Uranium Participation Corporation

2013 ANNUAL REPORT

2013 Annual Report

Uranium Participation Corporation

www.uraniumparticipation.com

To Our Shareholders

This past fiscal year has proven to be another challenging one for Uranium Participation Corporation, as the uranium market continued to be impacted from reduced uranium demand as a result of the 2011 crisis at Fukushima-Dachii nuclear power facility, combined with increased uranium production. As Japan continued the curtailment of its nuclear programs, the lack of short-term demand for uranium pushed the spot price for the commodity below US$50.00 per pound by the end of the fiscal year.

Uranium Participation Corporation's net asset value decreased to $615.9 million at February 28, 2013 from $712.2 million at February 29, 2012. This decrease was primarily due to unrealized losses on investments of $96.0 million, resulting from the decline in U_3O_8 and UF_6 spot prices and slightly offset by the strengthened U.S. dollar to Canadian dollar foreign exchange rate. Accordingly, net asset value per common share decreased $0.91 or 13.6% to $5.79 at February 28, 2013 from $6.70 at February 29, 2012.

Despite the weakening uranium spot prices during the Corporation's past fiscal year, we believe that the fundamentals of the future uranium market remain strong. It is currently estimated that there are approximately 226 reactors that are either under construction or planned around the world. By comparison, prior to the Fukushima incident in February 2011, it was estimated that there were 218 reactors under construction or planned. Notwithstanding the Fukushima incident, it is anticipated that uranium demand will continue to grow from 180.0 million pounds of U_3O_8 in 2012 to 201.2 million pounds in 2020. With the expected termination of the Russian-American Highly Enriched Uranium agreement at the end of 2013, uranium currently available from the down blending of Russian nuclear warheads will no longer be available to satisfy increasing demand. It is expected that this will remove approximately 18 to 24 million pounds of uranium from annual supplies.

In order to meet future demand, new mines will need to be developed and brought into production. At the present time, Cigar Lake is the only new mine currently close to operation. Many of the other planned or proposed uranium projects are currently being deferred or delayed due to weak uranium prices. Prices will need to increase appreciably to support the higher cost production profile of new mines and significant capital expenditures that will be required to meet the production forecasts.

Prior to the end of the 2013 fiscal year, Uranium Participation Corporation changed its reporting issuer status with the Canadian Securities Administrators. When UPC first became a public company in 2005, it was classified as an investment fund. Since that time, UPC arranged its affairs in compliance with applicable securities legislation related to reporting issuers generally, as modified by the provisions that relate specifically to investment funds. At a special meeting of shareholders in February 2013, the Corporation's shareholders approved the Corporation's reclassification from an investment fund to an ordinary reporting issuer. The reclassification does not impact the Corporation in a material manner. Rather, the reclassification changes some of the governance rules that apply to the Corporation and the rules pursuant to which the Corporation reports to shareholders. We believe this will provide better information to shareholders in a more cost effective manner.

Yours truly,

Ron Hochstein
President and Chief Executive Officer

April 25, 2013

URANIUM PARTICIPATION CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED FEBRUARY 28, 2013
(Expressed in Canadian dollars, unless otherwise noted)

This Management's Discussion and Analysis ("MD&A") provides a detailed analysis of the financial condition and results of operations for the year ended February 28, 2013, in comparison with the corresponding prior year periods. This MD&A is current as of April 25, 2013 and should be read in conjunction with Uranium Participation Corporation's (the "Corporation" or "UPC") audited consolidated financial statements and related notes for the year ended February 28, 2013, prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts are expressed in Canadian dollars, unless otherwise noted.

RECLASSIFICATION TO AN ORDINARY REPORTING ISSUER

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

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

By their very nature, forward looking statements involve numerous factors, assumptions and estimates. A variety of factors, many of which are beyond the control of UPC, may cause actual results to differ materially from the expectations expressed in the forward looking statements. For a list of the principal risks of an investment in UPC, please refer to the "RISK FACTORS" section of UPC's Management Proxy Circular dated January 17, 2013 ("Circular"), available on the Corporation's website and 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 that expressed or implied by the forward looking statements. Except where required under applicable securities legislation, UPC does not undertake to update any forward-looking statements.

OVERVIEW

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

SELECTED ANNUAL FINANCIAL INFORMATION

	Year ended		
	February 28, 2013	February 29, 2012	February 28, 2011
Total income, including unrealized investment gains (losses) (in thousands)	$ (95,157)	$ (237,896)	$ 340,072
Net income (loss) for the period (in thousands)	(96,211)	(223,503)	301,655
Net income (loss) per common share – basic and diluted	(0.90)	(2.09)	2.88
Total assets (in thousands)	617,742	716,844	968,879
Total long-term liabilities (in thousands)	–	3,021	32,824
Net asset value per common share ("NAV") - basic(2)	5.79	6.70	8.79
NAV - diluted(2)	5.79	6.70	8.76
U_3O_8 spot price(1) (US$) at period end date	42.00	52.00	69.75
UF_6 spot price(1) (US$) at period end date	120.00	141.00	194.00
Noon US$→CAD$ exchange rate at period end date	1.0285	0.9866	0.9739

1 Reflects spot prices published by Ux Consulting Company, LLC ("UxCo"). Translation to Canadian dollars calculated at the period end noon foreign exchange rate.
2 See "Non-GAAP Financial Performance Measures".

SUMMARY OF QUARTERLY FINANCIAL RESULTS

	2013	2012		
	February 28	November 30	August 31	May 31
Total income, including unrealized investment gains (losses) (in thousands)	$ 21,617	$ (74,999)	$ (71,438)	$ 29,663
Net income (loss) for the period (in thousands)	20,684	(75,085)	(69,194)	27,384
Net income (loss) per common share – basic and diluted	0.19	(0.71)	(0.65)	0.26
NAV(2) – basic and diluted	5.79	5.60	6.30	6.95
U_3O_8 spot price(1) (US$) at period end date	42.00	42.00	48.50	52.00
UF_6 spot price(1) (US$) at period end date	120.00	119.75	133.75	139.00
Noon US$→CAD$ exchange rate at period end date	1.0285	0.9932	0.9863	1.0349

	2012	2011		
	February 29	November 30	August 31	May 31
Total income, including unrealized investment gains (losses) (in thousands)	$ (22,094)	$ 56,653	$ (103,539)	$ (168,916)
Net income (loss) for the period (in thousands)	(22,945)	50,352	(95,600)	(155,310)
Net income (loss) per common share – basic and diluted	(0.22)	0.47	(0.89)	(1.45)
NAV(2) – basic and diluted	6.70	6.90	6.43	7.32
U_3O_8 spot price(1) (US$) at period end date	52.00	51.75	49.00	57.50
UF_6 spot price(1) (US$) at period end date	141.00	141.25	138.00	160.00
Noon US$→CAD$ exchange rate at period end date	0.9866	1.0197	0.9784	0.9688

1 Reflects spot prices published by UxCo. Translation to Canadian dollars calculated at the period end noon foreign exchange rate.
2 See "Non-GAAP Financial Performance Measures".

OVERALL PERFORMANCE

Net income (loss) for the year ended February 28, 2013 was ($96,211,000) compared with ($223,503,000) for the year ended February 29, 2012. Net loss for the year ended February 28, 2013 was primarily due to unrealized losses on investments of $96,023,000, management fees of $1,638,000 and storage fees of $1,587,000, offset by income tax recoveries of $3,034,000. Net loss for the year ended February 29, 2012 was primarily due to unrealized losses on investments of $238,839,000, management fees of $1,808,000 and storage fees of $2,032,000, offset by income tax recoveries of $18,997,000.

Net income (loss) for the three months ended February 28, 2013 was $20,684,000 compared with ($22,945,000) for the three months ended February 29, 2012. For the three months ended February 28, 2013, net income was primarily attributed to unrealized gains on investments of $21,396,000, due to the increase in foreign exchange rates in the period. The net loss for the three months ended February 29, 2012 was primarily attributed to unrealized losses on investments of $22,316,000 due to the decline in foreign exchange rates in the period.

Unrealized gains (losses) on investments were caused by strengthening (weakening) U_3O_8 and UF_6 spot prices. In fiscal 2013, the spot price for U_3O_8 decreased to US$42.00(1) per pound at February 28, 2013 from US$52.00(1) per pound at February 29, 2012 and remained unchanged from the November 30, 2012 spot price of US$42.00 per pound. UF_6 decreased to US$120.00(1) per KgU at February 28,

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

2013 from US$141.00[1] per KgU at February 29, 2012, and increased from the November 30, 2012 spot price of US$119.75[1] per KgU. The U.S. dollar to Canadian dollar foreign exchange rate strengthened to 1.0285 at February 28, 2013 from 0.9866 at February 29, 2012 and 0.9932 at November 30, 2012.

In fiscal 2012, the spot price for U_3O_8 decreased to US$52.00[1] per pound at February 29, 2012 from US$69.75[1] per pound at February 28, 2011 and increased from the November 30, 2011 spot price of US$51.75 per pound. UF_6 decreased to US$141.00[1] per KgU at February 29, 2012 from US$194.00[1] per KgU at February 28, 2011, and decreased from the November 30, 2011 spot price of US$141.25[1] per KgU. The U.S. dollar to Canadian dollar foreign exchange rate fluctuated to 0.9866 at February 29, 2012 from 0.9739 at February 28, 2011 and 1.0197 at November 30, 2011.

UPC's NAV[2] decreased to $5.79 at February 28, 2013 on a basic and diluted basis from $6.70 at February 29, 2012. Total assets less total liabilities decreased to $615,949,000 at February 28, 2013 from $712,160,000 at February 29, 2012.

The substantively enacted future tax rates, in UPC's various jurisdictions, range from 3.0% to 26.5%. In fiscal 2013, the Corporation incurred current tax recoveries of $13,000 and future tax recoveries of $3,021,000. The combined tax recoveries for the current year of $3,034,000 reflects an effective tax rate of approximately 3.1% compared to tax recoveries of $18,997,000 and an effective tax rate of 7.8% in the prior year. The decline in the effective tax rate is primarily a result of an increase in the proportion of deductible temporary differences arising in the year that have not been benefited as deferred tax assets or used to offset tax liabilities, and an increase in the proportion of inventory held by the Luxembourg branch of UPC's wholly owned subsidiary, Uranium Participation Cyprus Limited ("UPCL"), which is taxed at the lowest rate within the Corporation.

Investment Portfolio

UPC's investment portfolio consists of the following as at February 28, 2013:

(in thousands, except quantity amounts)	Quantity	Cost	Market Value
Investments in Uranium:			
U_3O_8	7,250,000 lbs	$ 342,495	$ 313,178
UF_6	2,374,230 KgU	$ 389,998	$ 293,028
		$ 732,493	$ 606,206
U_3O_8 average cost and market value per pound:			
- In Canadian dollars		$ 47.24	$ 43.20[1]
- In United States dollars		$ 43.23	$ 42.00[1]
UF_6 average cost and market value per KgU:			
- In Canadian dollars		$ 164.26	$ 123.42[1]
- In United States dollars		$ 152.06	$ 120.00[1]

[1] Reflects spot prices published by UxCo. Translation to Canadian dollars calculated at the period end noon foreign exchange rate of 1.0285.

UPC did not acquire any additional U_3O_8 or UF_6 during the year ended February 28, 2013.

The Corporation loaned the conversion component of 1,332,230 KgU as UF_6 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 UF_6 was transferred to the borrower with 3,480,944 pounds of U_3O_8 and an irrevocable letter of credit of US$15,700,000 from a major financial institution sent to UPC as collateral. In November 2010, the irrevocable letter of credit was increased to US$17,835,000. In August 2012, the loan was extended to December 2013 with an option to further extend the loan to December 2014, at the borrower's discretion.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were $11,191,000 at February 28, 2013 compared with $14,321,000 at February 29, 2012. The decrease of $3,130,000 was primarily due to payments of management fees of $1,638,000 and storage fees of $1,587,000, offset by working capital adjustments. The Corporation expects that management fees and storage fees will continue to be the main uses of cash and cash equivalents in upcoming years.

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

In July 2012, the Corporation filed a normal course issuer bid ("2012 NCIB") with the Toronto Stock Exchange authorizing the Corporation to purchase up to 9,273,299 of the Corporation's common shares during the 12-month period commencing July 31, 2012 and ending July 30, 2013 or on such earlier date as the Corporation completes its purchases. At February 28, 2013, UPC had not repurchased any of its outstanding shares under the 2012 NCIB.

[2] See "Non-GAAP Financial Performance Measures"

RELATED PARTY TRANSACTIONS

The Corporation is a party to a management services agreement with the Manager. During the year ended February 28, 2013, under the terms of the agreement, the Corporation paid 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.

The management services agreement expired on March 31, 2013. A new management services agreement was signed with the Manager on April 1, 2013. See the Subsequent Events section below for details of the new management services agreement.

The following outlines the income earned and fees paid to the Manager in the periods noted below:

	Year ended	
(in thousands)	February 28, 2013	February 29, 2012
Income from investment lending with the Manager	$ –	$ 35
Fees incurred with the Manager:		
Management fees	(1,638)	(1,808)
Net fees incurred with the Manager	$ (1,638)	$ (1,773)

As at February 28, 2013, accounts payable and accrued liabilities included $197,000 (February 29, 2012: $172,000) due to the Manager with respect to the fees indicated above.

UPC did not employ any key management personnel during the period, as its affairs are administered by the Manager's personnel.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

	February 28, 2013	
(in thousands)	Fair Value	Carrying Value
Cash and cash equivalents	$ 11,191	$ 11,191
Trade and other receivables	345	345
Investments in uranium – at fair market value	606,206	606,206
Trade and other payables	(1,793)	(1,793)
	$ 615,949	$ 615,949

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

Commodity Risk

The Corporation's net asset value is directly tied to the spot price of uranium published by UxCo. At February 28, 2013, a 10% increase in the uranium spot price would have increased the Corporation's net asset value by approximately $60,181,000 while a 10% decrease in the uranium spot price would have decreased the Corporation's net asset value by approximately $60,621,000.

Currency Risk

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

As the prices of uranium are quoted in U.S. currency, fluctuations in the Canadian dollar relative to the U.S. dollar can significantly impact the valuation of uranium from a Canadian dollar perspective. At February 28, 2013, a 10% increase in the Canadian dollar to U.S. dollar exchange rate would have decreased the Corporation's net asset value by approximately $60,541,000 while a 10% decrease in the Canadian dollar to U.S. dollar exchange rate would have increased the Corporation's net asset value by approximately $60,101,000.

Credit Risk

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

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

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

Liquidity Risk

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

OFF-BALANCE SHEET ARRANGEMENTS

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

SUBSEQUENT EVENTS

Management Services Agreement

A new management services agreement was signed with the Manager on April 1, 2013 after the expiry of the original management services agreement. Under terms of the new agreement, the Corporation will pay the following fees to the Manager: a) a commission of 1.5% of the gross value of any purchases or sales of uranium completed at the request of the Board of Directors; b) a minimum annual management fee of $400,000 (plus reasonable out-of-pocket expenses) plus an additional fee of 0.3% per annum based upon the Corporation's net asset value in excess of $100,000,000; and c) a fee, at the discretion of the Board, for on-going monitoring or work associated with a transaction or arrangement (other than a financing, or the purchase or sale of uranium).

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

Eurogroup Bailout of Cyprus

In March 2013, the Cyprus government reached an agreement with the Eurogroup to receive a €10 billion loan to refinance its public debt and achieve its macroeconomic targets. As a condition of receiving the Eurogroup loan, Cyprus's two major banks, Laiki Bank and Bank of Cyprus were restructured to restore their capital requirements. Uninsured deposits greater than €100,000 were subject to conversions into Bank of Cyprus shares. At February 28, 2013, the Corporation held approximately €13,000 in Bank of Cyprus bank accounts therefore these funds are fully insured and not anticipated to be impacted by the bank restructurings. The Corporation's uranium held by UPCL's Luxembourg branch is also not impacted by the Eurogroup bailout of Cyprus.

OUTSTANDING SHARE DATA

At April 25, 2013, there were 106,350,413 common shares issued and outstanding.

CONTROLS AND PROCEDURES

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

The Corporation's management is responsible for establishing and maintaining an adequate system of internal control over financial reporting and conducted an evaluation of the effectiveness of internal control over financial reporting based on the *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, the President and Chief Executive Officer and Chief Financial Officer concluded that its internal control over financial reporting was effective as of February 28, 2013.

There has not been any change in the Corporation's internal control over financial reporting that occurred during the year ended February 28, 2013 that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

Deferred Income Taxes

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

Functional Currency

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

RECENT ACCOUNTING PRONOUNCEMENTS

Several pronouncements have been issued by the International Accounting Standards Board or International Financial Reporting Interpretations Committee that are not yet effective for the year ended February 28, 2013 but will be for accounting periods beginning on or after March 1, 2013. Those that are applicable to the Corporation are listed below:

Pronouncements effective for the Corporation's fiscal periods beginning on or after March 1, 2013:

(a) **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*.

(b) **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.

(c) **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.

(d) **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 Corporation has conducted a preliminary review of the pronouncements effective for the Corporation's fiscal period beginning on or after March 1, 2013 and does not expect the adoption of these standards to have a material impact on the Corporation's financial statements.

Pronouncements effective for the Corporation's fiscal periods beginning on or after March 1, 2015:

(a) **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. The Corporation has not yet assessed the impact nor determined whether it will early adopt this standard.

RISK FACTORS

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

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

Uranium Price Volatility from Demand and Supply Factors

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

Set out in the table below is the spot price for U_3O_8 per pound and UF_6 per KgU at February 28 (or February 29, if applicable) for each of the last five years:

	2009	2010	2011	2012	2013
U_3O_8 (1)	$45.00	$41.75	$69.75	$52.00	$42.00
UF_6 (1)	$126.00	$114.00	$194.00	$141.00	$120.00

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

Foreign Exchange Rates

UPC maintains its accounting records, reports its financial position and results and pays certain operating expenses in Canadian currency. In addition, its securities trade in Canadian currency. As the prices of uranium are quoted in U.S. currency, fluctuations in the U.S. currency exchange rate relative to the Canadian currency can significantly impact the valuation of uranium and the associated purchase price from a Canadian currency perspective. The month-end U.S. dollar relative to the Canadian dollar fluctuated between 0.9837 and 1.0349 throughout the fiscal year, starting the year on February 29, 2012 at 0.9866 and ending the year on February 28, 2013 at 1.0285. Because exchange rate fluctuations are beyond UPC's control, there can be no assurance that such fluctuations will not have an adverse effect on UPC's operations or on the trading value of its securities.

Impact of Global Economic Conditions

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

NON-GAAP FINANCIAL PERFORMANCE MEASURES

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

Responsibility for Financial Reporting

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

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

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

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

Ron F. Hochstein	James R. Anderson
President and Chief Executive Officer	Chief Financial Officer

April 25, 2013

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 28, 2013 and February 29, 2012 and the consolidated statements of comprehensive income (loss), consolidated statements of changes in equity, and consolidated statements of cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Uranium Participation Corporation and its subsidiaries as at February 28, 2013 and February 29, 2012 and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Canada
April 25, 2013

URANIUM PARTICIPATION CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars, except share amounts)	At February 28, 2013	At February 29, 2012
ASSETS		
Current		
Cash and cash equivalents	$ 11,191	$ 14,321
Trade and other receivables	345	294
	11,536	14,615
Non-Current		
Investments in uranium – at fair market value (note 3)	606,206	702,229
Total assets	$ 617,742	$ 716,844
LIABILITIES		
Current		
Trade and other payables	$ 1,793	$ 1,529
Income taxes payable	–	134
	1,793	1,663
Non-Current		
Deferred tax liabilities (note 4)	–	3,021
Total liabilities	1,793	4,684
EQUITY		
Share capital (note 5)	776,174	776,174
Contributed surplus	4,564	4,564
Deficit	(164,789)	(68,578)
Total equity	615,949	712,160
Total liabilities and equity	$ 617,742	$ 716,844
Common shares		
Issued and outstanding (note 5)	106,350,413	106,350,413

Subsequent event (note 9)

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

ON BEHALF OF THE BOARD OF URANIUM PARTICIPATION CORPORATION

Richard H. McCoy
Director

Garth A. C. MacRae
Director

URANIUM PARTICIPATION CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
YEARS ENDED FEBRUARY 28, 2013 and FEBRUARY 29, 2012

(in thousands of Canadian dollars, except share and per share amounts)	2013	2012
INCOME		
Unrealized losses on investments (note 3)	$ (96,023)	$ (238,839)
Income from investment lending (note 7)	703	734
Interest	163	209
	(95,157)	(237,896)
EXPENSES		
Management fees (note 6)	1,638	1,808
Storage fees	1,587	2,032
Public company expenses	497	421
General office and miscellaneous	217	258
Legal and other professional fees	124	186
Foreign exchange loss (gain)	25	(101)
	4,088	4,604
Net loss before taxes	(99,245)	(242,500)
Income tax recovery (note 4)	(3,034)	(18,997)
Net and comprehensive loss for the period	$ (96,211)	$ (223,503)
Net loss per common share		
Basic and diluted	$ (0.90)	$ (2.09)
Weighted average number of common shares outstanding		
Basic and diluted	106,350,413	107,151,851

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

URANIUM PARTICIPATION CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED FEBRUARY 28, 2013 and FEBRUARY 29, 2012

(in thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings (deficit)	Total equity
Balance at February 28, 2011	$ 775,942	$ 3,588	$ 154,925	$ 934,455
Stock options exercised	9,058	(1,107)	–	7,951
Repurchase of common shares	(8,826)	2,083	–	(6,743)
Net loss for the period	–	–	(223,503)	(223,503)
Balance at February 29, 2012	776,174	4,564	(68,578)	712,160
Net loss for the period	–	–	(96,211)	(96,211)
Balance at February 28, 2013	$ 776,174	$ 4,564	$ (164,789)	$ 615,949

URANIUM PARTICIPATION CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED FEBRUARY 28, 2013 and FEBRUARY 29, 2012

(in thousands of Canadian dollars)	2013	2012
Operating Activities		
Net loss for the period	$ (96,211)	$ (223,503)
Adjustments for non-cash items:		
Unrealized losses on investments (note 3)	96,023	238,839
Deferred income tax recovery (note 4)	(3,021)	(18,997)
Changes in non-cash working capital:		
Change in trade and other receivables	(51)	52
Change in trade and other payables	264	88
Change in income taxes payable	(134)	(25)
Net cash used in operating activities	(3,130)	(3,546)
Financing Activities		
Repurchase of common shares	–	(6,743)
Stock option exercises	–	7,951
Net cash generated by financing activities	–	1,208
Decrease in cash and cash equivalents	(3,130)	(2,338)
Cash and cash equivalents – beginning of period	14,321	16,659
Cash and cash equivalents – end of period	$ 11,191	$ 14,321
Supplemental Cash Flow Disclosure		
Interest received	$ 163	$ 209
Income taxes recovered (paid)	(149)	–

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

1. URANIUM PARTICIPATION CORPORATION

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

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

Reclassification to an Ordinary Reporting Issuer

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were authorized for issue by the Corporation's Board of Directors on April 25, 2013.

(b) Principles of Consolidation

The accompanying consolidated financial statements consolidate the accounts of UPC and its wholly owned subsidiary. A subsidiary is an entity over which UPC has the power to govern the financial and operating policies. A subsidiary is fully consolidated from the date control is obtained by the Corporation and de-consolidated from the date control ceases. All intercompany balances and transactions have been eliminated on consolidation.

(c) Accounting Estimates and Judgments

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

(i) 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 subsidiary. Where the assessment of functional currency under IFRS provides mixed indicators for an entity, management uses judgment in the ultimate determination of that entity's functional currency.

(d) Investments

Investments in uranium are initially recorded at cost, on the date that significant risks and rewards of ownership of the uranium 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 (loss) as "Unrealized gains (losses) on investments" in the period in which they arise.

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

(e) Investments Lending

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

(f) Foreign Exchange Translation

Items included in the consolidated financial statements of UPC and its subsidiary 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 subsidiary's 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) Net Income (Loss) per Common Share

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

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

Recent Accounting Pronouncements

The following new standards and amendments or interpretations to existing standards applicable to the Corporation have been published but not yet applied by the Corporation:

Pronouncements effective for the Corporation's fiscal periods beginning on or after March 1, 2013:

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*.

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.

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.

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 Corporation has conducted a preliminary review of the pronouncements effective for the Corporation's fiscal period beginning on or after March 1, 2013 and does not expect the adoption of these standards to have a material impact on the Corporation's financial statements.

Pronouncements effective for the Corporation's fiscal periods beginning on or after March 1, 2015:

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. The Corporation has not yet assessed the impact nor determined whether it will early adopt this standard.

3. INVESTMENTS IN URANIUM

The investments continuity summary is as follows:

(in thousands)	Cost	Fair Value Adjustment	Market Value
Balance at February 28, 2011	$ 732,493	$ 208,575	$ 941,068
Unrealized losses on investments	–	(238,839)	(238,839)
Balance at February 29, 2012	$ 732,493	$ (30,264)	$ 702,229
Unrealized losses on investments	–	(96,023)	(96,023)
Balance at February 28, 2013	$ 732,493	$(126,287)	$ 606,206

The balance of investments in uranium consists of:

(in thousands, except quantity amounts)	Quantity	Cost	Fair Value Adjustment	Market Value (1)
U_3O_8	7,250,000 lbs	$ 342,495	$ (29,317)	$ 313,178
UF_6 (2)	2,374,230 KgU	389,998	(96,970)	293,028
Balance at February 28, 2013		$ 732,493	$(126,287)	$ 606,206

(1) Market values reflect spot prices published by UxCo of US\$42.00 per pound U_3O_8 and US\$120.00 per KgU UF_6, translated at the noon foreign exchange rate of 1.0285 at February 28, 2013

(2) The Corporation has transferred 1,332,230 KgU as UF_6 to a third party and taken in exchange 3,480,944 pounds of U_3O_8, effectively lending the conversion component of the UF_6. See note 7 for further details of this arrangement.

4. INCOME TAXES

The Corporation is subject to varying rates of taxation due to its operations in multiple tax jurisdictions. Income tax expense (recovery) for the years ended February 28, 2013 and February 29, 2012 is comprised of the following:

(in thousands)	2013	2012
Current tax expense (recovery)	$ (13)	$ –
Deferred tax expense (recovery)	(3,021)	(18,997)
Total income tax expense (recovery)	$ (3,034)	$ (18,997)

Reconciliations of the combined Canadian federal and Ontario provincial income tax rate to the Corporation's effective rate of income tax for the years ended February 28, 2013 and February 29, 2012 are as follows:

(in thousands)	2013	2012
Net loss before taxes	$ (99,245)	$ (242,500)
Combined federal and Ontario provincial income tax rate (1)	26.50%	27.92%
Computed income tax expense (recovery)	(26,300)	(67,706)
Difference in current tax rates applicable in other jurisdictions	18,688	43,564
Difference between deferred and current tax rates	–	942
Change in deferred tax assets not recognized	4,271	4,455
Impact of legislative changes	173	–
Other	134	(252)
Income tax expense (recovery)	$ (3,034)	$ (18,997)

(1) The combined federal and Ontario provincial income tax rate for the year ended February 28, 2013 declined due to: 1) federal tax rate decrease from 16.5% to 15.0% effective January 1, 2012; and 2) Ontario tax rate decrease from 12.0% to 11.5% effective July 1, 2011.

The components of the Corporation's deferred tax balances at February 28, 2013 and February 29, 2012 are comprised of temporary differences as presented below:

(in thousands)	2013	2012
Deferred tax assets:		
Tax benefit of share issue costs	$ –	$ 662
Tax benefit of operating loss carryforwards	2,161	2,780
Other	–	73
Gross deferred tax assets	2,161	3,515
Deferred tax assets set off against deferred tax liabilities	(2,161)	(3,515)
Deferred tax assets (1)	$ –	$ –
Deferred tax liabilities:		
Unrealized gain on investments	$ 2,161	$ 6,536
Gross deferred tax liabilities	2,161	6,536
Deferred tax assets set off against deferred tax liabilities	(2,161)	(3,515)
Deferred tax liabilities (1)	$ –	$ 3,021

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

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

(in thousands)	2013	2012
Deductible temporary differences	$ 7,118	$ 4,431
Tax losses	1,624	39
Total deferred tax assets not recognized	$ 8,742	$ 4,470

(in thousands)	Expiry Date	2013	2012
Tax losses – gross			
Canada	2030-2033	$ 14,059	$ 11,118
Cyprus	Unlimited	309	232
Luxembourg	Unlimited	961	546
Tax losses – gross		$ 15,329	$ 11,897
Tax benefits at tax rates between 2.96% and 26.50%		3,785	2,819
Set off against deferred tax liabilities		(2,161)	(2,780)
Total tax loss assets not recognized		$ 1,624	$ 39

5. COMMON SHARES

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

(in thousands except common share amounts)	Number of Common Shares	Amount
Balance at February 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 and February 28, 2013	106,350,413	$ 776,174

Normal Course Issuer Bid

In June 2011, the Corporation filed a normal course issuer bid ("2011 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.

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.

In July 2012, after the expiry of the 2011 NCIB, the Corporation filed a normal course issuer bid ("2012 NCIB") with the Toronto Stock Exchange authorizing the Corporation to purchase up to 9,273,299 of the Corporation's common shares during the 12-month period commencing July 31, 2012 and ending July 30, 2013 or on such earlier date as the Corporation completes its purchases. At February 28, 2013, UPC had not repurchased any of its outstanding shares under the 2012 NCIB.

The purpose of the 2011 NCIB and 2012 NCIB is to provide the Corporation with a mechanism to decrease the potential spread between total equity ("net asset value") per common share and the market price of the shares.

Stock Options

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 Amount
Balance at February 28, 2011	2,475,000	$ 1,107
Stock option exercises	(2,475,000)	(1,107)
Balance at February 29, 2012 and February 28, 2013	–	$ –

6. RELATED PARTY TRANSACTIONS

The Corporation is a party to a management services agreement with the Manager. During the year ended February 28, 2013, under the terms of the agreement, the Corporation paid 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.

The management services agreement expired on March 31, 2013. A new management services agreement was signed with the Manager on April 1, 2013. See note 9 for details of the new management services agreement.

The following outlines the income earned and fees paid to the Manager in the years ended February 28, 2013 and February 29, 2012:

(in thousands)	2013	2012
Income from investment lending with the Manager	$ –	$ 35
Fees incurred with the Manager:		
Management fees	(1,638)	(1,808)
Net fees incurred with the Manager	$ (1,638)	$ (1,773)

As at February 28, 2013, accounts payable and accrued liabilities included $197,000 (February 29, 2012: $172,000) due to the Manager with respect to the fees indicated above.

UPC did not employ any key management personnel during the period, as its affairs are administered by the Manager's personnel.

7. INVESTMENTS LENDING

The Corporation entered into a loan of the conversion component of 1,332,230 KgU as UF_6 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 UF_6 was transferred to the borrower with 3,480,944 pounds of U_3O_8 and an irrevocable letter of credit of US$15,700,000 from a major financial institution sent to UPC as collateral. In November 2010, the irrevocable letter of credit was increased to US$17,835,000. In August 2012, the loan was extended to December 2013 with an option to further extend the loan to December 2014, at the borrower's discretion. At February 28, 2013, the conversion component loaned had a market value of $14,387,000 (US$13,988,000).

8. CAPITAL MANAGEMENT AND FINANCIAL RISK

Capital Management

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

At February 28, 2013, the Corporation has invested 91.4% of the gross proceeds of share offerings in uranium, and has no outstanding borrowing arrangements for the purchase of uranium.

Financial Instruments

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

Financial Risk

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

(a) Commodity Price Risk

The Corporation's net asset value is directly tied to the spot price of uranium published by UxCo. At February 28, 2013, a 10% increase in the uranium spot price would have increased the Corporation's net asset value by approximately $60,181,000 while a 10% decrease in the uranium spot price would have decreased the Corporation's net asset value by approximately $60,621,000.

(b) Currency Risk

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

As the prices of uranium are quoted in U.S. currency, fluctuations in the Canadian dollar relative to the U.S. dollar can significantly impact the valuation of uranium from a Canadian dollar perspective. At February 28, 2013, a 10% increase in the Canadian dollar to U.S. dollar exchange rate would have decreased the Corporation's net asset value by approximately $60,541,000 while a 10% decrease in the Canadian dollar to U.S. dollar exchange rate would have increased the Corporation's net asset value by approximately $60,101,000.

(c) Credit Risk

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

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

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

(d) Liquidity Risk

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

9. SUBSEQUENT EVENT

A new management services agreement was signed with the Manager on April 1, 2013 after the expiry of the original management services agreement. Under terms of the new agreement, the Corporation will pay the following fees to the Manager: a) a commission of 1.5% of the gross value of any purchases or sales of uranium completed at the request of the Board of Directors; b) a minimum annual management fee of $400,000 (plus reasonable out-of-pocket expenses) plus an additional fee of 0.3% per annum based upon the Corporation's net asset value in excess of $100,000,000; and c) a fee, at the discretion of the Board, for on-going monitoring or work associated with a transaction or arrangement (other than a financing, or the purchase or sale of uranium).

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

Uranium Participation Corporation

BOARD OF DIRECTORS

George B. Assie
Corporate Director; formerly Senior Vice-President Marketing and Business Development, Cameco Corporation

Paul J. Bennett
President and Chief Executive Officer
Energus Resources Ltd.
President and Chief Executive Officer
Rodinia Oil Corp.
Chief Executive Officer and Director
PetroFrontier Corp.

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

Garth A. C. MacRae
Independent Financial Consultant

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

OFFICERS

Ron F. Hochstein
President and Chief Executive Officer

James R. Anderson
Chief Financial Officer

Donald C. Campbell
Vice President, Commercial

Sheila Colman
Corporate Secretary

MANAGER

Denison Mines Inc.
595 Bay Street, Suite 402
Toronto, Ontario
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OFFICE OF THE CORPORATION

Atrium on Bay
595 Bay Street, Suite 402
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Facsimile: 416-979-5893

Website: www.uraniumparticipation.com

AUDITORS

PricewaterhouseCoopers LLP
Toronto

REGISTRAR AND TRANSFER AGENT

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

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

STOCK EXCHANGE LISTING

The Toronto Stock Exchange
Trading Symbol: U

Website: www.tmx.com

ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of the Shareholders of Uranium Participation Corporation will be held at the offices of Dentons Canada LLP, 77 King Street West, Toronto, Ontario on Wednesday, July 3, 2013 at 9:30 a.m. (Eastern Time).

Managed by:

DENISON MINES

Atrium on Bay, 595 Bay Street, Suite 402, Toronto, Ontario M5G 2C2
www.denisonmines.com