Uranium Participation Corp. Reports Financial Results for the Year Ended February 29, 2012

26.04.2012 | [Marketwired]

THIS NEWS RELEASE IS NOT FOR DISTRIBUTION TO U.S. NEWSWIRE SERVICES OR FOR DISSEMINATION IN THE UNITED STATES.

TORONTO, ONTARIO -- (Marketwire - April 26, 2012) - Uranium Participation Corporation (TSX: U) ("UPC") reports results for the year ended February 29, 2012. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards. All amounts are in Canadian currency unless otherwise noted.

Net asset value decreased to $712.2 million at February 29, 2012 from $934.5 million at February 28, 2011, primarily due to unrealized losses on uranium holdings. Net asset value declined $223.5 million or $2.09 per common share to $6.70 at February 29, 2012 from $8.79 at February 28, 2011.

The Company recorded $238.8 million in unrealized losses (2011-$338.9 million in unrealized gains) on its uranium investment due to the decline in the spot price of uranium during the year. This was offset by $0.9 million (2011-$1.2 million) in income from investment lending and interest.

Expenses for the year totaled a net recovery of $14.4 million (2011-$38.4 million expense) which included a $19.0 million recovery (2011-$30.1 million provision) for future income taxes related to the unrealized losses.

About Uranium Participation Corporation

Uranium Participation Corporation is an investment holding company which invests substantially all of its assets in uranium oxide in concentrates (U3O8) and uranium hexafluoride (UF6) (collectively "uranium"), with the primary investment objective of achieving appreciation in the value of its uranium holdings. Additional information about Uranium Participation Corporation is available on SEDAR at www.sedar.com and on Uranium Participation Corporation's website at www.uraniumparticipation.com.

URANIUM PARTICIPATION CORPORATION
ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

FEBRUARY 29, 2012

DISCLOSURE

This Annual Management Report of Fund Performance contains financial highlights but does not contain the complete audited annual consolidated financial statements of Uranium Participation Corporation ("UPC" or the "Corporation"). You can get a copy of the audited annual consolidated financial statements at your request, and at no cost, by calling 416-979-1991, by writing to us at 595 Bay Street, Suite 402, Toronto, Ontario, M5G 2C2, or by visiting our website at www.uraniumparticipation.com or SEDAR at www.sedar.com . You may also contact us to obtain a copy of the Corporation's quarterly portfolio disclosure.

UPC holds physical commodities and not equity security investments. As a result, UPC does not have an investment proxy voting disclosure record, nor does it have proxy voting policies and procedures.

This Annual Management Report of Fund Performance is current as of April 26, 2012. All amounts are in Canadian dollars unless otherwise indicated.

CAUTION REGARDING FORWARD LOOKING INFORMATION

This Annual Management Report of Fund Performance contains certain forward looking statements and forward looking information that are based on the Corporation's current internal expectations, estimates, assumptions and beliefs. Forward looking statements generally 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 assumptions and estimates. A variety of factors, many of which are beyond the control of the Corporation, 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 the Corporation, please refer to the "RISK FACTORS" section of UPC's Annual Information Form ("AIF") dated April 26, 2012 available on the Corporation's website and SEDAR.

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 that expressed or implied by the forward looking statements. Except where required under applicable securities legislation, the Corporation does not undertake to update any forward looking information.

URANIUM PARTICIPATION CORPORATION

UPC was incorporated on March 15, 2005 under the Ontario Business Corporations Act. The Corporation was created to invest in, hold and sell uranium oxide in concentrates ("U3O8") and uranium hexafluoride ("UF6") (collectively "uranium"). UPC invests in and holds physical uranium directly and indirectly through its wholly-owned subsidiary, Uranium Participation Cyprus Limited ("UPCL"). UPCL was incorporated on September 10, 2006 under the laws of the Republic of Cyprus and obtained a business license to establish and conduct its operations through a branch office in Luxembourg. Unless otherwise indicated or where the context otherwise requires, references to UPC or the Corporation include UPCL.

Uranium Participation Alberta Corp. ("UPAC") and Uranium Limited ("UL") were also wholly-owned subsidiaries of UPC which directly invested in and held uranium in prior years. UPAC was incorporated on May 4, 2005 under the Alberta Business Corporations Act and was amalgamated with UPC on November 21, 2011. UL was acquired by UPC on March 30, 2010 through a Scheme of Arrangement under the laws of Guernsey, had its uranium holdings transferred to UPCL and was dissolved on August 24, 2011.

UPC is governed by its board of directors (the "Board of Directors") and administered by Denison Mines Inc. (the "Manager") pursuant to a management services agreement (the "Management Services Agreement"). The common shares of UPC trade publicly on the Toronto Stock Exchange under the symbol "U".

UPC established an Independent Review Committee ("IRC") from its qualified independent Board members in October 2007. The IRC has adopted a mandate that provides that the IRC must provide a recommendation or approval of transactions in which there is a conflict of interest between the Corporation and its Manager, as contemplated by National Instrument 81-107-Independent Review Committee for Investment Funds of the Canadian Securities Administrators ("NI 81-107"). The IRC prepares a report to shareholders on an annual basis. The report is available on UPC's website at www.uraniumparticipation.com and is also available to shareholders at no cost by contacting the Corporation at info@uraniumparticipation.com.

UPC is an investment fund as defined by the Canadian securities regulatory authorities in National Instrument 81-106-Investment Fund Continuous Disclosure. Unlike many investment funds, UPC does not qualify as a mutual fund trust under the provisions of the Income Tax Act (Canada) (the "Act") and, accordingly, follows the general corporate income tax provisions of the Act.

Canadian Securities laws require each investment fund to have an investment fund manager ("IFM"). The Corporation has applied to register as an IFM pursuant to National Instrument 31-103-Registration Requirements and Exemptions. As of the date hereof, the application remains under review.

INVESTMENT OBJECTIVES AND STRATEGY

The primary investment objective of UPC is to achieve long-term appreciation in the value of its uranium holdings through a buy and hold investment strategy and not actively speculate with regard to short-term changes in uranium prices. While it is not the current intention of UPC to do so in the short term, it may subsequently sell some or all of its uranium holdings. Ownership of the Corporation's common shares represents an indirect interest in ownership of physical uranium. This provides an investment alternative for investors interested in investing in this commodity without incurring the risks associated with investments in companies that explore for, mine and process uranium related products.

In implementing the investment strategy of the Corporation, at least 85% of the gross proceeds of any equity offering will be invested in, or set aside for future purchases of uranium. In strictly limited circumstances, the Corporation can enter into borrowing arrangements to facilitate the purchases of uranium where the current cash on hand is not adequate to cover such commitments. The maximum amount of any such borrowing cannot exceed 15% of the net asset value of UPC. The Corporation may also enter into uranium lending transactions in order to earn additional returns.

For a more detailed description of the Corporation's investment policies and by-laws, please refer to UPC's AIF.

INVESTMENT RISK

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

Some of the more significant changes or trends in economic conditions through the year that could materially affect the Corporation's future operating results are as follows:

Uranium Price Volatility

Since almost all of UPC's activities involve investing in uranium, the value of its securities will be highly sensitive to fluctuations in the prices of uranium. As a consequence of the March 2011 Japanese nuclear incident, prices have been volatile in response to reduced demand due to reactor shutdowns and anticipated inventory sales by government and Japanese utilities. The spot price per pound of U3O8 began the year at US$69.75, then steadily declined following the Japanese incident, to a low of US$49.00 in August before recovering to end the year at US$52.00. The UF6 spot price per KgU showed a similar pattern with the price of US$194.00 at February 28, 2011, declining to US$141.00 at February 29, 2012.

The fluctuations in these prices have been and will continue to be affected by numerous other factors beyond UPC's control. Such factors include, among others: demand for nuclear power; public and political response to a nuclear incident; reprocessing of used reactor fuel and the re-enrichment of depleted uranium tails; sales of excess civilian and military inventories (including from the dismantling of nuclear weapons) by governments and industry participants; uranium supply, including the supply from other secondary sources; and production levels and production costs in key uranium producing countries.

Set out in the table below is the spot price(1) for U3O8 per pound and UF6 per KgU at February 28 (or February 29, if applicable) for each of the last five years:

	2008	2009	2010	2011
U3O8	$ 73.00	$ 45.00	$ 41.75	$
UF6	$ 200.00	$ 126.00	$ 114.00	

(1) As published by Ux Consulting Company, LLC ("UxCo") in U.S. dollars.

Foreign Exchange Rates

UPC maintains its accounting records, reports its financial position and results, pays certain operating expenses and its securities trade in Canadian currency. As the prices of uranium are quoted in U.S. currency, fluctuations in the U.S. currency exchange rate relative to the Canadian currency can significantly impact the valuation of uranium and the associated purchase price from a Canadian currency perspective. The month-end U.S. dollar relative to the Canadian dollar fluctuated between 1.0389 and 0.9486 throughout the fiscal year, starting the year on February 28, 2011 at 0.9739 and ending the year on February 29, 2012 at 0.9866. Future exchange rate fluctuations may have an adverse effect on UPC's net asset value and net asset value per common share ("NAV") reported in Canadian dollars.

Lack of Operational Liquidity

The expenses of UPC are funded from cash on hand that is not otherwise invested in uranium and revenue from the lending of uranium. Once such cash has been expended, UPC may generate cash from either the lending or sale of uranium, or the sale of additional equity securities. At February 29, 2012, UPC's cash balance was sufficient to cover over three years of anticipated expenses.

Public Acceptance of Nuclear Energy

Growth of the uranium and nuclear power industry will depend upon continued and increased acceptance of nuclear technology as a means of generating electricity. Because of unique political, technological and environmental factors that affect the nuclear industry, including the risk of a nuclear incident, the industry is subject to public opinion risks that could have an adverse impact on the demand for nuclear power and increase the regulation of the nuclear power industry. As a consequence of the Japanese nuclear incident in March 2011, most countries, while declaring their support for nuclear power, have called for technical reviews of all safety and security systems of existing nuclear plants and those under construction and a review of the nuclear safety regulations governing the industry. A few countries, such as Germany and Switzerland have already announced that they will be curtailing or suspending their nuclear programs. It is significant, however, that the governments of China, India, South Korea and Russia have all announced plans to move ahead with their domestic nuclear plans, albeit following a careful review of the safety of their nuclear plants. In the long term, the nuclear industry is forecasted to continue growing to meet the future world energy demands and contribute to efforts for the reduction of greenhouse gas emissions. UxCo has estimated in its Q1 2012 Uranium Market Outlook that uranium demand will grow from 172.0 million pounds of U_3O_8 in 2011 to 222.0 million pounds in 2020.

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

RESULTS OF OPERATIONS

UPC's basic NAV decreased from $8.79 per share at February 28, 2011 to $6.70 at February 29, 2012 representing a basic NAV loss of 23.8%. Diluted NAV decreased from $8.76 per share at February 28, 2011 to $6.70 at February 29, 2012 representing a diluted NAV loss of 23.5%. Over the comparable time period, UPC's benchmark, the S&P/TSX Composite Index, decreased by 10.6%.

UPC's net asset value at February 29, 2012 was $712,160,000 representing a 23.8% decrease from its net asset value of $934,455,000 at February 28, 2011. Of the net asset decrease of $222,295,000 over the period, $223,503,000 was attributable to investment operation performance, $6,743,000 due to common share repurchases under a normal course issuer bid ("NCIB"), offset by $7,951,000 in stock option exercises.

Equity Financing

On March 30, 2010, UPC completed the acquisition of UL by issuing 0.50 UPC shares in exchange for each UL share. A total of 20,624,972 UPC shares were issued to complete the transaction.

In March 2011, all 2,475,000 outstanding stock options to acquire 1,237,500 UPC shares were exercised for gross proceeds of $7,951,000.

In June 2011, the Corporation filed an NCIB with the Toronto Stock Exchange authorizing UPC to purchase up to 7,886,393 of its own common shares during the 12-month period commencing June 14, 2011 and ending June 13, 2012 or on such earlier date as the Corporation completes its purchases. In the year ended February 29, 2012, UPC purchased an aggregate 1,209,400 common shares for cancellation directly under the NCIB at a cost of $6,743,000.

As at February 29, 2012, UPC had 106,350,413 common shares issued and outstanding.

Since inception, UPC has raised gross proceeds of $647,047,000 through common share and equity unit financings, received $39,153,000 through warrant and stock option exercises, and repurchased 1,209,400 of its own shares at a cost of $6,743,000. Also, as part of the UL acquisition, UPC issued 20,624,972 common shares valued at $122,101,000. A total of $732,493,000 or 91.4% of the above amounts have been invested in uranium.

Investment Portfolio

UPC did not acquire any additional U3O8 or UF6 in the year.

The total cost of UPC's U3O8 holdings at February 29, 2012 was $342,495,000 or $47.24 per pound, compared to its fair value of $371,948,000 or $51.30(1) per pound. This represents an increase of 8.6% or 20.3% on a U.S. dollar basis.

The total cost of UPC's UF6 holdings at February 29, 2012 was $389,998,000 or $164.26 per KgU, compared to its fair value of $330,281,000 or $139.11(1) per KgU. This represents a decrease of 15.3% or 7.3% on a U.S. dollar basis.

UPC entered into a loan of the conversion component of 1,332,230 KgU as UF6 in December 2009. The conversion component is subject to a loan fee of 4.5% per annum based on the greater of the adjusted monthly value and US$15,654,000. To facilitate the loan of the conversion component, 1,332,230 KgU as UF6 was transferred to the borrower with 3,480,944 pounds of U3O8 transferred to UPC and an irrevocable letter of credit received as collateral. In addition to generating loan fees, the agreement will effectively reduce some of UPC's storage costs. This agreement is due to expire in December 2012.

Through the acquisition of UL, UPC assumed a loan agreement to lend 520,000 pounds of U3O8 subject to a loan fee of 3.5% per annum of the material's value, fixed at US$46.50 per pound or US$24,180,000. The agreement expired on July 8, 2010 with the U3O8 returned on that date.

In January 2011, an affiliate of the Manager borrowed 150,000 pounds of U3O8 from UPC subject to a loan fee of 3.5% per annum based upon the material's value on the borrowing date. The loan was repayable in February 2011, or such later date agreed to by both parties. In February 2011, the repayment date was amended to April 4, 2011 with the loan fee amended to 3.5% per annum of the material's value on the amendment date. Collateral of US$12,045,000 was held in the form of an irrevocable letter of credit. The loan was repaid in full on March 30, 2011.

Investment Performance

Investment operation losses of $223,503,000 for the year ended February 29, 2012 have been largely driven by the change in unrealized losses on uranium investments of $238,839,000, offset by tax recoveries of $18,997,000.

The change in unrealized losses on investments reflect the weakening U3O8 and UF6 spot prices. As reported by UxCo, spot prices for U3O8 decreased from US$69.75 per pound at February 28, 2011 to US$52.00 per pound at February 29, 2012. UF6 similarly decreased from US$194.00 at February 28, 2011 to US$141.00 at February 29, 2012.

UPC is not a mutual fund trust. Therefore, it is subject to income tax on its taxable income, computed in accordance with the ordinary rules and at rates ordinarily applicable to public corporations in its various jurisdictions. The substantively enacted future tax rates, in UPC's various jurisdictions, range from 3% to 25%. In the current year, UPC has provided for current tax expense of nil and future tax recoveries of $18,997,000. The combined tax recoveries for the current year of $18,997,000 reflects an effective tax rate of approximately 7.8% compared to a tax expense of $30,098,000 and an effective tax rate of 9.0% in the prior year. The decline in the effective tax rate is primarily a result of an increase in the proportion of inventory held in UPC's wholly owned subsidiary, UPCL.

ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

UPC adopted IFRS for its fiscal year ended February 29, 2012, electing not to utilize the deferral offered to investment funds applying Accounting Guideline AcG-18 Investment Companies. Therefore, UPC's consolidated financial report for the year ended February 29, 2012, including comparative amounts for fiscal 2011 are the Corporation's first annual consolidated financial statements prepared in accordance with IFRS.

The adoption of IFRS did not impact UPC's net asset value, with the main differences being additional note disclosure for its uranium investments and deferred income taxes. Further details of the limited impact the adoption of IFRS had on UPC's consolidated financial statements can be found in note 3 of the annual consolidated financial statements.

(1) Reflects spot prices published by UxCo on February 29, 2012 of US$52.00 per pound for U3O8 and

US$141.00 per KgU for UF6 translated at a foreign exchange rate of 0.9866.

RELATED PARTY TRANSACTIONS

UPC is a party to a Management Services Agreement with its Manager. Under the terms of the agreement, UPC will pay the following fees to the Manager: a) a commission of 1.5% of the gross value of any purchases or sales of uranium completed at the request of the Board of Directors; b) a minimum annual management fee of $400,000 (plus reasonable out-of-pocket expenses) plus an additional fee of 0.3% per annum based upon UPC's net asset value between $100,000,000 and $200,000,000 and 0.2% per annum based upon UPC's net asset value in excess of $200,000,000; c) a fee of $200,000 upon the completion of each equity financing where proceeds payable to UPC exceed $20,000,000; d) a fee of $200,000 for each transaction or arrangement (other than the purchase or sale of uranium) of business where the gross value of such transaction exceeds $20,000,000 ("an initiative"); e) an annual fee up to a maximum of $200,000, at the discretion of the Board, for on-going maintenance or work associated with an initiative; and f) a fee equal to 1.5% of the gross value of any uranium held by UPC prior to the completion of any transaction under which at least 90% of the Corporation's common shares are acquired.

In accordance with the Management Services Agreement, all uranium investments owned by UPC are held in accounts with conversion and enrichment facilities in the name of Denison Mines Inc. as manager for and on behalf of UPC.

In March 2010, the initial term of the Management Services Agreement was extended to March 30, 2013, following which, the agreement may be terminated by either party upon the provision of 180 days written notice.

In January 2011, an affiliate of the Manager borrowed 150,000 pounds of U3O8 from UPC subject to a loan fee of 3.5% per annum based upon the material's value on the borrowing date. The loan was repayable in February 2011 or such later date agreed to by both parties. In February 2011, the repayment date was amended to April 4, 2011 with the loan fee amended to 3.5% per annum of the material's value on the amendment date. Collateral was held in the form of an irrevocable letter of credit from a major financial institution in the amount of US$12,045,000. The borrowed U3O8 was returned on March 30, 2011.

The following outlines the income earned and fees paid to the Manager in the years ended February 29, 2012 and February 28, 2011:

```
(in thousands)         2012         2011

Income from investment lending with the Manager         $         35         $         5

Fees incurred with the Manager:
        Management fees         $         1,808         $         1,813
        Transaction fees and uranium purchase commissions                 -
Net fees incurred with the Manager         $         1,773         $         2,760
```

As at February 29, 2012, accounts payable and accrued liabilities included $172,000 (February 28, 2011: $232,000) due to the Manager with respect to the fees indicated above. At February 28, 2012, nil (February 28, 2011: $53,000) in accrued loan interest was receivable from an affiliate of the Manager.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about UPC and is intended to help you understand UPC's financial performance for the last five years. This information is derived from the Corporation's audited annual consolidated financial statements.

Net Asset Value per Share
2012 2011 2010 2009 2008

Net asset value per share - basic:

Net asset value, beginning of year (1) $ 8.79 $ 5.95 $ 7.49 $ 8.96 $ 11.95

Increase (decrease) from operations (1):
Total revenue $ 0.01 $ 0.01 $ 0.04 $ 0.07 $ 0.13

Total expenses before taxes $ (0.04) $ (0.08) $ (0.06) $ (0.08) $ (0.16)
Income tax recovery (provision) $ 0.17 $ (0.29) $ 0.18 $ 0.27 $ 0.93
Realized gains (losses) for the year $ - $ - $ - $ - $ -
Unrealized gains (losses) for the year $ (2.23) $ 3.24 $ (1.77) $ (1.83) $ (3.81)

Total increase (decrease) from operations $ (2.09) $ 2.88 $ (1.61) $ (1.58) $ (2.91)

Net asset value, end of year (1) $ 6.70 $ 8.79 $ 5.95 $ 7.49 $ 8.96

Net asset value per share - diluted:

Net asset value, beginning of year (1) $ 8.76 $ 5.95 $ 7.49 $ 8.96 $ 11.43

Increase (decrease) from operations (1):
Total revenue $ 0.01 $ 0.01 $ 0.04 $ 0.07 $ 0.13
Total expenses before taxes $ (0.04) $ (0.08) $ (0.06) $ (0.08) $ (0.16)
Income tax recovery (provision) $ 0.17 $ (0.29) $ 0.18 $ 0.27 $ 0.93
Realized gains (losses) for the year $ - $ - $ - $ - $ -
Unrealized gains (losses) for the year $ (2.23) $ 3.24 $ (1.77) $ (1.83) $ (3.81)

Total increase (decrease) from operations $ (2.09) $ 2.88 $ (1.61) $ (1.58) $ (2.91)

Net asset value, end of year (1) $ 6.70 $ 8.76 $ 5.95 $ 7.49 $ 8.96

(1) Net asset values are based on the actual number of common shares outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of common shares outstanding over the financial period.

Ratios and Supplemental Data
(in millions, except for ratios and TSX
market prices) 2012 2011 2010 2009 2008

Total net asset value, end of year (1) $ 712.2 $ 934.5 $ 509.6 $ 541.4 $ 582.5
Number of common shares outstanding (1) 106.4 106.3 85.7 72.3 65.0
Average net asset value for the year $ 760.7 $ 729.5 $ 555.8 $ 585.1 $ 708.5
Management expense ratio (2)
Excluding income tax expense (recovery) 0.61 % 0.68 % 0.61 % 0.79 % 1.01 %
Including income tax expense (recovery) (1.89 %) 4.81 % (2.06 %) (2.53 %) (6.86 %)
Trading expense ratio (3) - 0.46 % 0.23 % 0.22 % 0.32 %
Portfolio turnover rate - - - - -
Net asset value per share, end of year (1) $ 6.70 $ 8.79 $ 5.95 $ 7.49 $ 8.96
Closing TSX market price per common share $ 6.03 $ 9.03 $ 6.16 $ 6.05 $ 11.55

(1) This information is provided as at February 28/29 of the year shown.
(2) The management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of the average net asset value during the period.
(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of the average net asset value during the period.

PAST PERFORMANCE

The following tables show the past performances of the NAV Return (Loss) and the share price ("Market Value Return (Loss)") of UPC and will not necessarily indicate how UPC will perform in the future. NAV Return (Loss) is the best representation of the performance of UPC while Market Value Return (Loss) is the best representation of the return to a shareholder of UPC.

Year-by-Year Returns

The table and graph below shows the annual performance in NAV Return (Loss) and Market Value Return (Loss) of UPC for each period indicated. The table and graph shows, in percentage terms, how much an investment made on the first day of each financial period would have increased or decreased by February 28/29 of the period ended:
2006 (1) 2007 (2) 2008 (2) 2009 (2) 2010 (2) 2011 (2) 2012 (2)

NAV Return (Loss) - basic 18.3 % 110.0 % (25.0 %) (16.4 %) (20.6 %) 47.7 % (23.8 %)
NAV Return (Loss) - diluted 18.3 % 100.9 % (21.6 %) (16.4 %) (20.6 %) 47.2 % (23.5 %)
Market Value Return (Loss) 40.2 % 94.1 % (18.4 %) (47.6 %) 1.8 % 46.6 % (33.2 %)

(1) Period from completion of initial public offering on May 10, 2005 through to February 28, 2006.
(2) For the twelve months ended.

To view the graph associated with this press release, please visit the following link:
http://media3.marketwire.com/docs/Uchart.pdf.

Annual Compound Returns

The table below shows the annual compounded return in NAV Return (Loss) and Market Value Return (Loss) of UPC from inception through to the end of the indicated period, compared with the S&P/TSX Composite Index calculated on the same compounded basis.
1 Year 3 Years 5 Years Since Inception(1)

NAV Return (Loss) - basic (23.8 %) (3.7 %) (10.9 %) 4.9 %
NAV Return (Loss) - diluted (23.5 %) (3.7 %) (10.1 %) 4.9 %
Market Value Return (Loss) (33.2 %) (0.1 %) (15.7 %) 2.1 %
S&P / TSX Composite Index (2) (10.6 %) 15.9 % (0.6 %) 4.2 %

(1) Period from completion of initial public offering on May 10, 2005 through to February 29, 2012.
(2) The S&P / TSX Composite Index is a market capitalization-weighted index that provides a broad measure of the performance of the Canadian equity market.

SUMMARY OF INVESTMENT PORTFOLIO

UPC's investment portfolio consists of the following as at February 29, 2012:
(in thousands, except quantity amounts) Quantity of Measure
Cost (1) Market Value (2)

Investments in Uranium:
U3O8 7,250,000 lbs $ 342,495 $ 371,948
UF6(3) 2,374,230 KgU $ 389,998 $ 330,281
$ 732,493 $ 702,229

U3O8 average cost and market value per pound:
- In Canadian dollars $ 47.24 $ 51.30
- In United States dollars $ 43.23 $ 52.00
UF6 average cost and market value per KgU:
- In Canadian dollars $ 164.26 $ 139.11
- In United States dollars $ 152.06 $ 141.00

(1) The cost of the portfolio excludes transaction fees incurred.
(2) The market values have been translated to Canadian dollars using the February 29, 2012 noon foreign exchange rate of 0.9866.
(3) The Corporation has transferred 1,332,230 KgU as UF6 to a third party and taken in exchange 3,480,944 pounds of U3O8, effectively lending the conversion component of the UF6.
Responsibility for Financial Reporting

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

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

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

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, Chartered Accountants, our independent auditor. Their audit report outlines the extent and nature of their examination and expresses their opinion on the consolidated financial statements.

The Board of Directors annually appoints an Audit Committee comprised of four directors, none of whom are members of management. This committee meets at least twice per year with management and the independent auditors to review significant accounting, reporting and internal control matters. The independent auditor has full access to the Audit Committee with or without management present. The Audit Committee reviews the consolidated financial statements, the independent auditor's report, and the accompanying annual management report of fund performance and reports its findings to the Board of Directors for formal approval.
Ron Hochstein James R. Anderson
President Chief Financial Officer

April 26, 2012
Independent Auditor's Report

To the Shareholders of Uranium Participation Corporation

We have audited the accompanying consolidated financial statements of Uranium Participation Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at February 29, 2012, February 28, 2011 and March 1, 2010, the consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flow for the years ended February 29, 2012 and February 28, 2011, the consolidated statement of investment portfolio as at February 29, 2012, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Uranium Participation Corporation and its subsidiaries as at February 29, 2012, February 28, 2011 and March 1, 2010 and its financial performance and cash flows for the years ended February 29, 2012 and February 28, 2011 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP
Chartered Accountants, Licensed Public Accountants
Toronto, Canada

April 26, 2012

URANIUM PARTICIPATION CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars, except per share amounts) At February 29, 2012 At February 28, 2011 At March 1,
2010
Assets
Investments at market value (note 4) $ 702,229 $ 941,068 $ 479,142
Cash and cash equivalents 14,321 16,659 22,673
Sundry receivables and other assets 294 346 1,098
Deferred tax assets (note 5) - 10,806 13,131
Total assets $ 716,844 $ 968,879 $ 516,044

Liabilities
Accounts payable and accrued liabilities 1,529 1,441 1,242
Income taxes payable 134 159 159
Deferred tax liabilities (note 5) 3,021 32,824 5,051
Total liabilities $ 4,684 $ 34,424 $ 6,452

Equity - Net assets represented by:
Share capital (note 6) $ 776,174 $ 775,942 $ 653,841
Contributed surplus 4,564 3,588 2,481
Retained earnings (deficit) (68,578) 154,925 (146,730)
Total equity 712,160 934,455 509,592
Total liabilities and equity $ 716,844 $ 968,879 $ 516,044

Common shares
Issued and outstanding (note 6) 106,350,413 106,322,313 85,697,341

Net asset value per common share
Basic $ 6.70 $ 8.79 $ 5.95
Diluted $ 6.70 $ 8.76 $ 5.95
The accompanying notes are an integral part of these consolidated financial statements.

ON BEHALF OF THE BOARD OF URANIUM PARTICIPATION CORPORATION

Richard H. McCoy Garth A. C. MacRae
Director Director

URANIUM PARTICIPATION CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED FEBRUARY 29, 2012 and FEBRUARY 28, 2011

(in thousands of Canadian dollars, except per share amounts) 2012 2011

Income
Change in unrealized gains (losses) on investments (note 4) $ (238,839) $ 338,881
Income from investment lending (note 9) 734 1,055
Interest 209 136
(237,896) 340,072
Expenses
Transaction fees (notes 7 and 8) - 3,354

Management fees (note 8) 1,808 1,813
Storage fees 2,032 2,391
Audit fees 90 69
Directors' fees 161 134
Independent review committee fees and expenses - 3
Legal and other professional fees 96 40
Shareholder information and other compliance 260 218
General office and miscellaneous 258 277
Foreign exchange loss (gain) (101) 20
4,604 8,319
Increase (decrease) in net assets from operations before taxes (242,500) 331,753

Income tax expense (recovery) (note 5) (18,997) 30,098

Increase (decrease) in net assets from operations after taxes (223,503) 301,655

Increase (decrease) in net assets from operations after taxes per common share
Basic and diluted $ (2.09) $ 2.88

Weighted average common shares outstanding
Basic 107,151,851 104,603,565
Diluted 107,151,851 104,665,566
The accompanying notes are an integral part of these consolidated financial statements.

URANIUM PARTICIPATION CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

YEARS ENDED FEBRUARY 29, 2012 and FEBRUARY 28, 2011

(in thousands of Canadian dollars) Share
capital Contributed surplus Retained
earnings (deficit) Total equity

Balance at March 1, 2010 $ 653,841 $ 2,481 $ (146,730) $ 509,592

New shares issued - net of issue costs (note 6) 122,101 - - 122,101
Stock options assumed (notes 6 and 7) - 1,107 - 1,107
Increase in net assets from operations after taxes - - 301,655 301,655

Balance at February 28, 2011 $ 775,942 $ 3,588 $ 154,925 $ 934,455

Stock options exercised (note 6) 9,058 (1,107) - 7,951
Repurchase of common shares (note 6) (8,826) 2,083 - (6,743)
Decrease in net assets from operations after taxes - - (223,503) (223,503)

Balance at February 29, 2012 $ 776,174 $ 4,564 $ (68,578) $ 712,160

URANIUM PARTICIPATION CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOW

YEARS ENDED FEBRUARY 29, 2012 and FEBRUARY 28, 2011

(in thousands of Canadian dollars) 2012 2011

Operating Activities
Increase (decrease) in net assets from operations after taxes $ (223,503) $ 301,655
Adjustments for non-cash items:
Change in unrealized losses (gains) on investments (note 4) 238,839 (338,881)
Deferred income tax expense (recovery) (note 5) (18,997) 30,098

Changes in non-cash working capital:
Change in sundry receivables and other assets 52 979
Change in accounts payable and accrued liabilities 88 65
Change in income taxes payable (25) -
Net cash used in operating activities (3,546) (6,084)

Investing Activities
Cash acquired in UL acquisition - 70
Net cash generated by investing activities - 70

Financing Activities
Repurchase of common shares (note 6) (6,743) -
Stock option exercises (note 6) 7,951 -
Net cash generated by financing activities 1,208 -

Decrease in cash and cash equivalents (2,338) (6,014)
Cash and cash equivalents - beginning of year 16,659 22,673
Cash and cash equivalents - end of year $ 14,321 $ 16,659
The accompanying notes are an integral part of these consolidated financial statements.

URANIUM PARTICIPATION CORPORATION
CONSOLIDATED STATEMENT OF INVESTMENT PORTFOLIO

AS AT FEBRUARY 29, 2012

(in thousands of Canadian dollars, except quantity amounts) Quantity of Measure
Cost (1) Market
Value (2)

Investments in Uranium:
Uranium oxide in concentrates ("U3O8") 7,250,000 lbs $ 342,495 $ 371,948
Uranium hexafluoride ("UF6") (3) 2,374,230 KgU $ 389,998 $ 330,281
$ 732,493 $ 702,229

U3O8 average cost and market value per pound:
- In Canadian dollars $ 47.24 $ 51.30
- In United States dollars $ 43.23 $ 52.00
UF6 average cost and market value per KgU:
- In Canadian dollars $ 164.26 $ 139.11
- In United States dollars $ 152.06 $ 141.00

(1) The cost of the portfolio excludes transaction fees incurred.
(2) The market values have been translated to Canadian dollars using the February 29, 2012 noon foreign exchange rate of 0.9866.
(3) The Corporation has transferred 1,332,230 KgU as UF6 to a third party and taken in exchange 3,480,944 pounds of U3O8, effectively lending the conversion component of the UF6.See note 9 for further details of this arrangement.

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

URANIUM PARTICIPATION CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars, unless otherwise noted)

1. URANIUM PARTICIPATION CORPORATION

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

UPC and its subsidiaries (collectively, the "Corporation") is a non-redeemable investment fund as defined by the Canadian securities regulatory authorities in National Instrument 81-106-Investment Fund Continuous Disclosure. The Corporation was created to invest substantially all of its assets in U3O8 and UF6 (collectively, "investments in uranium") with the primary investment objective of achieving appreciation in the value of its uranium holdings. The Corporation's affairs are managed by Denison Mines Inc. (the "Manager"). The common shares of the Corporation trade publicly on the Toronto Stock Exchange under the symbol U.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation and Adoption of IFRS

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These are the Corporation's first annual consolidated financial statements prepared under IFRS; therefore, IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.

The Corporation has consistently applied the same accounting policies in its opening IFRS statement of financial position as at March 1, 2010 and throughout all periods presented, as if these policies had always been in effect. In these consolidated financial statements, the term "CGAAP" refers to Canadian GAAP before the adoption of IFRS.

These consolidated financial statements were authorized for issue by the Corporation's Board of Directors on April 26, 2012.

(b) Principles of Consolidation

The accompanying consolidated financial statements include the assets, liabilities, income and expenses of UPC and its wholly owned subsidiaries. Subsidiaries are all entities over which UPC has the power to govern the financial and operating policies. Subsidiaries are fully consolidated from the date control is obtained by the Corporation and de-consolidated from the date control ceases. All intercompany balances and transactions have been eliminated on consolidation.

(c) Accounting Estimates and Judgments

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

(i) Deferred Income Taxes

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

(ii) Functional Currency

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

(d) Investments

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

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

(e) Investments Lending

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

(f) Foreign Exchange Translation

Items included in the consolidated financial statements of UPC and its subsidiaries are measured using their functional currency, which is the currency of the primary economic environment in which the entity operates. The Corporation's consolidated financial statements are presented in Canadian dollars, which is UPC and its subsidiaries' functional and presentation currency.

Foreign currency monetary assets and liabilities are translated into the respective functional currency of the Corporation's entities at the prevailing exchange rate on the reporting date. Foreign currency income and expense transactions are translated to the functional currency at the prevailing exchange rate on the transaction date. Changes in the foreign exchange rates between the transaction date and the applicable reporting period date used to value monetary assets and liabilities are reflected in the statement of comprehensive income as foreign exchange gain or loss.

(g) Cash and Cash Equivalents

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

(h) Income Taxes

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

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

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

(i) Increase (Decrease) in Net Assets from Operations per Common Share

Increase (decrease) in net assets from operations per common share is calculated by dividing the increase (decrease) in net assets from operations for the period attributable to equity holders of the Corporation by the weighted average number of common shares outstanding.

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

Recent Accounting Pronouncements

The following new standards and amendments or interpretations to existing standards have been published but not yet applied by the Corporation. The Corporation has not yet assessed the impact nor determined whether it will early adopt any of the following standards:

IFRS 7 Financial Instruments: Disclosures

In May 2011, IFRS 7 was amended to require additional disclosures with respect to risk exposures arising from transferred financial assets. The amendments are effective for annual periods beginning on or after July

1, 2011, with earlier application permitted.

IFRS 9 Financial Instruments

IFRS 9 as issued in November 2009 and expanded and amended in October 2010, will ultimately replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 replaces the multiple classifications for financial assets in IAS 39 with two measurement categories, amortized cost and fair value, which are based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. This standard is required to be applied retrospectively for accounting periods beginning on or after January 1, 2015, with earlier application permitted.

IFRS 10 Consolidated Financial Statements

In May 2011, IFRS 10 was issued, establishing principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC-12 Consolidation-Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements. This standard is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 12 Disclosure of Interest in Other Entities

IFRS 12 was issued in May 2011 and is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard is to be applied prospectively and is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 13 Fair Value Measurement

IFRS 13 was issued in May 2011 and establishes a single set of requirements for all fair value measurements. IFRS 13 defines fair value, sets out a framework to measure fair value and introduces consistent requirements for disclosures on fair value measurements. The standard is to be applied prospectively and is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IAS 1 Presentation of Financial Statements

In June 2011, IAS 1 was amended requiring items within Other Comprehensive Income be grouped based on whether the items may be reclassified to profit or loss in the future. The standard is to be applied retrospectively and is effective for annual periods beginning on or after July 1, 2012, with earlier application permitted.

3. TRANSITION TO IFRS

In September 2010, the Canadian Accounting Standards Board ("AcSB") confirmed that entities applying Accounting Guideline AcG-18 Investment Companies ("AcG-18") would be granted the option to defer implementation of IFRS until its fiscal year beginning on or after January 1, 2012. The AcSB has since deferred the implementation date an additional two years due to delays experienced in finalizing the new consolidation standard. Therefore investment funds applying AcG-18 could defer its adoption of IFRS to fiscal periods beginning on or after January 1, 2014.

The Corporation decided not to utilize this deferral and elected to early adopt IFRS for its fiscal year ending February 29, 2012. Therefore, as stated in Note 2(a), these are the Corporation's first annual consolidated financial statements prepared in accordance with IFRS, with a transition date of March 1, 2010. The accounting policies set out in Note 2 have been applied in preparing the consolidated financial statements for the years ended February 29, 2012 and February 28, 2011 and the opening IFRS balances at March 1, 2010.

Reconciliation of Consolidated Financial Statements from CGAAP to IFRS

There were no adjustments made to the Corporation's net asset balance, comprehensive income or its cash flows due to the adoption of IFRS, therefore no reconciliations are required.

Additional Annual Disclosures under IFRS

Certain disclosures are required in annual financial statements under IFRS that were not required under CGAAP. Such disclosures include continuity schedules for the Corporation's investments in uranium (note 4) and increased disclosure regarding the activity and details of deferred income tax balances (note 5).

Mandatory Exceptions and Optional Exemptions

The Corporation's estimates in accordance with IFRS at the date of transition to IFRS were consistent with estimates made for the same date in accordance with CGAAP.

The Corporation did not elect to utilize any optional exemptions.

4. INVESTMENTS IN URANIUM

The investments continuity summary is as follows:

(in thousands) Fair Value Market
Cost Increment Value

Balance at March 1, 2010 $ 609,448 $ (130,306) $ 479,142

Uranium purchases 123,045 - 123,045
Change in unrealized gains (losses) on investments - 338,881 338,881

Balance at February 28, 2011 $ 732,493 $ 208,575 $ 941,068

Change in unrealized gains (losses) on investments - (238,839) (238,839)

Balance at February 29, 2012 $ 732,493 $ (30,264) $ 702,229

5. INCOME TAXES

Unlike most investment funds, the Corporation is not a mutual fund trust, making it subject to income tax on its taxable income. The Corporation is also subject to varying rates of taxation due to its operations in multiple tax jurisdictions. Reconciliations of the income tax expense (recovery) for the years ended February 29, 2012 and February 28, 2011 are as follows:

(in thousands) 2012 2011

Current tax expense $ - $ 3
Deferred tax expense (recovery) (18,997) 30,226
Adjustments in respect of prior periods - deferred tax expense (recovery) - (131)
Total income tax expense (recovery) $ (18,997) $ 30,098

Reconciliations of the combined Canadian federal and Ontario provincial income tax rate to the Corporation's effective rate of income tax for the years ended February 29, 2012 and February 28, 2011 are as follows:

(in thousands) 2012 2011

Increase (decrease) in net assets from operations, before income taxes $ (242,500) $ 331,753
Combined federal and Ontario provincial income tax rate (1) 27.92 % 30.42 %
Computed income tax expense (recovery) (67,706) 100,919

Difference in current tax rates applicable in other jurisdictions 43,564 (65,652)
Difference between deferred and current tax rates 942 (2,768)
Change in deferred tax assets not recognized 4,455 (2,263)
Taxable permanent differences - 431

Other (252) (569)
Income tax expense (recovery) $ (18,997) $ 30,098

(1) The combined federal and Ontario provincial income tax rate for the year ended February 29, 2012 declined due to: 1) federal tax rate decreases from 18.0% to 16.5% effective January 1, 2011, and from 16.5% to 15.0% effective January 1, 2012; and 2) Ontario tax rate decreases from 14.0% to 12.0% effective July 1, 2010, and from 12.0% to 11.5% effective July 1, 2011.

The components of the Corporation's deferred tax balances at February 29, 2012, February 28, 2011, and March 1, 2010 are comprised of temporary differences as presented below:

(in thousands) 2012 2011 2010

Deferred tax assets:
Tax benefit of share issue costs $ 662 $ 1,429 $ 2,592
Tax benefit of operating loss carryforwards 2,780 10,435 8,224
Unrealized loss on investments - - 3,269
Other 73 266 -
Gross deferred tax assets 3,515 12,130 14,085
Deferred tax assets set off against deferred tax liabilities (3,515) (1,324) (954)
Deferred tax assets (1) (2) $ - $ 10,806 $ 13,131

Deferred tax liabilities:
Unrealized gain on investments $ 6,536 $ 34,148 $ 6,005
Gross deferred tax liabilities 6,536 34,148 6,005
Deferred tax assets set off against deferred tax liabilities (3,515) (1,324) (954)
Deferred tax liabilities (2) $ 3,021 $ 32,824 $ 5,051

(1) Deferred tax assets relate to UPC's tax assets in Ontario. The recognition of these deferred tax assets, in excess of existing temporary differences, is supported by UPC's ability to generate taxable income through its inter-company financing arrangements.

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

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

(in thousands)	Expiry Date	2012	2011	2010
Deductible temporary differences	Unlimited	$ 4,431	$ -	$ 2,278
Income tax losses	Unlimited	39	15	-
Total deferred tax assets not recognized		$ 4,470	$ 15	$ 2,278

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 and the associated dollar amounts is as follows:

(in thousands except common share balances)	Number of Common Shares	Amount
Balance at March 1, 2010	85,697,341	$ 653,841
Common share issuances		
Shares issued on acquisition of UL (note 7)	20,624,972	122,101
Balance at February 28, 2011	106,322,313	$ 775,942
Common share issuances		
Stock option exercises	1,237,500	7,951
Fair value of stock options exercised	-	1,107
Repurchase of common shares	(1,209,400)	(8,826)
Balance at February 29, 2012	106,350,413	$ 776,174

Common Share Issuances

On March 30, 2010, the Corporation completed the acquisition of UL by issuing 0.50 of its shares in exchange for each UL share. An aggregate of 20,624,972 of the Corporation's shares, valued at the acquisition date market price of $5.92 per share, were issued to complete this transaction.

Normal Course Issuer Bid

In June 2011, the Corporation filed a normal course issuer bid ("NCIB") with the Toronto Stock Exchange authorizing the Corporation to purchase up to 7,886,393 of its own common shares during the 12-month period commencing June 14, 2011 and ending June 13, 2012 or on such earlier date as the Corporation completes its purchases. The purpose of the NCIB is to provide the Corporation with a mechanism to decrease the potential spread between the net asset value per common share and the market price of the shares.

In the year ended February 29, 2012, the Corporation purchased an aggregate 1,209,400 common shares for cancellation under the NCIB, at a cost of $6,743,000. This resulted in a reduction to share capital of $8,826,000 and an increase to contributed surplus of $2,083,000.

Stock Options

On March 30, 2010, the Corporation assumed the obligation to issue its common shares in satisfaction of the exercise of the outstanding, fully-vested stock options to purchase 2,475,000 common shares of UL. See note 7 for further details of this transaction.

These options had an exercise price of GBP£2.05 per option and an expiry date of July 21, 2011. Each option assumed was exercisable for 0.50 of the Corporation's common shares. The fair value of these options of $1,107,000 was estimated using the Black-Scholes option pricing model on the acquisition date. The assumptions used in the model are as follows:

	Assumptions	
Risk-free interest rate	1.6	%
Expected volatility	36.0	%
Expected option life in years	1.4	
Expected dividend yield	-	
Fair value per stock option	$0.45	

A continuity schedule of the issued and outstanding stock options and the associated dollar amounts is as follows:

(in thousands except common share balances)	Number of Options	Fair Value Dollar Amou
Balance at March 1, 2010	-	$ -
Stock options assumed	2,475,000	1,107
Balance at February 28, 2011	2,475,000	$ 1,107
Stock option exercises	(2,475,000)	(1,107)
Balance at February 29, 2012	-	$ -

7. ACQUISITION OF URANIUM LIMITED

On March 30, 2010, the Corporation completed the acquisition of UL pursuant to a scheme of arrangement under the laws of Guernsey. The transaction was accounted for as an asset acquisition. Under the terms of the transaction, the Corporation acquired all of the issued and outstanding shares of UL in a share exchange at a ratio of 0.50 of the Corporation's common shares for each common share of UL.

Upon the close of the acquisition, 20,624,972 of the Corporation's common shares were issued to UL shareholders, representing 19.4% of the total issued and outstanding common shares of the Corporation. The Corporation also assumed outstanding, fully-vested stock options to purchase 2,475,000 common shares of UL at a strike price of GBP£2.05 per option with an expiry date of July 21, 2011. Each option assumed was exercisable for 0.50 of the Corporation's shares. All of these options were exercised by the end of March 2011.

Principal assets obtained from the acquisition of UL included 1,705,000 pounds of U3O8, valued at $74,051,000, and 412,000 KgU as UF6, valued at $48,995,000. Of the U3O8 acquired, 520,000 pounds were subject to a loan agreement at a loan rate of 3.5%. The agreement expired on July 8, 2010 with the U3O8 returned on that date. Transaction costs incurred for the acquisition of UL totalled $3,354,000, $1,000,000 of which was paid to the Manager on closing pursuant to the management services agreement.

8. RELATED PARTY TRANSACTIONS

The Corporation is a party to a management services agreement with the Manager. Under the terms of the agreement, the Corporation pays the following fees to the Manager: a) a commission of 1.5% of the gross value of any purchases or sales of uranium completed at the request of the Board of Directors; b) a minimum annual management fee of $400,000 (plus reasonable out-of-pocket expenses) plus an additional fee of 0.3% per annum based upon the Corporation's net asset value between $100,000,000 and $200,000,000 and 0.2% per annum based upon the Corporation's net asset value in excess of $200,000,000; c) a fee of $200,000 upon the completion of each equity financing where proceeds payable to the Corporation exceed $20,000,000; d) a fee of $200,000 for each transaction or arrangement (other than the purchase or sale of uranium) of business where the gross value of such transaction exceeds $20,000,000 ("an initiative"); e) an annual fee up to a maximum of $200,000, at the discretion of the Board, for on-going maintenance or work associated with an initiative; and f) a fee equal to 1.5% of the gross value of any uranium held by the Corporation prior to the completion of any transaction under which at least 90% of the Corporation's common shares are acquired.

In accordance with the management services agreement, all uranium investments owned by the Corporation are held in accounts with conversion and enrichment facilities in the name of Denison Mines Inc. as manager for and on behalf of the Corporation.

In March 2010, the initial term of the management services agreement was extended to March 30, 2013, following which, the agreement may be terminated by either party upon the provision of 180 days written notice.

In January 2011, an affiliate of the Manager borrowed 150,000 pounds of U3O8 from the Corporation subject to a loan fee of 3.5% per annum based upon the material's value on the borrowing date. The loan was repayable in February 2011 or such later date agreed to by both parties. In February 2011, the repayment date was amended to April 4, 2011, with the loan fee amended to 3.5% per annum of the material's value on the amendment date. Collateral was held in the form of an irrevocable letter of credit from a major financial institution in the amount of US$12,045,000. The borrowed U3O8 was returned on March 30, 2011. See note 9 for further details of this transaction.

The following outlines the income earned and fees paid to the Manager in the years ended February 29, 2012 and February 28, 2011:

(in thousands)	2012	2011
Income from investment lending with the Manager	$ 35	$ 53
Fees incurred with the Manager:		
Management fees	$ 1,808	$ 1,813
Transaction fees and uranium purchase commissions	-	1,000
Net fees incurred with the Manager	$ 1,773	$ 2,760

As at February 29, 2012, accounts payable and accrued liabilities included $172,000 (February 28, 2011: $232,000, March 1, 2010: $103,000) due to the Manager with respect to the fees indicated above. At February 28, 2012, nil (February 28, 2011: $53,000, March 1, 2010: nil) in accrued loan interest was receivable from an affiliate of the Manager.

The Corporation does not employ any personnel, as its affairs are administered by the Manager's personnel.

9. INVESTMENTS LENDING

The Corporation entered into a loan of the conversion component of 1,332,230 KgU as UF6 in December 2009. The conversion component loaned is subject to a loan fee of 4.5% per annum based on the greater of the adjusted monthly value and US$15,654,000. To facilitate the loan of the conversion component, 1,332,230 KgU as UF6 was transferred to the borrower with 3,480,944 pounds of U3O8 and an irrevocable letter of credit of US$15,700,000 from a major financial institution sent to the Corporation as collateral. In

November 2010, the irrevocable letter of credit was increased to US$17,835,000. Investment lending income for the year ended February 29, 2012 totalled $699,000 (2011: $760,000). At February 29, 2012, the conversion component loaned had a market value of $8,543,000 (US$8,659,000). This agreement is due to expire in December 2012.

Pursuant to a loan agreement dated November 24, 2010, an affiliate of the Manager borrowed 150,000 pounds of U3O8, subject to a loan fee of 3.5% per annum of the material's value on the borrowing date. The loan was repayable on February 3, 2011, or such later date agreed to by both parties. Collateral was provided in the form of an irrevocable letter of credit from a major financial institution in the amount of US$10,065,000. In February 2011, the repayment date for the U3O8 loan was amended to April 4, 2011, the loan fee was amended to 3.5% per annum of the material's value on the amendment date, and the collateral increased to US$12,045,000. Investment lending income for the year ended February 29, 2012 totalled $35,000 (2011: $53,000). The borrowed U3O8 was returned on March 30, 2011.

Through the acquisition of UL, the Corporation assumed a loan agreement to lend 520,000 pounds of U3O8 subject to a loan fee of 3.5% per annum of the material's value, fixed at US$46.50 per pound or US$24,180,000. Investment lending income for the year ended February 29, 2012 totalled nil (2011: $242,000). The agreement expired on July 8, 2010 with the U3O8 returned on that date.

10. CAPITAL MANAGEMENT AND FINANCIAL RISK

Capital Management

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

At February 29, 2012, the Corporation has invested 91.4% of aggregate share offerings in uranium, and had no outstanding borrowing arrangements for the purchase of uranium.

Financial Risk

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

(a) Commodity Price Risk

The Corporation's net asset value is directly tied to the spot price of uranium published by UxCo. At February 29, 2012, a 10% increase (decrease) in the uranium spot price would have increased (decreased) the Corporation's net asset value by approximately $65,596,000.

(b) Currency Risk

Changes in the value of the Canadian dollar compared to foreign currencies will affect the value, as reported, of the Corporation's foreign denominated investments, cash and cash equivalents, sundry receivables and other assets, and accounts payable and accrued liabilities.

As the prices of uranium are quoted in U.S. currency, fluctuations in the Canadian dollar relative to the U.S. dollar can significantly impact the valuation of uranium from a Canadian dollar perspective. At February 29, 2012, a 10% increase (decrease) in the Canadian dollar to U.S. dollar exchange rate would have decreased (increased) the Corporation's net asset value by approximately $65,582,000.

(c) Credit Risk

The Corporation's primary exposure to credit risk arises from its lending arrangements. The Corporation lends uranium exclusively to large organizations and ensures that adequate security is provided for any loaned uranium (see note 9).

(d) Liquidity Risk

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

Contact Information

Uranium Participation Corporation
Ron Hochstein
President
(416) 979-1991 Ext. 232

Uranium Participation Corporation
James Anderson
Chief Financial Officer
(416) 979-1991 Ext. 372
www.uraniumparticipation.com