Uranium Participation Corporation Reports Financial Results for the Six Months Ended August 31, 2011

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TORONTO, ONTARIO -- (Marketwire - Oct. 26, 2011) - Uranium Participation Corporation (TSX:U) (“UPC“ or the “Corporation“) reports results for the six months ended August 31, 2011. The interim consolidated financial statements, with fiscal 2011 comparative financial statements, were prepared in accordance with International Financial Reporting Standards (“IFRS“). All amounts are in Canadian currency unless otherwise noted.

Total equity from operations decreased $250.9 million for the six months ended August 31, 2011. This resulted from $272.9 million in unrealized losses due to the decline in value of UPC's uranium investments, offset by $24.0 million in income tax recoveries.

This compares to an increase in total equity from operations of $68.1 million for the six months ended August 31, 2010 resulting from $73.3 million in unrealized gains on uranium investments offset by $4.1 million in income tax expense and $3.3 million in transaction fees on the acquisition of Uranium Limited.

Total equity value decreased from $934.5 million at February 28, 2011 to $691.5 million at August 31, 2011 due to the decrease in total equity from operations of $250.9 million, offset by $8.0 million in stock option exercise proceeds. This resulted in net asset value per common share decreasing from $8.79 to $6.43 over the six month period.

UPC has repurchased 409,400 of its common shares at a cost of $2,227,000 under a normal course issuer bid as of the date hereof.

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
INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE
AUGUST 31, 2011

DISCLOSURE

This Interim Management Report of Fund Performance contains financial highlights but does not contain either the interim financial report or annual consolidated financial statements of Uranium Participation Corporation (“UPC“ or the “Corporation“). You can get a copy of the interim financial report or 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 UPC'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 Interim Management Report of Fund Performance is current as of October 25, 2011, and has been prepared in accordance with International Financial Reporting Standards (“IFRS“), unless otherwise noted. UPC has restated its 2011 comparative financial statements and other financial information following its IFRS accounting policies. All amounts are in Canadian dollars unless otherwise indicated.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Interim 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 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 Annual Information Form dated May 19, 2011.

These and other factors should be considered carefully, and readers are cautioned not to place undue reliance on these forward looking statements. Although management reviews the reasonableness of its assumptions and estimates, unusual and unanticipated events may occur which render them inaccurate. Under such circumstances, future performance may differ materially from those expressed or implied by the forward looking statements. Except where required under applicable securities legislation, UPC does not undertake to update any forward looking information.

RESULTS OF OPERATIONS

UPC's basic equity per common share decreased from $8.79 per share at February 28, 2011 to $6.43 at August 31, 2011 representing a basic equity per common share loss of 26.8%. Over the comparable time period, UPC's benchmark, the S&P/TSX Composite Index, decreased by 9.7%.

UPC's total equity at August 31, 2011 was $691,496,000 representing a 26.0% decrease from total equity of $934,455,000 at February 28, 2011. Of the total equity decrease of $242,959,000 over the period, $250,910,000 was attributable to investment operation performance, offset by $7,951,000 from stock option exercises.

Uranium Market Update

In the six months since the Fukushima nuclear power plant was damaged by the powerful earthquake and tsunami, the effects on the uranium market remain unclear. All countries using nuclear power ordered safety checks on reactors and reviews of their nuclear policies and programs. Some countries, like Germany and Switzerland, ordered the shutdown of reactors, while others reconfirmed their support for the growth of their nuclear power programs such as China, Russia, India and South Korea. Some non-nuclear countries announced plans to establish new nuclear programs, like Saudi Arabia, which intends to build 16 new reactors.

Both the spot and the long term market have been affected by these events. Spot prices have dropped from the high US$60's before the incident at Fukushima to the low to mid US$50's. During this time, prices have been quite volatile in response to reduced demand due to reactor shutdowns and due to anticipated inventory sales by government and Japanese utilities. However, in the long term, the nuclear industry is still forecasted to continue growing to meet the future world energy demands and contribute to efforts for the reduction of greenhouse gas emissions.

In its 2011 Market Report, the World Nuclear Association (“WNA“) recently announced that nuclear demand is forecasted to increase from 364 GWe in mid-2011 to 411 GWe by 2015 and 614 GWe by 2030, under its reference scenario. The average annual rate of growth over the period of 2011 to 2030 is estimated by the WNA to be approximately 2.3%.

Equity Financing

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. As at August 31, 2011, UPC had 107,559,813 common shares issued and outstanding.

Since inception, UPC has raised gross proceeds of $647,047,000 through common share and equity unit financings, received $31,202,000 through warrant exercises, and $7,951,000 from stock option exercises. UPC also issued 20,624,972 common shares valued at $122,101,000 to acquire Uranium Limited (“UL“). $732,493,000 or 90.6% of the above amounts have been invested in uranium.

Investment Portfolio

UPC did not acquire any uranium oxide in concentrates (“U3O8“) or uranium hexafluoride (“UF6“) in the period.

The total cost of UPC's U3O8 holdings at August 31, 2011 remains $342,495,000 or $47.24 per pound, compared to its fair value of $347,577,000 or $47.94(1) per pound. This represents an increase of 1.5% or 13.3% on a U.S. dollar basis.

The total cost of UPC's UF6 holdings at August 31, 2011 remains $389,998,000 or $164.26 per KgU, compared to its fair value of $320,567,000 or $135.02(1) per KgU. This represents a decrease of 17.8% or 9.2% on a U.S. dollar basis.

Investment Performance

Investment operation losses of $250,910,000 in the six months ended August 31, 2011, were largely driven by the change in unrealized losses on uranium investments of $272,924,000, net of tax recoveries of $24,010,000.

The change in unrealized losses on investments reflects the weakening of U3O8 and UF6 spot prices. As reported by the Ux Consulting Company, LLC (“UxCo“), spot prices for U3O8 decreased from US$69.75 per pound at February 28, 2011 to US$49.00 per pound at August 31, 2011. UF6 similarly decreased from US$194.00 at February 28, 2011 to US$138.00 at August 31, 2011. Prices have increased subsequent to this reporting date (refer to “RECENT DEVELOPMENTS“ section below).

RECENT DEVELOPMENTS

In June 2011, UPC filed a normal course issuer bid (“NCIB“) with the Toronto Stock Exchange authorizing the Corporation to purchase up to 7,886,393 common shares of the Corporation during the 12-month period commencing June 14, 2011 and ending June 13, 2012 or on such earlier date as UPC completes its purchases. The purpose of the NCIB is to provide the Corporation with a mechanism to decrease the potential spread between the total equity value per common share and the market price of the shares. At October 25, 2011, UPC has repurchased 409,400 of its common shares at a cost of $2,227,000 under the NCIB.

As reported by UxCo as at October 24, 2011, the spot price of U3O8 has increased to US$51.75 per pound from US$49.00 per pound on August 31, 2011, an increase of 5.6% while the value of UF6 has increased to US$144.71(2) per KgU from US$138.00 per KgU on August 31, 2011, an increase of 4.9%.

ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

The adoption of IFRS did not impact UPC's total equity balance, 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 interim consolidated financial statements.

(1) Reflects spot prices published by UxCo on August 31, 2011 of US$49.00 per pound for U3O8 and US$138.00 per KgU for UF6 translated at a foreign exchange rate of 0.9784.

(2) UF6 value is obtained by adding (i) the spot price for U3O8 multiplied by 2.61285; and (ii) the spot conversion price.

RELATED PARTY TRANSACTIONS

The following outlines income earned and fees paid to Denison Mines Inc. (the “Manager“) in the six months ended August 31, 2011 and 2010:

(in thousands)	2011	2010
Income from investment lending with the Manager	$ 35	$ -
Fees incurred with the Manager:		
Management fees	$ 915	$ 801
Transaction fees and uranium purchase commissions	–	
Net fees incurred with the Manager	$ 880	$ 1,801

As at August 31, 2011, accounts payable and accrued liabilities included $170,000 (August 31, 2010: $175,000) due to the Manager with respect to the fees indicated above.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about UPC and are intended to help you understand UPC's financial performance for the six months ended August 31, 2011 and the past five reporting periods ended February 2007 to 2011. This information is derived from the Corporation's unaudited interim and audited annual financial statements.

Total Equity per Share
August
2011 (1)(3) February
2011 (2)(3) February
2010 (2)(4) February
2009 (2)(4) February
2008 (2)(4) February
2007 (2)(4)

Equity per Share – Basic:
Equity per share, beginning of period $ 8.79 $ 5.95 $ 7.49 $ 8.96 $ 11.95 $ 5.69
Increase (decrease) from operations (5):
Total revenue $ 0.01 $ 0.01 $ 0.04 $ 0.07 $ 0.13 $ 0.03
Total expenses before taxes $ (0.02) $ (0.08) $ (0.06) $ (0.08) $ (0.16) $ (0.15)
Income tax recovery (expense) $ 0.22 $ (0.29) $ 0.18 $ 0.27 $ 0.93 $ (2.06)
Realized gains (losses) for the period $ - $ - $ - $ - $ - $ -
Unrealized gains (losses) for the period $ (2.54) $ 3.24 $ (1.76) $ (1.83) $ (3.81) $ 8.45
Total increase (decrease) from operations $ (2.33) $ 2.88 $ (1.60) $ (1.58) $ (2.91) $ 6.27
Equity per share, end of period $ 6.43 $ 8.79 $ 5.95 $ 7.49 $ 8.96 $ 11.95

Equity per Share – Diluted:
Equity per share, beginning of period $ 8.76 $ 5.95 $ 7.49 $ 8.96 $ 11.43 $ 5.69
Increase (decrease) from operations (5):
Total revenue $ 0.01 $ 0.01 $ 0.04 $ 0.07 $ 0.13 $ 0.03
Total expenses (recovery) $ (0.02) $ (0.08) $ (0.06) $ (0.08) $ (0.16) $ (0.14)
Income tax recovery (expense) $ 0.22 $ (0.29) $ 0.18 $ 0.27 $ 0.93 $ (1.97)
Realized gains (losses) for the period $ - $ - $ - $ - $ - $ -
Unrealized gains (losses) for the period $ (2.54) $ 3.24 $ (1.76) $ (1.83) $ (3.81) $ 8.08
Total increase (decrease) from operations $ (2.33) $ 2.88 $ (1.60) $ (1.58) $ (2.91) $ 6.00
Equity per share, end of period $ 6.43 $ 8.76 $ 5.95 $ 7.49 $ 8.96 $ 11.43

(1) For the six months ended August 31, 2011.
(2) For the twelve months ended.
(3) These amounts have been prepared under IFRS.
(4) These amounts have been prepared under Canadian GAAP.
(5) Equity per share is 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) August
2011 (1)(3) February
2011 (2)(3) February

2010 (2)(4) February
2009 (2)(4) February
2008 (2)(4) February
2007 (2)(4)

Total equity, end of period $ 691.5 $ 934.5 $ 509.6 $ 541.4 $ 582.5 $ 579.4
Number of common shares outstanding 107.6 106.3 85.7 72.3 65.0 48.5
Average equity for the period $ 782.4 $ 729.5 $ 555.8 $ 585.1 $ 708.5 $ 336.6
Management expense ratio (5)
Excluding income tax expense (recovery) 0.32% 0.68% 0.61% 0.79% 1.01% 1.11%
Including income tax expense (recovery) (2.75%) 4.81% (2.06%) (2.53%) (6.86%) 26.16%
Trading expense ratio (6) 0.53% 0.46% 0.23% 0.22% 0.32% 0.73%
Portfolio turnover rate - - - - - -
Equity per share, end of period $ 6.43 $ 8.79 $ 5.95 $ 7.49 $ 8.96 $ 11.95
Closing TSX market price per common share $ 6.00 $ 9.03 $ 6.16 $ 6.05 $ 11.55 $ 14.15

(1) For the six months ended August 31, 2011.
(2) For the twelve months ended.
(3) These amounts have been prepared under IFRS.
(4) These amounts have been prepared under Canadian GAAP.
(5) 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 equity balance during the period.
(6) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of the average equity balance during the period.

PAST PERFORMANCE

The following tables and graphs illustrate the past performance of the equity per common share (“Equity Return“) and the past performance of the share price (“Market Value Return“) of UPC and will not necessarily indicate how UPC will perform in the future. Equity Return is the best representation of the performance of UPC while Market Value Return is the best representation of the return to a shareholder of UPC.

Year by Year Returns

The table and graph below show the annual performance and the interim performance, in Equity Return and Market Value Return of UPC for each period indicated. The table and graph show, in percentage terms, how much an investment held on the first day of each financial period would have increased or decreased by the last day of each financial period.

February
2006 (1)(4) February
2007 (2)(4) February
2008 (2)(4) February
2009 (2)(4) February
2010 (2)(4) February
2011 (2)(5) August
2011(3)(5)

Equity Return (Loss) – basic 18.30% 110.02% (25.02%) (16.41%) (20.56%) 47.73% (26.85%)
Equity Return (Loss) – diluted 18.30% 100.88% (21.61%) (16.41%) (20.56%) 47.23% (26.60%)
Market Value Return (Loss) 40.19% 94.10% (18.37%) (47.62%) 1.82% 46.59% (33.55%)

(1) Period from completion of initial public offering on May 10, 2005 through to February 28, 2006.
(2) For the twelve months ended.
(3) For the six months ended August 31, 2011.
(4) These amounts have been prepared under Canadian GAAP.
(5) These amounts have been prepared under IFRS.

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

SUMMARY OF INVESTMENT PORTFOLIO

UPC's investment portfolio consists of the following as at August 31, 2011:
(in thousands, except quantity amounts) Quantity of
Measure
Cost (1) Market Value (2)

Investments in Uranium:
U3O8 7,250,000 lbs $ 342,495 $ 347,577
UF6(3) 2,374,230 KgU $ 389,998 $ 320,567
$ 732,493 $ 668,144

U3O8 average cost and market value per pound:
- In Canadian dollars $ 47.24 $ 47.94
- In United States dollars $ 43.23 $ 49.00
UF6 average cost and market value per KgU:
- In Canadian dollars $ 164.26 $ 135.02
- In United States dollars $ 152.06 $ 138.00

(1) The cost of the portfolio excludes transaction fees incurred.
(2) The market values have been translated to Canadian dollars using the August 31, 2011 noon foreign exchange rate of 0.9784.
(3) The Corporation has transferred 1,332,230 KgU as UF6 and taken in exchange 3,480,944 pounds of U3O8, effectively lending the conversion component of the UF6.

Due to on-going transactions of the Corporation, this summary may be inaccurate after its effective date. Please check UPC's most recently announced equity per common share for updated information on UPC's holdings.
URANIUM PARTICIPATION CORPORATION

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

(in thousands of Canadian dollars, except per share amounts) At August
31, 2011 At February
28, 2011 At March
1, 2010
Assets
Investments at market value (note 4) $ 668,144 $ 941,068 $ 479,142
Cash and cash equivalents 22,801 16,659 22,673
Sundry receivables and other assets 283 346 1,098
Deferred income taxes (note 5) 11,184 10,806 13,131
Total assets $ 702,412 $ 968,879 $ 516,044

Liabilities
Accounts payable and accrued liabilities 1,565 1,441 1,242
Income taxes payable 159 159 159
Deferred income taxes (note 5) 9,192 32,824 5,051
Total liabilities $ 10,916 $ 34,424 $ 6,452

Equity
Share capital (note 6) $ 785,000 $ 775,942 $ 653,841
Contributed surplus 2,481 3,588 2,481
Retained earnings (deficit) (95,985) 154,925 (146,730)
Total equity 691,496 934,455 509,592
Total liabilities and equity $ 702,412 $ 968,879 $ 516,044

Common shares
Issued and outstanding (note 6) 107,559,813 106,322,313 85,697,341

Total equity per common share
Basic $ 6.43 $ 8.79 $ 5.95
Diluted $ 6.43 $ 8.76 $ 5.95
Subsequent events (note 10)
The accompanying notes are an integral part of these interim consolidated financial statements.

URANIUM PARTICIPATION CORPORATION

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
SIX MONTHS ENDED AUGUST 31, 2011 and 2010

(in thousands of Canadian dollars, except per share amounts) 2011 2010

Income
Interest $ 90 $ 50
Income from investment lending (note 9) 379 610
Change in unrealized gains (losses) on investments (note 4) (272,924) 73,283
(272,455) 73,943
Expenses
Transaction fees (notes 7 and 8) – 3,310
Management fees (notes 7 and 8) 915 801
Storage fees 1,004 1,241
Audit fees 34 24
Directors' fees 86 63
Legal and other professional fees 55 26
Shareholder information and other compliance 205 218
General office and miscellaneous 134 150
Foreign exchange loss (gain) 32 (38)
2,465 5,795
Increase (decrease) in total equity from operations before taxes (274,920) 68,148

Income tax expense (recovery) (note 5) (24,010) 4,096

Increase (decrease) in total equity from operations after taxes (250,910) 64,052

Increase (decrease) in total equity from operations after taxes per common share
Basic and diluted $ (2.33) $ 0.62

Weighted average common shares outstanding
Basic and diluted 107,456,688 102,884,818
The accompanying notes are an integral part of these interim consolidated financial statements.
URANIUM PARTICIPATION CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION (UNAUDITED)
SIX MONTHS ENDED AUGUST 31, 2011 and 2010
(in thousands of Canadian dollars) 2011 2010

Total equity at beginning of period $ 934,455 $ 509,592

Stock option exercises - cash (note 6) 7,951 –
Shares issued on acquisition of Uranium Limited (“UL“) (notes 6 and 7) – 122,101
Stock options assumed on acquisition of UL (notes 6 and 7) – 1,107
Increase (decrease) in total equity from operations after taxes (250,910) 64,052

Total equity at end of period $ 691,496 $ 696,852

URANIUM PARTICIPATION CORPORATION

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
SIX MONTHS ENDED AUGUST 31, 2011 and 2010

(in thousands of Canadian dollars) 2011 2010

Operating Activities
Increase (decrease) in total equity from operations after taxes $ (250,910) $ 64,052
Adjustments for non-cash items:
Change in unrealized losses (gains) on investments (note 4) 272,924 (73,283)
Deferred income tax expense (recovery) (note 5) (24,010) 4,093

Changes in non-cash working capital:
Change in sundry receivables and other assets 63 1,068
Change in accounts payable and accrued liabilities 124 (199)
Change in income taxes payable – 4
Net cash used in operating activities (1,809) (4,265)

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

Financing Activities
Stock option exercises (note 6) 7,951 –
Net cash generated by financing activities 7,951 –

Increase (decrease) in cash and cash equivalents 6,142 (4,195)
Cash and cash equivalents – beginning of period 16,659 22,673
Cash and cash equivalents – end of period $ 22,801 $ 18,478
The accompanying notes are an integral part of these interim consolidated financial statements.

URANIUM PARTICIPATION CORPORATION
INTERIM CONSOLIDATED STATEMENT OF INVESTMENT PORTFOLIO (UNAUDITED)
AS AT AUGUST 31, 2011
(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 $ 347,577
Uranium hexafluoride (“UF6“) (3) 2,374,230 KgU $ 389,998 $ 320,567
$ 732,493 $ 668,144

U3O8 average cost and market value per pound:
- In Canadian dollars $ 47.24 $ 47.94
- In United States dollars $ 43.23 $ 49.00
UF6 average cost and market value per KgU:
- In Canadian dollars $ 164.26 $ 135.02
- In United States dollars $ 152.06 $ 138.00

(1) The cost of the portfolio excludes transaction fees incurred.
(2) The market values have been translated to Canadian dollars using the August 31, 2011 noon foreign exchange rate of 0.9784.
(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 interim consolidated financial statements.

URANIUM PARTICIPATION CORPORATION
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Expressed in Canadian dollars, unless otherwise noted)

1. URANIUM PARTICIPATION CORPORATION

Uranium Participation Corporation and its subsidiaries (“UPC“ or the “Corporation“) 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 is a non-redeemable investment fund as defined by the Canadian securities regulatory authorities in National Instrument 81-106-Investment Fund Continuous Disclosure. UPC was created to invest substantially all of its assets in uranium oxide in concentrates (“U3O8“) and uranium hexaflouride (“UF6“) (collectively “investments in uranium“) with the primary investment objective of achieving appreciation in the value of its uranium holdings. The common shares of UPC trade publicly on the Toronto Stock Exchange under the symbol U.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation and Adoption of IFRS

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS“) applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 Interim Financial Reporting, and IFRS 1 First-time Adoption of IFRS. 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.

The policies applied in these interim consolidated financial statements are based on IFRS policies as of October 5, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in UPC's annual consolidated financial statements for the year ending February 29, 2012 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on the transition to IFRS.

These interim consolidated financial statements should be read in conjunction with UPC's year ended February 28, 2011 consolidated financial statements, previously prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), with consideration of the IFRS disclosures included in Note 3 to these interim consolidated financial statements.

(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 effect the reported amounts of assets and liabilities as of the date of the consolidated financial statements and income and expenses during the reporting period. Estimates and judgments are used in accounting for, but not limited to, deferred income taxes and functional currency. Actual results could differ materially from these estimates.

(d) Investments

Investments in uranium are initially recorded at cost, on the date that significant risks and rewards to the uranium passes to UPC. 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 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, UPC 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 UPC'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 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. UPC'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 UPC 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

UPC follows the liability method of accounting for deferred income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. 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.

(i) Earnings (Loss) per Common Share

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

Diluted earnings (loss) 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 shares of UPC at the average market price of the shares for the period. The effect is to increase the number of shares used to calculate diluted earnings (loss) 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:

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. UPC has not early adopted this standard; however, UPC does not typically retain any continuing involvement in financial assets once transferred, therefore these amendments are not expected to impact UPC's consolidated financial statements.

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, 2013, with earlier application permitted. The Corporation has not yet assessed the impact nor determined whether it will early adopt the standard.

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. UPC has not yet assessed the impact nor determined whether it will early adopt the standard.

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. UPC has not yet assessed the impact of the standard nor determined whether it will early adopt the standard.

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

IAS 1 Presentation of Financial Statements

In June 2011, IAS 1 was amended requiring items within Other Comprehensive Income (“OCI“) 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. The Corporation has not yet assessed the impact of the standard nor determined whether it will early adopt the standard.

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. In March 2011, the AcSB deferred the implementation date an additional year since a delay in the new consolidation standard project made it unlikely that the final standard would be issued prior to January 1, 2012. Therefore investment funds applying AcG-18 could defer its adoption of IFRS to fiscal periods beginning on or after January 1, 2013.

UPC 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 UPC's first 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 interim consolidated financial statements for the six months ended August 31, 2011 and 2010, the year ended February 28, 2011 and the opening IFRS balances at March 1, 2010.

Reconciliation of Consolidated Financial Statements from Canadian GAAP to IFRS

There were no adjustments made to UPC's total equity 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 Canadian GAAP. Such disclosures include continuity schedules for UPC'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

UPC's estimates in accordance with IFRS at the date of transition to IFRS was consistent with estimates made for the same date in accordance with Canadian GAAP.

UPC 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

Uranium purchases – – –
Change in unrealized gains (losses) on investments – (272,924) (272,924)

Balance at August 31, 2011 $ 732,493 $ (64,349) $ 668,144

5. INCOME TAXES

Unlike most investment funds, UPC is not a mutual fund trust, making it subject to income tax on its taxable income. UPC is also subject to varying rates of taxation due to its operations in multiple tax jurisdictions. A reconciliation of the income tax expense (recovery) for the six months ended August 31, 2011 and 2010 is as follows:
(in thousands) 2011 2010

Current tax expense $ – $ 3
Deferred tax expense (recovery) (24,010) 4,224
Adjustments in respect of prior periods – deferred tax expense (recovery) – (131)
Total income tax expense (recovery) $ (24,010) $ 4,096

A reconciliation of the combined Canadian federal and Ontario provincial income tax rate to UPC's effective rate of income tax for the six months ended August 31, 2011 and 2010 is as follows:
(in thousands) 2011 2010

Increase (decrease) in total equity from operations, before income taxes $ (274,920) $ 68,148
Combined federal and Ontario provincial income tax rate (1) 27.92% 30.42%
Computed income tax expense (recovery) (76,758) 20,731

Difference in current tax rates applicable in other jurisdictions 47,008 (15,330)
Difference between deferred and current tax rates 1,176 (394)
Foreign exchange on deferred tax balances – 835
Change in deferred tax assets not recognized 4,818 (2,267)
Taxable permanent differences – 509
Other (254) 12
Income tax expense (recovery) $ (24,010) $ 4,096

(1) The combined federal and Ontario provincial income tax rate for the six months ended August 31, 2011 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 are comprised of temporary differences as presented below:
(in thousands) At August
31, 2011 At February
28, 2011

Deferred tax assets:
Tax benefit of share issue costs $ 1,045 $ 1,429
Tax benefit of operating loss carryforwards 11,588 10,450
Unrealized loss on investments 4,671 –
Other 209 266
Gross deferred tax assets 17,513 12,145
Deferred tax assets set off against deferred tax liabilities (1,496) (1,324)
Deferred tax assets not recognized (4,833) (15)
Deferred tax assets (1) $ 11,184 $ 10,806

Deferred tax liabilities:
Unrealized gain on investments $ 10,688 $ 34,148
Gross deferred tax liabilities 10,688 34,148
Deferred tax assets set off against deferred tax liabilities (1,496) (1,324)
Deferred tax liabilities $ 9,192 $ 32,824

(1) Deferred tax assets relate to UPC's legal entity in Ontario (“UPC Ontario“).The recognition of these

deferred tax assets, in excess of existing temporary differences, is supported by UPC Ontario's ability to generate taxable income through its inter-company financing arrangements.

Details and expiry dates of deferred tax assets not recognized in the statement of financial position are presented below:
(in thousands) Expiry
Date At August
31, 2011 At February
28, 2011

Unused operating tax losses:
Cyprus Unlimited $ 18 $ 15
Luxembourg Unlimited 11 –
Unused capital losses:
Canada Unlimited 133 –
Other deductible temporary differences
Uranium investments – Luxembourg Unlimited 4,671 –
Total deferred tax assets not recognized $ 4,833 $ 15

6. COMMON SHARES

UPC 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

Balance at August 31, 2011 107,559,813 $ 785,000

Common Share Issuances

On March 30, 2010, the Corporation completed the acquisition of UL by issuing 0.50 UPC shares in exchange for each UL share. An aggregate of 20,624,972 UPC 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, UPC filed a normal course issuer bid (“NCIB“) with the Toronto Stock Exchange authorizing the Corporation to purchase up to 7,886,393 common shares of the Corporation during the 12-month period commencing June 14, 2011 and ending June 13, 2012 or on such earlier date as UPC completes its purchases. The purpose of the NCIB is to provide the Corporation with a mechanism to decrease the potential spread between the total equity value per common share and the market price of the shares. At August 31, 2011, UPC had not repurchased any of its outstanding shares under the NCIB.

Stock Options

On March 30, 2010, UPC 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 expired on July 21, 2011. Each option assumed was exercisable for 0.50 common shares of UPC. 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 Amount

Balance at March 1, 2010 and February 28, 2011 2,475,000 $ 1,107

Stock option exercises (2,475,000) (1,107)

Balance at August 31, 2011 – $ –

7. ACQUISITION OF URANIUM LIMITED

On March 30, 2010, UPC 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, UPC acquired all of the issued and outstanding shares of UL in a share exchange at a ratio of 0.50 common shares of UPC for each common share of UL.

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

Principal assets obtained from the acquisition of UL included 1,705,000 pounds of U_3O_8, valued at $74,051,000, and 412,000 KgU as UF_6, valued at $48,995,000. Of the U_3O_8 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 U_3O_8 returned on that date. Transaction costs incurred totalled $3,354,000 of which $1,000,000 was paid to Denison Mines Inc. (the “Manager“) on the close of the UL acquisition.

8. RELATED PARTY TRANSACTIONS

The following outlines the income earned and fees paid to the Manager in the six months ended August 31, 2011 and 2010:
(in thousands) 2011 2010

Income from investment lending with the Manager $ 35 $ –

Fees incurred with the Manager:
Management fees $ 915 $ 801
Transaction fees and uranium purchase commissions – 1,000
Net fees incurred with the Manager $ 880 $ 1,801

As at August 31, 2011, accounts payable and accrued liabilities included $170,000 (August 31, 2010: $175,000) due to the Manager with respect to the fees indicated above.

UPC did not employ any personnel during the period, as its affairs were administered by the personnel of the Manager.

9. 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. At August 31, 2011, the conversion component loaned had a market value of $13,035,000 (US$13,322,000). 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. 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. The agreement expired on July 8, 2010 with the U3O8 returned on that date.

10. SUBSEQUENT EVENTS

Between September 1, 2011 and October 25, 2011, UPC re-purchased 409,400 of its common shares at a cost of $2,227,000 under the NCIB.

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