,304)**	891
Financing Activities		
Common shares purchased, including transaction costs	-	(1,999)
Net cash used in financing activities	**-**	(1,999)
Decrease in cash and cash equivalents	(3,406)	(3,773)
Cash and cash equivalents – beginning of the period	8,968	17,753
Cash and cash equivalents – end of the period	**$ 5,562**	$ 13,980

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED AUGUST 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 October 6, 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
Balance at February 29, 2016	$	766,348	$	(124,235)	$	642,113
Unrealized net losses on investments in uranium		-		(149,081)		(149,081)
UF_6 fair value adjustment		-		1,156		1,156
Balance at August 31, 2016	**$**	**766,348**	**$**	**(272,160)**	**$**	**494,188**

The balance of investments in uranium consists of:

(in thousands, except quantity amounts)	Quantity		Cost		Fair Value Adjustment		Fair Value
U_3O_8	9,470,024 lbs	$	454,486	$	(140,667)	$	313,819
UF_6	1,903,471 KgU		311,862		(131,493)		180,369
Balance at August 31, 2016		**$**	**766,348**	**$**	**(272,160)**	**$**	**494,188**

Investments in uranium are categorized in Level 2 of the fair value hierarchy. Fair values as at August 31, 2016 reflect spot prices published by UxC of US$25.25 per pound U_3O_8 and US$72.25 per KgU as UF_6, translated at the foreign exchange noon-rate of 1.3124.

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 United States Enrichment Facility ("USEC Facility"). During the current period, the fair value adjustment was reduced by $1,156,000, to reflect the reduction in the remaining material held with the USEC Facility. As at August 31, 2016, the remaining fair value adjustment recorded against the Corporation's UF_6 holdings was $120,000.

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

During the six months ended August 31, 2016, the Corporation transferred a total of 347,290 KgU as UF_6 held with the USEC Facility to another storage facility. The cost associated with the transfer amounted to $1,304,000, of which $1,156,000 was applied against the original fair value adjustment loss as described above and the remaining $148,000 was recorded to storage fees in the consolidated statement of comprehensive (loss) gain. The transfer reduced the Corporation's UF_6 holdings with the USEC Facility to 31,276 KgU, with a fair value of $2,966,000 before adjustments, as at August 31, 2016.

5. URANIUM ARRANGEMENTS

Lending Agreement

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) gain.

Relocation Agreement

In July 2016, the Corporation entered into an agreement with an independent third party to relocate a total of 700,000 KgU as UF_6 to an alternate storage facility. The transfers are expected to be made over the next two years, in three separate tranches, and will be completed in exchange for a fee payable to the Corporation of US$1.00 per KgU for the initial 12 months of each transfer and US$0.50 per KgU for each subsequent year after the end of the initial 12 month period. The term of the agreement requires the return and transfer of the 700,000 KgU as UF_6 back to the original storage facility in May 2020. The fee received is recorded as income from relocation of uranium in the statement of comprehensive (loss) gain.

In July 2016, the Corporation completed the first of the three tranches, for a transfer of 300,000 KgU as UF_6.

6. COMMON SHARES

The Corporation is authorized to issue an unlimited number of common shares without par value. 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 August 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 August 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

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

	Three Months Ended		Six Months Ended	
(in thousands)	**August 31, 2016**	August 31, 2015	**August 31, 2016**	August 31, 2015
Fees incurred with the Manager:				
Management fees	$ 501	$ 555	$ 927	$ 1,108
Total fees incurred with the Manager	**$ 501**	$ 555	**$ 927**	$ 1,108

Management fees during the three and six months ended August 31, 2016 included a one-time fee of $100,000 for work associated with the migration of the Corporation's subsidiary.

As at August 31, 2016, trade and other payables included $223,000 (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 outlines the compensation and expense reimbursements paid to key management personnel for the periods ending:

	Three Months Ended		Six Months Ended	
(in thousands)	**August 31, 2016**	August 31, 2015	**August 31, 2016**	August 31, 2015
Directors' fees & expenses	$ 72	$ 55	$ 135	$ 113
Total key management personnel compensation & expense reimbursements	**$ 72**	$ 55	**$ 135**	$ 113

8. SUBSEQUENT EVENT

Transfer of UF_6 held with the USEC Facility to an alternate storage facility

On September 30, 2016, the Corporation transferred 31,276 KgU as UF_6 held with the USEC Facility to an alternate storage facility. The costs associated with transferring the material amounted to US$94,000. The final transfer reduced the Corporation's remaining holdings of UF_6 with the USEC Facility to nil.

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.

Dorothy Sanford
President, MFDA Investor Protection Corporation

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:

40 University Avenue, Suite 1100, Toronto, Ontario M5J 1T1
www.denisonmines.com

Uranium Participation Corporation

Uranium Participation Corporation
#1100—40 University Avenue
Toronto ON M5J 1T1
T 416 979 1991 F 416 979 5893
www.uraniumparticipation.com
TSX: U