Uranium Participation Corporation

2018 SECOND QUARTER REPORT

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FOR THE THREE AND SIX MONTHS ENDED
AUGUST 31, 2017

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This Management's Discussion and Analysis ("MD&A") of Uranium Participation Corporation and its subsidiary (collectively, "UPC" or 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 September 25, 2017 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, 2017.

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 28, 2017. 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".

URANIUM INDUSTRY OVERVIEW

Over the last several months, uranium prices continue to be under downward pressure. This is generally due to a prolonged over-supply in the uranium market. Uranium spot prices have fallen as much as 75% from March 2011 (US$70 per pound U_3O_8), reaching a 13 year low of US$17.75 per pound U_3O_8 in early December 2016. In the first quarter of the 2018 financial year, uranium prices reached a high of US$25.50 per pound U_3O_8, before retreating back to the US$20 per pound U_3O_8 range. Uranium prices during the second fiscal quarter of 2018, traded in a fairly narrow range between a low of US$19.25 per pound U_3O_8 in June, and a high of US$20.75 per pound U_3O_8 in August, and the long-term price indicator remained constant at US$31 per pound U_3O_8.

While the ongoing realities of the over-supplied spot market can explain the recent market weakness, the longer term fundamentals continue to point towards market recovery, as new reactors are coming online around the world in significant numbers, and uranium production levels are not likely to be sustainable while spot prices challenge the all-in mining costs for most uranium mines.

Nuclear energy, with its reliability and clean air benefits, fills an important role in the supply of baseload electricity around the world. In each of 2015 and 2016, more new nuclear capacity was connected to the electricity grid than any of the preceding twenty-five years. As at August 31, 2017, the World Nuclear Association ("WNA") reported that there are 447 operable reactors worldwide, with 58 new reactors under construction, 160 reactors planned or on order, and another 351 proposed. When translated into uranium demand, UxC projects that these increases in nuclear power facilities will increase demand from approximately 185 million pounds U_3O_8 (Base Case) in 2017 to over 202 million pounds U_3O_8 by 2030 (9% increase) in the Base Case scenario, and as much as 276 million pounds U_3O_8 by 2030 (49% increase) in the High Case scenario.

In the US, the Department of Energy's recently released the Energy Grid Reliability Study, which stresses the negative impact that highly-subsidized renewables and low-priced natural gas have had on the stability of the national electricity grid. In states where the energy market is deregulated, government subsidized renewables and inexpensive natural gas have contributed to the closure of six nuclear plants in recent years. However, the Federal Energy Regulatory Commission is looking into potential changes to the market structures in these states, to prevent further lost capacity.

Also in the US, two South Carolina utilities (SCANA and Santee Cooper) recently announced their decision to cancel the continued construction of two units, as a result of construction delays and cost overruns, by project manager Westinghouse Electric Company LLC ("Westinghouse"). In Georgia, Southern Companies, the majority owner of the two nuclear plants under construction by Westinghouse in that state, has decided to complete the construction of the reactors, using a new project manager, Bechtel Corp.

Japan's long-awaited recovery from Fukushima has taken a positive turn in 2017. According to the World Nuclear Association, 26 reactor restart applications have been received by the Japanese nuclear regulator and five units are now operating. UXC expects another four reactors, Ohi 3&4 and Genkai 3&4 units, to come on line by mid-2018. Fukushima operator, Tokyo Electric Power, recently received its restart approval for its undamaged Kashiwasaki-Kariwa units.

SUMMARY OF QUARTERLY FINANCIAL INFORMATION

	August 31, 2017	May 31, 2017	February 28, 2017	November 30, 2016
Uranium related (loss) gain (in thousands)	$ (17,459)	$ (53,727)	$ 74,078	$ (127,499)
Net (loss) gain for the period (in thousands)	$ (18,5541)	$ (54,983)	$ 73,819	$ (128,514)
Net (loss) gain per common share – basic and diluted	$ (0.15)	$ (0.45)	$ 0.61	$ (1.09)
NAV[(1)] per share	**$ 3.22**	**$ 3.37**	**$ 3.83**	**$ 3.22**
U_3O_8 spot price (US$)	$ 20.00	$ 19.25	$ 22.25	$ 18.25
UF_6 spot price (US$)	$ 56.35	$ 55.55	$ 64.00	$ 53.40
Foreign exchange rate (US$ to CAD$)	1.2536	1.3500	1.3248	1.3426

	August 31, 2016	May 31, 2016	February 29, 2015	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	**$ 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 rate (US$ to CAD$)	1.3124	1.3100	1.3523	1.3333

(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 quarterly 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, 2017**	August 31, 2016	**August 31, 2017**	August 31, 2016
Unrealized losses on investments in uranium	$ (17,513)	$ (35,752)	$ (71,329)	$ (149,081)
Income from lending and/or relocation of uranium	$ 54	$ 35	$ 143	$ 620
Operating expenses	$ (1,095)	$ (1,515)	$ (2,351)	$ (2,878)
Net loss for the period	$ (18,554)	$ (37,232)	$ (73,537)	$ (151,339)
Net loss per common share – basic and diluted	$ (0.15)	$ (0.32)	$ (0.61)	$ (1.31)

	At August 31, 2017	At February 28, 2017
Total Assets	$ 390,471	$ 464,109
Total Liabilities	$ (1,663)	$ (1,764)
NAV[1]	**$ 388,808**	$ 462,345

(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, 2017 was mainly driven by unrealized net losses on investments in uranium of $17,513,000 and operating expenses of $1,095,000.

Unrealized net losses on investments in uranium during the three months ended August 31, 2017 were mainly due to the decrease in the U.S. dollar to Canadian dollar exchange rate from 1.3500 at May 31, 2017 to 1.2536 at August 31, 2017. The unrealized net loss on investments in uranium due to change in the foreign exchange rate in the quarter was partly offset by an increase in the spot price of uranium, which increased during the second quarter to US$20.00 per pound U_3O_8 and US$56.35 per KgU as UF_6 at August 31, 2017, from US$19.25 per pound U_3O_8 and US$55.55 per KgU as UF_6 at May 31, 2017. Unrealized net losses on investments in uranium during the six months ended August 31, 2017 were due to both the decrease in the spot price of uranium as well as the decrease in the U.S. dollar to Canadian dollar exchange rate. The spot price of uranium decreased to US$20.00 per pound U_3O_8 and US$56.35 per KgU as UF_6 at August 31, 2017, from US$22.25 per pound U_3O_8 and US$64.00 per KgU as UF_6 at February 28, 2017, while the U.S. dollar to Canadian dollar exchange rate decreased from 1.3248 to 1.2536.

UPC's NAV per share decreased to $3.22 at August 31, 2017, from $3.83 at February 28, 2017. Total equity decreased to $388,808,000 at August 31, 2017, from $462,345,000 at February 28, 2017.

The Corporation had an effective tax rate of nil for the six months ended August 31, 2017, primarily due to the low tax rate in the jurisdiction of its subsidiary as well as the fact that the Corporation's available tax shelter and cost basis related to its investments in uranium in Canada 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 were $491,000 and $977,000 during the three and six months ended August 31, 2017 (August 31, 2016 - $726,000 and $1,228,000). The decrease in storage fees was due to the transfer of uranium holdings to lower cost storage facilities, partially offset by the increase in the volume of stored uranium due to the 610,000 pounds of U_3O_8 purchased in the second half of fiscal 2017.

Management fees were $322,000 and $696,000 during the three and six months ended August 31, 2017 (August 31, 2016 - $501,000 and $927,000). The decrease in management fees was due to the decrease in the NAV, on which the variable portion of the management fee is based, as well as a reduction in discretionary fees. During the three and six months ended August 31, 2016, the Company recorded a one-time management fee of $100,000 paid to the manager for work associated with the completion of the migration of the Corporation's subsidiary.

Operating expenses of $1,095,000, partially offset by income from lending and/or relocation of uranium of $54,000, for the three months ended August 31, 2017, represents approximately 0.3% of the NAV at August 31, 2017 and 0.2% of the NAV at February 28, 2017.

Operating expenses of $2,351,000, partially offset by income from lending and/or relocation of uranium of $143,000, for the six months ended August 31, 2017, represents approximately 0.6% of the NAV at August 31, 2017 and 0.5% of the NAV at February 28, 2017.

Investment Portfolio

UPC's investment portfolio consists of the following as at August 31, 2017:

(in thousands, except quantity amounts)	Quantity		Cost		Fair Value
Investments in Uranium:					
U_3O_8	10,080,024 lbs	$	471,496	$	252,726
UF_6	1,903,471 KgU	$	311,862	$	134,462
		$	783,358	$	387,188
U_3O_8 average cost and market value per pound:					
In Canadian dollars		$	46.78	$	25.07[(1)]
In United States dollars		$	42.57	$	20.00
UF_6 average cost and fair value per KgU:					
In Canadian dollars		$	163.84	$	70.64[(1)]
In United States dollars		$	151.62	$	56.35

(1) Translation to Canadian dollars calculated at period-end foreign exchange rate of 1.2536.

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 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 loan was terminated early by mutual agreement. 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 relocations were scheduled to take place over a two year period, in three separate tranches, 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 for the first tranche was recorded as income from relocation of uranium in the statement of comprehensive loss.

In July 2016, the Corporation completed the relocation of the first of the three tranches, transferring a total of 300,000 KgU as UF_6, in exchange for an equivalent amount of KgU as UF_6 contained in enriched uranium product ("EUP").

On March 29, 2017, the counterparty to the uranium relocation agreement filed for Chapter 11 bankruptcy protection in the United States. Subsequent to the announcement, UPC entered into an agreement with the counterparty for the return of 100,000 KgU (of the 300,000 KgU as UF_6 previously relocated under the agreement), and to defer the timing of the second and third relocation tranches under the agreement. On April 28, 2017, the return of the 100,000 KgU as UF_6 was completed. The Corporation continues to hold title to the remaining UF_6 that is stored at this facility and pursuant to the terms of the relocation agreement, the counterparty is not permitted to transfer, sell, or assign the EUP containing the Corporation's UF_6 to any person.

During the three and six months ended August 31, 2017, the Corporation recorded $54,000 and $143,000 in income from the relocation of uranium (August 31, 2016 - $35,000 and $35,000). As at August 31, 2017, trade and other receivables included $31,000 of unbilled income related to the relocation of uranium (February 28, 2017 - $64,000). All amounts that have been invoiced under this agreement have been paid by the counterparty.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were $2,967,000 at August 31, 2017 compared with $5,109,000 at February 28, 2017. The decrease of $2,142,000 was due to cash used in operations.

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, 2017, the Corporation has invested more than 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 December 9, 2016, the Corporation filed a short form base shelf prospectus ("2016 Prospectus") with the securities regulatory authorities in each of the provinces of Canada, other than Québec. As a result, the Corporation may issue 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 2016 Prospectus, for an aggregate offering amount of up to $200,000,000 during the 25 month period ending January 9, 2019. To date, the corporation has not issued any Securities pursuant to the 2016 Prospectus.

On Thursday June 29, 2017 at the Annual and Special Meeting of Shareholders, a special resolution was passed by the shareholders of UPC, which approved a reduction in the stated capital of the common shares of the Corporation by $641,243,000. As a result, the Corporation reduced its share capital to $200,000,000 and reclassified $641,243,000 to contributed surplus.

RELATED PARTY TRANSACTIONS

Management Services Agreement with Denison Mines Inc.

Pursuant to its management services agreement with the Manager dated April 1, 2016, 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 of Directors, 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 three months ended:

(in thousands)	Three Months Ended **August 31, 2017**	Three Months Ended August 31, 2016	Six Months Ended **August 31, 2017**	Six Months Ended August 31, 2016
Fees incurred with the Manager:				
Base and variable fees	$ 322	$ 401	$ 696	$ 827
Discretionary fees	$ -	$ 100	$ -	$ 100
Total fees incurred with the Manager	**$ 322**	$ 501	**$ 696**	$ 927

As at August 31, 2017, trade and other payables included $82,000 (February 28, 2017: $170,000) 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:

(in thousands)	Three Months Ended **August 31, 2017**	Three Months Ended August 31, 2016	Six Months Ended **August 31, 2017**	Six Months Ended August 31, 2016
Directors' fees & expenses	$ 61	$ 72	$ 140	$ 135
Total key management personnel compensation	**$ 61**	$ 72	**$ 140**	$ 135

Directors' fees decreased in the three months ending August 31, 2017 predominantly due to a decrease in the number of directors from seven to six.

SUBSEQUENT EVENT

On September 25, 2017, the Corporation announced that it has entered into an agreement with Cormark Securities Inc., on behalf of a syndicate of underwriters (together the 'Underwriters'), under which the Underwriters have agreed to purchase, on a bought-deal basis, 10,745,000 common shares at a price of $3.50 per share, for gross proceeds of $37,607,500.

The Corporation has granted the Underwriters an over-allotment option to sell an additional 855,000 common shares at $3.50 for additional gross proceeds of $2,992,500. The over-allotment option is exercisable, in whole or in part, at any time during the five day period after the closing. The closing of the offering is expected to occur on or about October 4, 2017. The majority of the net proceeds of the offering will be used to fund the purchase of uranium, with the balance to be used to fund the operating expenses of the Corporation.

OUTSTANDING SHARE DATA

At September 25 2017, there were 120,848,713 common shares issued and outstanding. There are no stock options or other equity 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, 2017 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", which is a non-IFRS financial performance measure. 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. 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. The NAV equals the Corporation's total equity balance as reported in the Corporation's consolidated financial statements. NAV per share does not have a comparable IFRS financial measure presented in UPC's consolidated financial statements and thus there is no applicable quantitative reconciliation for this non-IFRS financial performance measure. The Corporation has calculated NAV and 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 16, 2017 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, 2017	At February 28, 2017
ASSETS		
Current		
Cash and cash equivalents	$ 2,967	$ 5,109
Trade and other receivables	316	483
	3,283	5,592
Non-Current		
Investments in uranium (note 4)	387,188	458,517
Total assets	**$ 390,471**	$ 464,109
LIABILITIES		
Current		
Trade and other payables	$ 1,663	$ 1,764
Total liabilities	1,663	1,764
EQUITY		
Share capital (note 6)	200,000	841,243
Contributed surplus (note 6)	648,005	6,762
Deficit	(459,197)	(385,660)
Total equity	388,808	462,345
Total liabilities and equity	**$ 390,471**	$ 464,109
Common shares		
Issued and outstanding (note 6)	**120,848,713**	120,848,713

Subsequent Events (note 9)

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 August 31, 2017	Three Months Ended August 31, 2016	Six Months Ended August 31, 2017	Six Months Ended August 31, 2016
URANIUM RELATED LOSS				
Unrealized losses on investments in uranium (note 4)	$ (17,513)	$ (35,752)	$ (71,329)	$ (149,081)
Income from lending of uranium (note 5)	-	-	-	585
Income from relocation of uranium (note 5)	54	35	143	35
	(17,459)	(35,717)	**(71,186)**	(148,461)
OPERATING EXPENSES				
Management fees (note 7)	(322)	(501)	(696)	(927)
Storage fees	(491)	(726)	(977)	(1,228)
Public company expenses	(164)	(181)	(328)	(355)
General office and miscellaneous	(33)	(54)	(145)	(195)
Legal and other professional fees	(49)	(55)	(116)	(97)
Interest income	8	14	19	30
Foreign exchange loss	(44)	(12)	(108)	(106)
	(1,095)	(1,515)	**(2,351)**	(2,878)
Net loss and comprehensive loss for the period	**$ (18,554)**	$ (37,232)	**$ (73,537)**	$ (151,339)
Net loss per common share				
Basic and diluted	**$ (0.15)**	$ (0.32)	**$ (0.61)**	$ (1.31)
Weighted average number of common shares outstanding				
Basic and diluted	**120,818,713**	115,648,713	**120,848,713**	115,648,713

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in thousands of Canadian dollars)	Share Capital	Contributed Surplus	Deficit	Total Equity
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
Balance at February 28, 2017	$ 841,243	$ 6,762	$ (385,660)	$ 462,345
Stated capital reduction	(641,243)	641,243	-	-
Net loss for the period	-	-	(73,537)	(73.537)
Balance at August 31, 2017	**$ 200,000**	**$ 648,005**	**$ (459,197)**	**$ 388,808**

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of Canadian dollars)	Six Months Ended August 31, 2017	Six Months Ended August 31, 2016
Operating Activities		
Net loss for the period	$ (73,537)	$ (151,339)
Adjustment for:		
Unrealized losses on investments in uranium (note 4)	71,329	149,081
Costs associated with transfer of uranium	-	(1,156)
Changes in non-cash working capital:		
Change in trade and other receivables	167	180
Change in trade and other payables	(101)	(172)
Net cash used in operating activities	**(2,142)**	(3,406)
Investing Activities		
Net cash (used) generated by investing activities	**-**	-
Financing Activities		
Net cash generated by (used in) financing activities	**-**	-
Decrease in cash and cash equivalents	(2,142)	(3,406)
Cash and cash equivalents – beginning of the period	5,109	8,968
Cash and cash equivalents – end of the period	**$ 2,967**	$ 5,562

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED AUGUST 31, 2017

(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 28, 2017.

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 September 25, 2017.

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 28, 2017.

4. INVESTMENTS IN URANIUM

The investments continuity summary is as follows:

(in thousands)		Cost		Fair Value Adjustment		Fair Value
Balance at February 28, 2017	$	783,358	$	(324,841)	$	458,517
Unrealized net losses on investments in uranium		-		(71,329)		(71,329)
Balance at August 31, 2017	**$**	**783,358**	**$**	**(396,170)**	**$**	**387,188**

The balance of investments in uranium consists of:

(in thousands, except quantity amounts)	Quantity		Cost		Fair Value Adjustment		Fair Value
U_3O_8	10,080,024 lbs	$	471,496	$	(218,770)	$	252,726
UF_6	1,903,471 KgU		311,862		(177,400)		134,462
Balance at August 31, 2017		**$**	**783,358**	**$**	**(396,170)**	**$**	**387,188**

Investments in uranium are categorized in Level 2 of the fair value hierarchy. Fair values as at August 31, 2017 reflect spot prices published by UxC of US$20.00 per pound U_3O_8 and US$56.35 per KgU as UF_6, translated at the foreign exchange indicative rate of CAD$1.2536.

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.

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 relocations were scheduled to take place 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.

In July 2016, the Corporation completed the relocation of the first of the three tranches, transferring a total of 300,000 KgU as UF_6, in exchange for an equivalent amount of KgU as UF_6 contained in enriched uranium product (“EUP”).

On March 29, 2017, the counterparty to the relocation agreement filed for Chapter 11 bankruptcy protection in the United States of America. Subsequent to the announcement, UPC entered into an agreement with the counterparty for the return of 100,000 KgU (of the 300,000 KgU as UF_6 previously relocated under the agreement), and to defer the timing of the second and third relocation tranches under the agreement. On April 28, 2017, the return of the 100,000 KgU as UF_6 was completed. The Corporation continues to hold title to the remaining UF_6 that is stored at this facility and pursuant to the terms of the relocation agreement, the counterparty is not permitted to transfer, sell, or assign the EUP containing the Corporation’s UF_6 to any person.

During the three and six months ended August 31, 2017, the Corporation recorded $54,000 and $143,000 respectively, in income from the relocation of uranium (August 31, 2016 - $35,000 and $35,000). As at August 31, 2017, trade and other receivables included $31,000 of unbilled income related to the relocation of uranium (February 28, 2017 - $64,000). All amounts that have been invoiced under this agreement have been paid by the counterparty.

6. COMMON SHARES

The Corporation is authorized to issue an unlimited number of common shares without par value. Issued and outstanding common shares are as follows:

(in thousands, except common share amounts)	Number of Common Shares		Amount
Balance at February 28, 2017	120,848,713	$	841,243
Stated capital reduction			(641,243)
Balance at August 31, 2017	**120,848,713**	**$**	**200,000**

On December 9, 2016, the Corporation filed a short form base shelf prospectus ("2016 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 2016 Prospectus, for an aggregate offering amount of up to $200,000,000 during the 25 month period ending January 9, 2019. To date, the corporation has not issued any Securities pursuant to the 2016 Prospectus.

On Thursday June 29, 2017 at the Annual and Special Meeting of Shareholders, a special resolution was passed by the shareholders of UPC, which approved a reduction in the stated capital of the common shares of the Corporation by $641,243,000. As a result, the Corporation reduced its share capital to $200,000,000 and reclassified $641,243,000 to contributed surplus.

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, 2017**	August 31, 2016	**August 31, 2017**	August 31, 2016
Fees incurred with the Manager:				
Base and variable fees	$ 322	$ 401	$ 696	$ 827
Discretionary fees	$ -	$ 100	$ -	$ 100
Total fees incurred with the Manager	**$ 322**	$ 501	**$ 696**	$ 927

As at August 31, 2017, trade and other payables included $82,000 (February 28, 2017 - $170,000) 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, 2017**	August 31, 2016	**August 31, 2017**	August 31, 2016
Directors' fees & expenses	$ 61	$ 72	$ 140	$ 135
Total key management personnel compensation	**$ 61**	$ 72	**$ 140**	$ 135

8. COMPARATIVE FINANCIAL STATEMENTS

Certain balances in the comparative consolidated financial statements have been reclassified from the consolidated financial statements previously presented to conform to the presentation of the 2018 interim consolidated financial statements in accordance with IFRS.

9. SUBSEQUENT EVENT

On September 25, 2017, the Corporation announced that it has entered into an agreement with Cormark Securities Inc., on behalf of a syndicate of underwriters (together the 'Underwriters'), under which the Underwriters have agreed to purchase, on a bought-deal basis, 10,745,000 common shares at a price of $3.50 per share, for gross proceeds of $37,607,500.

The Corporation has granted the Underwriters an over-allotment option to sell an additional 855,000 common shares at $3.50 for additional gross proceeds of $2,992,500. The over-allotment option is exercisable, in whole or in part, at any time during the five day period after the closing. The closing of the offering is expected to occur on or about October 4, 2017. The majority of the net proceeds of the offering will be used to fund the purchase of uranium, with the balance to be used to fund the operating expenses of the Corporation.

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
Chairman of the Board
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.

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

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STOCK EXCHANGE LISTING

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Trading Symbol: U

Website: www.tmx.com

Managed by:

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