Uranium Participation Corporation

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MAY 31, 2017

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in thousands of Canadian dollars except for share amounts)	At May 31, 2017	At February 28, 2017
ASSETS		
Current		
Cash and cash equivalents	$ 4,283	$ 5,109
Trade and other receivables	397	483
	4,680	5,592
Non-Current		
Investments in uranium (note 4)	404,701	458,517
Total assets	**$ 409,381**	$ 464,109
LIABILITIES		
Current		
Trade and other payables	$ 2,019	$ 1,764
Total liabilities	2,019	1,764
EQUITY		
Share capital (note 6)	841,243	841,243
Contributed surplus	6,762	6,762
Deficit	(440,643)	(385,660)
Total equity	407,362	462,345
Total liabilities and equity	**$ 409,381**	$ 464,109
Common shares		
Issued and outstanding (note 6)	**120,848,713**	120,848,713

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Expressed in thousands of Canadian dollars except for share and per share amounts)	Three Months Ended May 31, 2017	Three Months Ended May 31, 2016
URANIUM RELATED LOSS		
Unrealized losses on investments in uranium (note 4)	$ (53,816)	$ (113,329)
Income from lending of uranium (note 5)	-	585
Income from relocation of uranium (note 5)	89	-
	(53,727)	(112,744)
OPERATING EXPENSES		
Storage fees	(486)	(502)
Management fees (note 7)	(374)	(426)
Public company expenses	(164)	(174)
General office and miscellaneous	(112)	(141)
Legal and other professional fees	(67)	(42)
Interest income	11	16
Foreign exchange loss	(64)	(94)
	(1,256)	(1,363)
Net loss and comprehensive loss for the period	**$ (54,983)**	$ (114,107)
Net loss per common share		
Basic and diluted	**$ (0.45)**	$ (0.99)
Weighted average number of common shares outstanding		
Basic and diluted	**120,848,713**	115,648,713

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in thousands of Canadian dollars)	Share Capital	Contributed Surplus	Deficit	Total Equity
Balance at February 29, 2016	$ 822,343	$ 6,762	$ (179,626)	$ 649,479
Net loss for the period	-	-	(114,107)	(114,107)
Balance at May 31, 2016	$ 822,343	$ 6,762	$ (293,733)	$ 535,372
Balance at February 28, 2017	$ 841,243	$ 6,762	$ (385,660)	$ 462,345
Net loss for the period	-	-	(54,983)	(54,983)
Balance at May 31, 2017	**$ 841,243**	**$ 6,762**	**$ (440,643)**	**$ 407,362**

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended	
(Expressed in thousands of Canadian dollars)	**May 31, 2017**	May 31, 2016
Operating Activities		
Net loss for the period	$ (54,983)	$ (114,107)
Adjustment for:		
Unrealized losses on investments in uranium (note 4)	53,816	113,329
Costs associated with transfer of uranium (note 4)	-	(109)
Changes in non-cash working capital:		
Change in trade and other receivables	86	148
Change in trade and other payables	255	(13)
Net cash used in operating activities	**(826)**	(752)
Investing Activities		
Net cash (used) generated by investing activities	**-**	-
Financing Activities		
Net cash generated by (used in) financing activities	**-**	-
Decrease in cash and cash equivalents	(826)	(752)
Cash and cash equivalents – beginning of the period	5,109	8,968
Cash and cash equivalents – end of the period	**$ 4,283**	$ 8,216

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MAY 31, 2017

(Expressed in Canadian dollars, unless otherwise noted)

1. URANIUM PARTICIPATION CORPORATION

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

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

2. BASIS OF PRESENTATION

These interim consolidated financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, *Interim Financial Reporting.* These interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended February 28, 2017.

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

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

These financial statements were approved by UPC's Board of Directors on June 28, 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these interim consolidated financial statements are consistent with those applied in the Corporation's audited annual consolidated financial statements for the year ended February 28, 2017.

4. INVESTMENTS IN URANIUM

The investments continuity summary is as follows:

(in thousands)	Cost	Fair Value Adjustment	Fair Value
Balance at February 28, 2017	$ 783,358	$ (324,841)	$ 458,517
Unrealized net losses on investments in uranium	-	(53,816)	(53,816)
Balance at May 31, 2017	**$ 783,358**	**$ (378,657)**	**$ 404,701**

The balance of investments in uranium consists of:

(in thousands, except quantity amounts)	Quantity		Cost		Fair Value Adjustment		Fair Value
U_3O_8	10,080,024 lbs	$	471,496	$	(209,541)	$	261,955
UF_6	1,903,471 KgU		311,862		(169,116)		142,746
Balance at May 31, 2017		**$**	**783,358**	**$**	**(378,657)**	**$**	**404,701**

Investments in uranium are categorized in Level 2 of the fair value hierarchy. Fair values as at May 31, 2017 reflect spot prices published by UxC of US$19.25 per pound U_3O_8 and US$55.55 per KgU as UF_6, translated at the foreign exchange noon-rate of 1.3500.

5. URANIUM ARRANGEMENTS

Lending Agreement

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

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

Relocation Agreement

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

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

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

During the three months ended May 31, 2017, the Corporation recorded $89,000 in income from the relocation of uranium. As at May 31, 2017, trade and other receivables included $55,000 of unbilled income related to the relocation of uranium. All amounts that have been invoiced under this agreement have been paid by the counterparty.

6. COMMON SHARES

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

(in thousands, except common share amounts)	Number of Common Shares		Amount
Balance at May 31, 2017	**120,848,713**	**$**	**841,243**

On December 9, 2016, the Corporation filed a short form base shelf prospectus ("2016 Prospectus") with the securities regulatory authorities in each of the provinces of Canada, other than Québec. The Corporation may issue common shares or warrants or any combination of such securities as units ("Securities"), in amounts, at prices, and on terms to be determined based on market conditions at the time of sale and as set forth in the 2016 Prospectus, for an aggregate offering amount of up to $200,000,000 during the 25 month period ending January 9, 2019. To date, the corporation has not issued any Securities pursuant to the 2016 Prospectus.

7. RELATED PARTY TRANSACTIONS

Management Services Agreement with the Manager

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

	Three Months Ended			
(in thousands)	**May 31, 2017**		May 31, 2016	
Fees incurred with the Manager:				
Base and variable fees	$	374	$	426
Total fees incurred with the Manager	**$**	**374**	$	426

As at May 31, 2017, trade and other payables included $111,000 (February 28, 2017: $170,000) due to the Manager with respect to the fees indicated above.

Key Management Personnel

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

The following outlines the compensation and expense reimbursements paid to key management personnel for the periods ending:

	Three Months Ended			
(in thousands)	**May 31, 2017**		May 31, 2016	
Directors' fees	$	79	$	63
Total key management personnel compensation	**$**	**79**	$	63

8. COMPARATIVE FINANCIAL STATEMENTS

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