VIII EIGHT CAPITAL

TARGET REVISION

# Denison Mines Corp.

(DML-TSX: C$0.76)

September 25, 2018
David A. Talbot / (416) 350 -3082
dtalbot@viiicapital.com
Joseph Fars, MBA, P.Geo / (416) 350-5090
jfars@viiicapital.com

**BUY**
Target: C$2.15 (from C$1.85)

# PFS Improves Economics as ISR Prioritizes Phoenix

**We recommend DML with a BUY and increase our target price to C$2.15 from C$1.85/sh after incorporating PFS results. Our target is now based on a 0.7x DCF multiple for Phoenix and Gryphon operations, down from a 0.9x, applied to our 10% DCF model.**

The Wheeler River Pre-Feasibility Study was released overnight, with the co-development of the Gryphon and Phoenix deposits as expected. This comes shortly after DML increased its ownership in Wheeler River to 90% (see note Wheeler River Buyout...). Denison has selected the ISR mining method for the Phoenix unconformity after considering 32 different methods during 2.5 years of engineering, geological and financial work. ISR mining decision is quite interesting as the method has never been tested on these ultra-high grade uranium deposits in the Athabasca Basin. This is perhaps a transformational moment in uranium mining as it brings the lowest cost mining methods to the highest grade undeveloped deposit. Phoenix reportedly has all attributes needed for low cost ISR mining: 1) permeability in ore; 2) ability to leach and recover uranium; and 3) ability to contain mine solutions. ISR also removes the need to remove ore and waste from underground or the need for underground development; minimizes the environmental footprint and labour requirements; and eliminates the need for tailings. The result is a large reduction in capital and operating costs, and shorter timeline to production, a reprioritization of the ultra-high grade Phoenix deposit. ISR mining would be a first for Canada and for unconformity deposits. Ground freezing and horizontal directional drilling will be required to help facilitate this. The PFS also separates the two projects completely, and we now assume separate production decisions, permitting and financing requirements for each.

We expect that underground acid leaching of uranium, inside a freeze wall barrier will likely work, particularly in the early stages of each mine unit. However, typical ISR mines work because convection of oxidizing fluids evenly and systematically pass through pores of the sandstone to leach low grade uranium between the sand grains. It essentially reverses the depositional process of the uranium deposit by oxidizing uranium that was deposited (when it was chemically reduced). Fluids naturally want to take the path of least resistance from one injection hole (where acid is pumped underground) to a nearby extraction hole (also called production hole where uranium bearing fluids are pumped back to surface). Thus, fluids typically prefer to move horizontally in the same direction that both river sands were deposited. ISR mining is highly dependent on porosity, permeability and lack of structure. Thus, fluid flow within highly altered and massively uranium mineralized sandstones of the Athabasca Basin may not be as predictable.

The importance for Phoenix ISR mining to "create its own permeability as it leaches" will come to light over the long term. If we were to expect traditional ISR mining with high fluid flow rates, we would expect leaching fluids to take the path of least resistance. These pathways may have little or no uranium to leach, resulting in low recoveries. Taking the easy route, perhaps via faults, fractures or even previously leached pathways from injection hole to extraction hole, might leave portions of the uranium deposit relatively untouched. When questioned, management had this figured out. "Let it soak" was the response, essentially boxing the deposit in on all sides by impermeable basement rocks below and freeze walls on all other sides. The leaching solutions would be slowly introduced to the deposit, UO6 would be quickly leached to the point where the solution is saturated to a high concentration, which then can be pumped to surface for processing. Only portions of the deposit will be mined at a time (they call these mine units in ISR mining terminology). Time will tell the effectiveness of this solution...but its US$250 MM price tag surely beats the traditional multi-billion dollar ultra-high grade project capital that would have otherwise been needed.

**Pre-tax 8% NPV is $1.31 B**, IRR is 38.7% with initial Capex of $322.5 MM (100%, Phoenix only). Planned production is 109.4 MM lbs U3O8 over 14 years, averaging 7.8 MM lbs pa combined at 3.5% U3O8. This represents a 275% pre-tax NPV increase over the 2016 PEA using a similar US$44/lb U3O8 price. Economically, this is likely a vast improvement over previous mine predictions.

- Phoenix would produce 6 MM lbs pa over 10 years. Capex is C$322.5 MM (US$248.1 MM). Ultra-low Opex of US$3.33/lb or US$8.90/lb all-in excluding royalties and taxes could make this one of the lowest cost mines in the world. We estimate total cash costs of US$11.04/lb, including SK royalties. The PFS states a Pre-tax 8% NPV is $930.4 MM with 43.3% IRR and 21mo payback. Indicated resources are 70.2 MM lbs at 19.14% U3O8.

.....Continued on Page 2

- Gryphon would produce a 7.6 MM lbs pa average over 6.5 years via a 600 tpa operation. Capex is estimated at $623.1 MM (US$479.3MM). Opex is US$11.21/lb or US$22.82/lb all in. We estimate a total cash cost of US$23.40/lb. PFS states a Pre-tax 8% NPV is $560.6 MM with 23.3% IRR and ~37mo payback. Indicated resources are 61.9 MM lbs at 1.7% U3O8.

**Economic at current spot.** Conservative (UxC) price assumptions were used, including US$29 to US$45/lb for Phoenix and US$50/lb for Gryphon. Current spot is US$27.35/lb. CEO David Cates goes as far as saying that a production decision might not even need to be supported by long term contracts. We estimate a long term uranium price forecast of US$60/lb U3O8 by 2022.

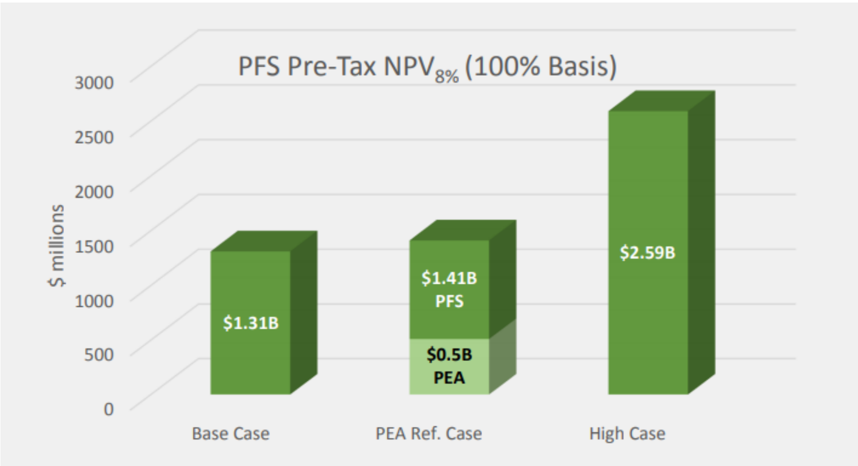
**Phoenix ISR plant required at site.** Early test work suggests high recoveries, high uranium concentrations in leach solutions, low impurities and no need for ion exchange (IX) or solvent extraction (SX) circuits or tailings ponds. This is due to direct ISR leach of 10 g/L at a deposit wide flow rate of 132 gpm (500 L/min). One example of an ISR producer in the USA currently has 2400 gpm flow rates and much more diluted uranium concentrations of 30-35 mg/L. That plant is designed for 6,000 gpm flow rates and 87mg/L. Phoenix's ISR mining would be somewhat different than conventional ISR where homogenous leaching is required at high flow rates. DML plans are to "let it soak" at flow rates only 6% of typical operations. Mineralization is expected to preferentially leach very quickly. ISR wells will be separated by 10m, whereas DML has witnessed cross-connection of fluids within 25m spacing. Zero solution discharge also means no need for tailings or deep disposal wells.

**Gryphon underground operations remain.** We see fewer changes for the nearby Gryphon basement hosted deposit. Gryphon can be mined via conventional longhole stoping methods, with processing to toll milled at Denison’s 22.5% owned McClean Lake Mill, with start-up due in 2030. McClean mill already processes ~12% of global uranium production (from Cigar Lake). However, a toll milling agreement with McClean Lake JV must be arranged. The mill itself would require expansion of the leach circuit, more filtration to help the current CCD (counter-current decantation) circuit, and expansion of acid plant. Also needed would be improvements to the highway to provide more direct access to mill from the Wheeler River property.

**Aggressive development timeline.** Should PFS results entice the DML Board to move forward, funds will be required to initiate the EA process and the FS in parallel. FS test work would include natural groundwater pump tests within the deposit, and longer term pilot testing in the lab, focusing on met work and many-month column tests to improve the flowsheet. DML's timeline suggests permitting is completed by 2021/22, and Phoenix construction begins in 2021 for 2024 ramp up; followed by Gryphon construction by 2026 and ramp-up by 2030. Higher cost Gryphon can be partially funded from Phoenix CF.

**Permitting required.** While CNSC doesn't have a regulatory framework in place that is directly geared to ISR mining, management expects Environmental Assessment to take 3-4 years. Regulators are apparently encouraged by the lack of tailings and discharge at Phoenix. While acid leaching isn't yet used in the USA, it is used in Kazakhstan, Australia and elsewhere. The freeze wall is expected to keep all mine fluids within the confines of the deposit. We see this as a potential sticking point, and at the very least might slow down permitting. DML does have significant experience permitting uranium mines and mills. Pump tests can be complete following a simple Saskatchewan permitting application. Gryphon permitting might be easier due to plans for off-site processing at an existing uranium mill.

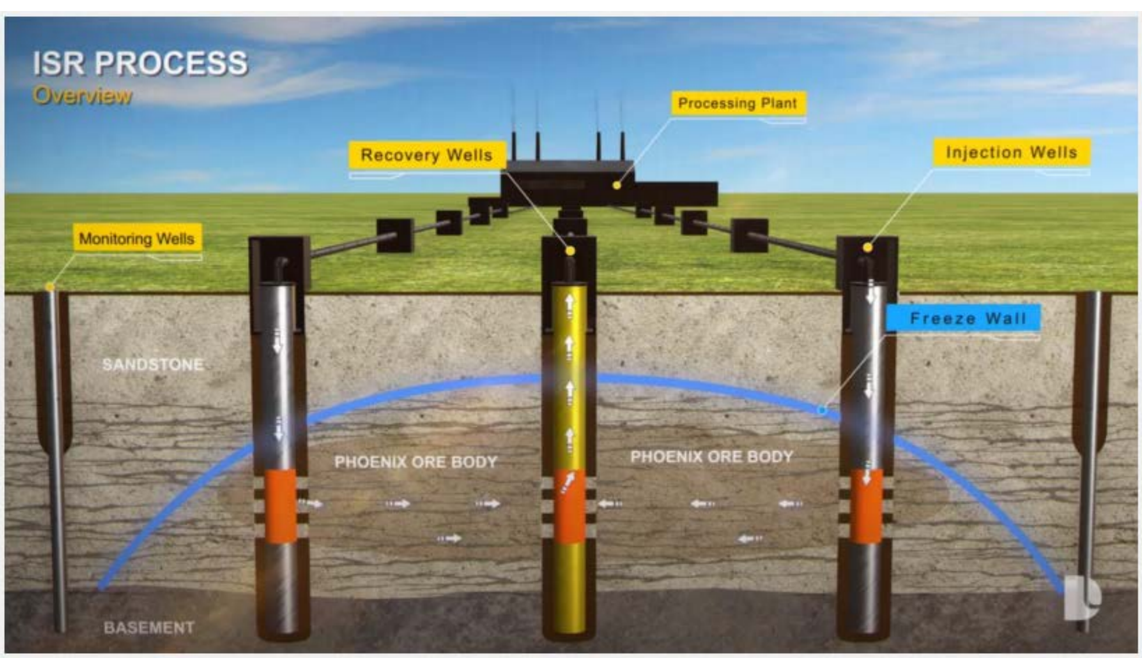
***Figure 1: Wheeler River PFS and PEA comparison and sensitivity. Base case assumes uranium sales prices of US$29-45/lb U3O8 for Phoenix and US$44/lb***




| Assumptions / Results(1) | Base Case | PEA Ref. Case | High Case |
|---|---|---|---|
| Uranium selling price | As above | US$44/lb $U_3O_8$ | US$65/lb $U_3O_8$ |
| Pre-tax $NPV_{8\%}$(2) (100% Basis) | **$1.31 billion** | **$1.41 billion** | **$2.59 billion** |
| Pre-tax IRR(2) | 38.7% | 47.4% | 67.4% |
| Pre-tax payback period(3) | ~24 months | ~ 15 months | ~ 11 months |

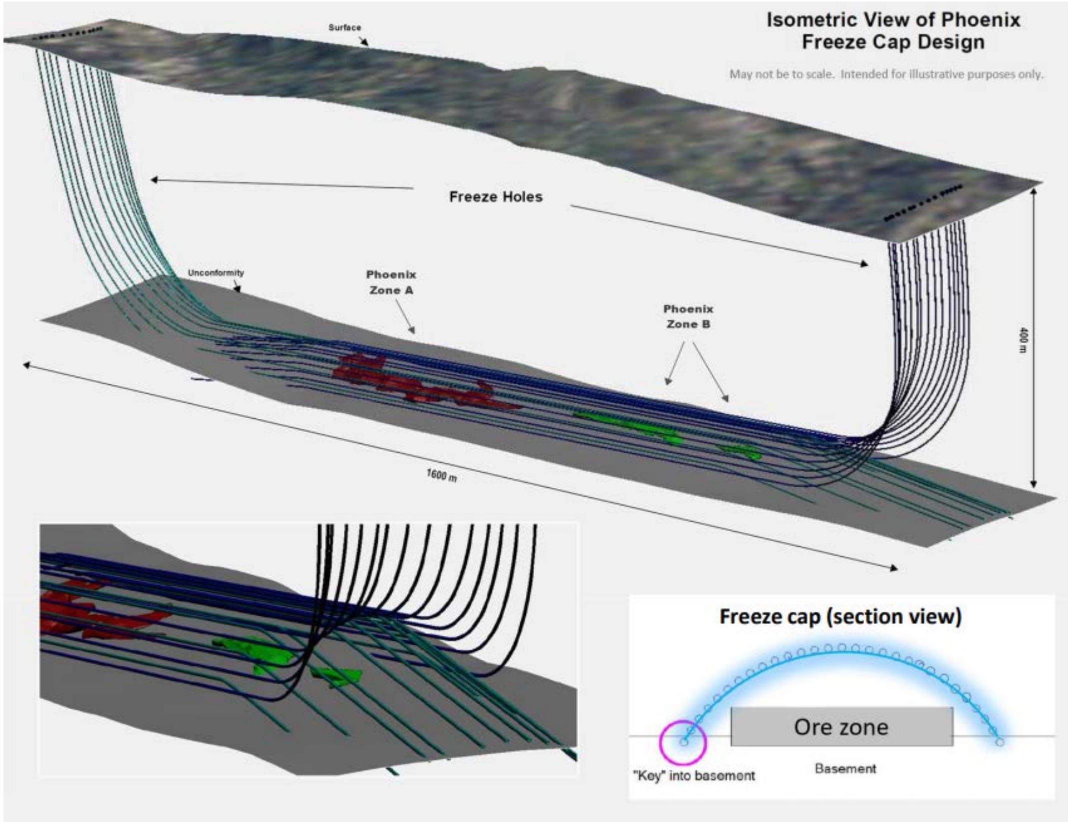
*Source: Company Reports*

***Figure 2: Overview of the ISR mining process. 1) Leaching solutions are pumped into a permeable deposit via injection wells; 2) leaching solution dissolves uranium; 3) uranium-loaded solution is pumped to surface via extraction (or recovery) wells; 4) uranium-loaded solution is sent to processing plant for precipitation; 5) leaching solution is recharged and returned to the well field for further production.***



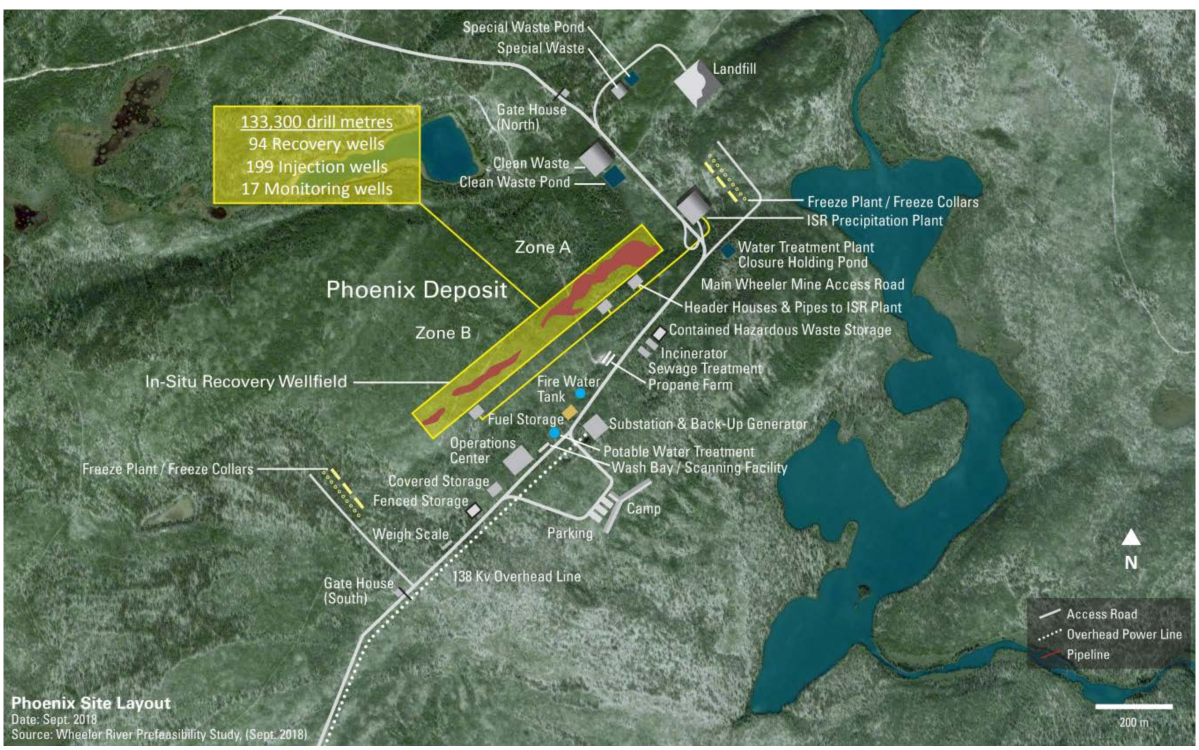

*Source: Company Reports*

***Figure 3: Freeze walls and cap replicate a confining layer required for ISR mining. The 10m thick freeze wall will ensure that leaching solutions will not leak from the mine unit (monitor wells around the deposit will help confirm this). Horizontal drilling, often used in the oil and gas industry, will be used to install the freeze wall.***




*Source: Company Reports*

***Figure 4: Phoenix Mine - proposed ISR wellfield and mine infrastructure layout.***




*Source: Company Reports*

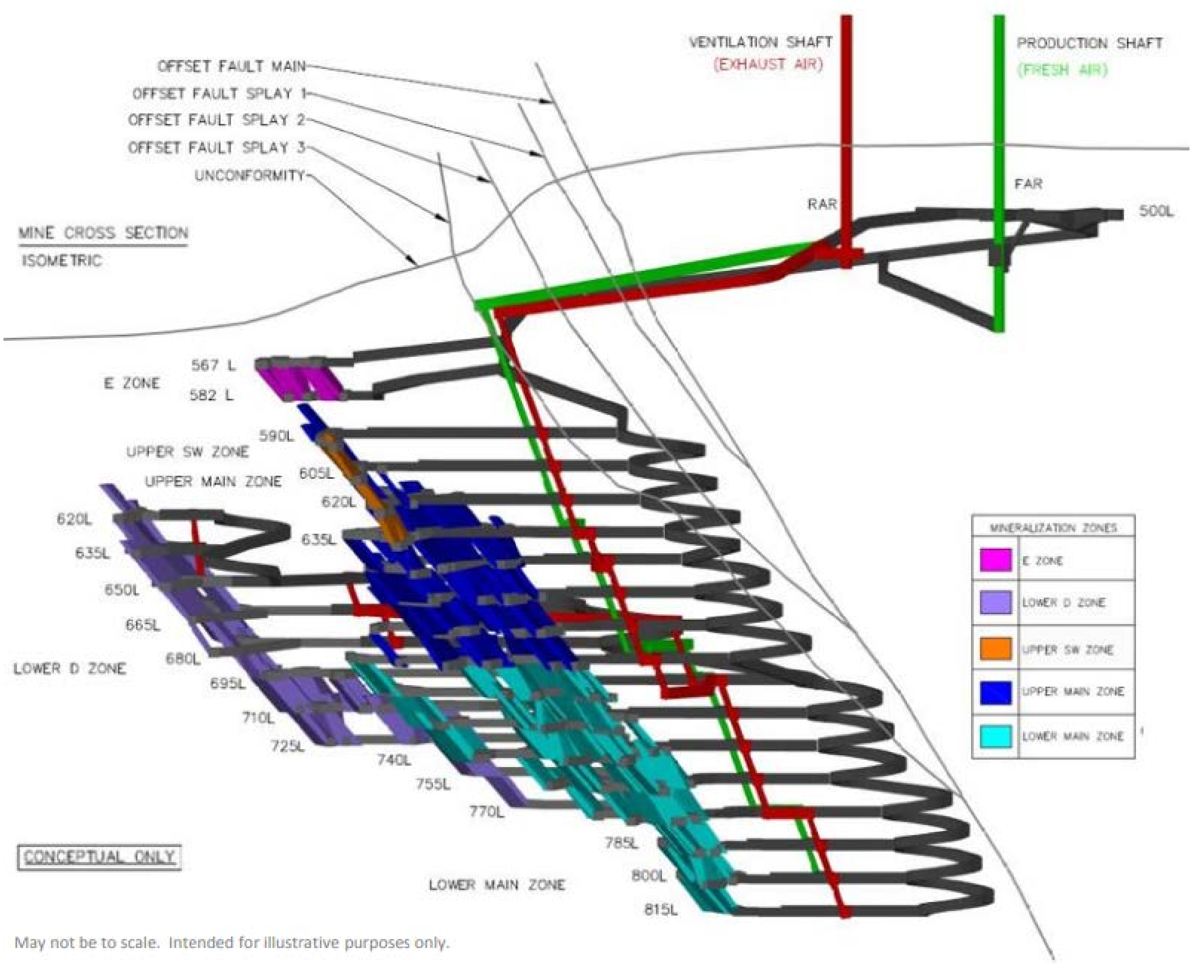
***Figure 5: Phoenix - select financial and operational highlights.***

| Phoenix Operation | PFS Result[1] |
|---|---|
| Mine life | **10 years** (6.0 million lbs $U_3O_8$ per year on average) |
| Average cash operating costs | **\$4.33 (US\$3.33) per lb $U_3O_8$** |
| Initial capital costs (100% basis) | **\$322.5 million** |
| Operating margin[4] | **89.0%** at US\$29/lb $U_3O_8$ |
| All-in cost[2] | **\$11.57 (US\$8.90) per lb $U_3O_8$** |

| Assumptions / Results | Base Case | High Case |
|---|---|---|
| Uranium selling price | UxC Spot Price[3] | US\$65/lb $U_3O_8$ |
| Operating margin[4] | **91.4%** | **95.0%** |
| Pre-tax $NPV_{8\%}$[5] (100%) | **\$930.4 million** | **\$1.91 billion** |
| Pre-tax IRR[5] | 43.3% | 71.5% |
| Pre-tax payback period[6] | ~ 21 months | ~ 11 months |

*Source: Company Reports*

***Figure 6: Gryphon - conventional underground mining infrastructure.***




*Source: Company Reports*

*Figure 7: Gryphon - select financial and operational highlights.*

| Gryphon Operation | PFS Result[1] | |
|---|---|---|
| Mine life | **6.5 years** (7.6 million lbs $U_3O_8$ per year on average) | |
| Average cash operating costs | **\$15.21 (US\$11.70) per lb $U_3O_8$** | |
| Initial capital costs (100% basis) | **\$623.1 million** | |
| Operating margin[3] | **77.0%** at US\$50/lb $U_3O_8$ | |
| All-in cost[2] | **\$29.67 (US\$22.82) per lb $U_3O_8$** | |
| **Assumptions / Results** | **Base Case** | **High Case** |
| Uranium selling price | US\$50/lb $U_3O_8$ | US\$65/lb $U_3O_8$ |
| Operating margin[3] | **77.0%** | **82.3%** |
| Pre-tax $NPV_{8\%}$[4] (100%) | **\$560.6 million** | **\$998.8 million** |
| Pre-tax IRR[4] | 23.2% | 31.0% |
| Pre-tax payback period[5] | ~ 37 months | ~ 31 months |

*Source: Company Reports*

*Figure 8: Wheeler River project reserves and post-tax financial results.*

**Reserves**[1, 2, 3, 6, 7]

| Deposit | Class. | Tonnes | Grade | Lbs $U_3O_8$ | Denison (63.3%) | Denison (90%) |
|---|---|---|---|---|---|---|
| Phoenix[4] | Probable | 141,000 | 19.1% $U_3O_8$ | 59.7M | 37.8M | 53.7M |
| Gryphon[5] | Probable | 1,257,000 | 1.8% $U_3O_8$ | 49.7M | 31.5M | 44.7M |
| **Total** | **Probable** | **1,398,000** | **3.5%** | **109.4M** | **69.3M** | **98.4M** |

**Indicative Denison post-tax results**

| Financial Results | Denison (63.3%) | Denison (90%) |
|---|---|---|
| **Initial capital costs** | **\$204.1 million** | **\$290.3 million** |
| Base case post-tax IRR[8] | 31.8% | 32.7% |
| Base case post-tax $NPV_{8\%}$[8] | \$506.4 million | \$755.9 million |
| Base case post-tax payback period[9] | ~ 27 months | ~ 26 months |
| **High case post-tax IRR[8]** | **53.9%** | **55.7%** |
| **High case post-tax $NPV_{8\%}$[8]** | **\$1.01 billion** | **\$1.48 billion** |
| **High case post-tax payback period[9]** | **~ 12 months** | **~12 months** |

*Source: Company Reports*

## Denison Mines Corp.

| | | | | | |
|---|---|---|---|---|---|
| **Rating** | **BUY** | **C$ Target** | **$2.15** | **Shares O/S (MM)** | **559.1** |
| | | **C$ Close** | **$0.75** | **Fully Diluted Shares (MM)** | **634.8** |
| David A. Talbot, Director, Mining Research | | **12-month return** | **187%** | **Basic Mkt. Capitalization ($MM)** | **C$ 396.95** |
| dtalbot@viiicapital.com | | | | **Enterprise Value ($MM)** | **C$ 361.15** |

**PRODUCTION ESTIMATES (000 lbs)**

| Year-end Dec. | 2020E | 2021E | 2022E | 2023E | 2024E |
|---|---|---|---|---|---|
| McClean Lake | 849 | 849 | 849 | 316 | 0 |
| Phoenix | 0 | 0 | 0 | 0 | 1,890 |
| Gryphon | 0 | 0 | 0 | 0 | 0 |
| **TOTAL** | **849** | **849** | **849** | **316** | **1,890** |

**TOTAL CASH COST ESTIMATES (excl. non-cash) (US$/lb)**

| Year-end Dec. | 2020E | 2021E | 2022E | 2023E | 2024E |
|---|---|---|---|---|---|
| McClean Lake | 26.0 | 26.3 | 26.6 | 26.6 | 0.0 |
| Phoenix | 0.0 | 0.0 | 0.0 | 0.0 | 13.0 |
| Gryphon | 0.0 | 0.0 | 0.0 | 0.0 | 13.0 |
| **Wt. Avg. Total Cash Costs** | **26.0** | **26.3** | **26.6** | **26.6** | **13.0** |

**URANIUM RESERVES & RESOURCES**

| | Ownership | Tonnes MM t | Grade % U3O8 | Cont U3O8 (MM lbs) 100% Basis | DML Share |
|---|---|---|---|---|---|
| **Proven and Probable Reserves** | | | | | |
| McClean Lake | 22.5% | - | 0.38% | 0.8 | 0.2 |
| Phoenix | 90.0% | 0.14 | 19.10% | 59.7 | 53.7 |
| Gryphon | 90.0% | 1.26 | 1.8% | 50 | 44.7 |
| **Total Reserves** | | **1.40** | **3.54%** | **110.2** | **98.6** |
| **Measured and Indicated Resources** | | | | | |
| Wheeler River | 90% | 0.17 | 19.13% | 132.1 | 118.9 |
| McClean Lake | 23% | 0.37 | 2.23% | 18.0 | 4.1 |
| Midwest | 25% | 1.01 | 2.28% | 50.7 | 12.8 |
| J Zone | 65% | 0.29 | 2.00% | 12.8 | 8.4 |
| **Total Measured and Indicated Resources** | | **1.8** | **3.75%** | **213.6** | **144.1** |
| **Inferred Resources** | | | | | |
| Wheeler River | 90% | 0.08 | 1.67% | 3.0 | 2.7 |
| McClean Lake | 23% | 0.51 | 0.68% | 7.6 | 1.7 |
| Midwest | 25% | 0.85 | 0.98% | 9.6 | 2.4 |
| **Total Inferred Resources** | | **1.4** | **0.91%** | **20.2** | **6.8** |
| **TOTAL RESOURCES** | | **4.7** | **2.81%** | **233.8** | **150.9** |
| **Current Per Pound Metrics** | | **DML** | **Developer Peers** | **Prem./Disc.** | |
| EV/lb (US$) | | $2.44 | $0.73 | 232% | |
| Mkt Cap/lb (US$) | | $2.63 | 0.91 | 190% | |

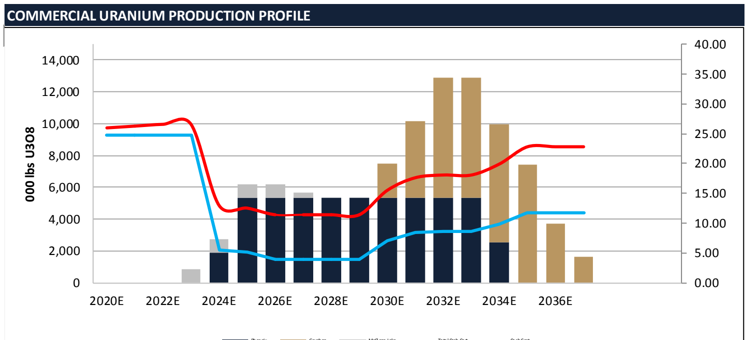
**NET ASSET VALUE (C$) (10% DCF)**

| | NAV ($ MM) | /Share | % NAV |
|---|---|---|---|
| **Assets:** | | | |
| McClean Lake (22.5%) & Toll Mill Fee | 93.8 | 0.17 | 7% |
| Phoenix | 392.6 | 0.71 | 28% |
| Gryphon | 132.3 | 0.24 | 9% |
| Un-mined Resources & McClean Mill | 345.0 | 0.62 | 24% |
| **Balance Sheet & Other Items:** | | | |
| Cash & Investments | 2.3 | 0.00 | 0% |
| Debt | 7.7 | 0.01 | 1% |
| Exploration, G&A, and Other | 440.3 | 0.79 | 31% |
| **Total** | 1,414 | 2.55 | 100% |
| Eight Capital DCF Target Multiple | | 0.90x/0.70x | |
| **Share Price Target** | **C$** | **2.15** | |

**Long Term Uranium Price Assumption (US$/lb)**

| Target (C$/share) | 40 | 50 | 60 | 70 | 80 |
|---|---|---|---|---|---|
| 0% Discount | 1.54 | 2.17 | 2.80 | 3.41 | 4.02 |
| 5% Discount | 1.33 | 1.71 | 2.07 | 2.43 | 2.79 |
| 10% Discount | 1.23 | 1.47 | 1.70 | 1.93 | 2.16 |
| 15% Discount | 1.18 | 1.35 | 1.51 | 1.66 | 1.81 |

**COMMERCIAL URANIUM PRODUCTION PROFILE**




**BALANCE SHEET (US$ MM)**

| Year-end December | 2016A | 2017A | 2018E | Q2/18A |
|---|---|---|---|---|
| **Assets:** | | | | |
| Cash & ST Investments | 11.84 | 1.93 | 8.06 | 29.11 |
| Other Current Assets | 5.28 | 37.24 | 37.24 | 7.49 |
| **Current Assets** | **17.11** | **39.17** | **45.30** | **36.59** |
| Mineral Properties | 187.98 | 198.48 | 198.48 | 247.83 |
| Other non-current Assets | 12.33 | 21.45 | 21.45 | 24.27 |
| **Total Assets** | **217.42** | **259.10** | **265.23** | **308.69** |
| **Liabilities:** | | | | |
| Current Liabilities | 7.84 | 11.00 | 10.40 | 9.30 |
| Long-term Debt | 0.00 | 0.00 | 16.02 | 0.00 |
| Other non-current Liabilities | 36.87 | 65.12 | 41.18 | 81.76 |
| **Total Liabilities** | **44.71** | **76.12** | **67.60** | **91.05** |
| Capital Stock | 1,194.94 | 1,151.93 | 1,167.93 | 1,310.47 |
| Retained Earnings | (1022.23) | (967.98) | (970.30) | (1092.41) |
| **Total Shareholder Equity** | **172.71** | **183.95** | **197.63** | **218.07** |

**INCOME STATEMENT (US$ MM)**

| Year-end December | 2016A | 2017A | 2018E | Q2/18A |
|---|---|---|---|---|
| Total Revenue: | 14.7 | 11.1 | 13.2 | 7.7 |
| % Uranium | 0% | 0% | 0% | 0% |
| % Other | 100% | 100% | 100% | 100% |
| Operating Costs | 5.6 | 10.6 | 0.0 | 7.5 |
| G&A | 4.4 | 5.9 | 4.5 | 3.7 |
| Exploration | 11.2 | 12.8 | 11.0 | 10.1 |
| Depreciation | 0.0 | 0.0 | 0.0 | 0.0 |
| Other | 9.0 | (1.0) | 0.0 | (0.9) |
| **EBITDA** | **(15.5)** | **(17.2)** | **(2.3)** | **(12.8)** |
| **EBIT** | **(15.5)** | **(17.2)** | **(2.3)** | **(12.8)** |
| Interest Expense | (0.8) | 0.9 | 0.0 | (1.7) |
| **EBT** | **(16.3)** | **(16.4)** | **(2.3)** | **(14.5)** |
| Taxes | 4.1 | 3.6 | 0.0 | 0.0 |
| Equity Earnings | 0.0 | (0.5) | 0.0 | 0.2 |
| Other | (5.8) | (0.1) | 0.0 | 0.0 |
| **Net Income (Reported)** | **(18.0)** | **(13.3)** | **(2.3)** | **(14.2)** |
| **Net Income (Adjusted)** | **(17.2)** | **(13.3)** | **(2.3)** | **(14.5)** |
| **EPS (Reported) $/sh** | **(0.03)** | **(0.03)** | **0.00** | **(0.02)** |
| **EPS (Adjusted) $/sh** | **(0.03)** | **(0.02)** | **(0.00)** | **(0.03)** |
| Average Shares (MM) | 526.7 | 555.3 | 579.9 | 559.2 |

**CASH FLOW STATEMENT (US$ MM)**

| Year-end December | 2016A | 2017A | 2018E | Q2/18A |
|---|---|---|---|---|
| Net Income (Reported) | (18.0) | (13.3) | (2.3) | (14.2) |
| Depreciation | 0.0 | 0.0 | 0.0 | 0.0 |
| Working Capital Changes | 1.1 | (1.2) | 0.0 | 0.0 |
| Other | 8.7 | 26.8 | 0.0 | 4.0 |
| **Operating Cash Flow** | **(8.1)** | **12.4** | **(2.3)** | **(10.3)** |
| **Operating Cash Flow/sh ($/sh)** | **(0.02)** | **0.02** | **0.00** | **(0.02)** |
| Capital Expenditures | (1.3) | (0.8) | 0.0 | 0.0 |
| Acquisitions | (0.5) | (29.9) | 0.0 | 0.0 |
| Other | 7.6 | (5.7) | (1.7) | 35.7 |
| **Investing Cash Flow** | **5.8** | **(36.5)** | **(1.7)** | **35.7** |
| Common Share Dividends | 0.0 | 0.0 | 0.0 | 0.0 |
| Equity financing | 8.8 | 14.0 | 16.0 | 0.0 |
| Debt Issue | 0.0 | 0.0 | 0.0 | 0.0 |
| Debt Repayment | 0.0 | (0.3) | (5.8) | 0.0 |
| Other | 0.0 | 0.1 | 0.0 | 0.0 |
| **Financing Cash Flow** | **8.8** | **13.7** | **10.2** | **0.0** |
| **Net Change in Cash** | **6.8** | **(9.9)** | **6.1** | **25.5** |
| **Cash Balance** | **11.8** | **1.9** | **8.1** | **29.1** |
| **Free Cash Flow** | **(9.4)** | **11.5** | **(2.3)** | **(10.3)** |

**VALUATION DATA**

| Year-end December | 2016A | 2017A | 2018E | Q2/18A |
|---|---|---|---|---|
| P/E | -- | -- | -- | -- |
| P/CF | -- | 37.50x | #DIV/0! | -- |
| EV/EBITDA | -- | -- | -- | -- |
| FCF Yield | -- | 3.20% | -- | -- |

**INPUT PRICES**

| Year-end December | 2016A | 2017A | 2018E | Q2/18A |
|---|---|---|---|---|
| Eight Capital Spot Uranium (US$/l | 26.4 | 23.2 | 29.0 | 29.0 |
| Uranium Realized Price (US$/lb) | 0.0 | 0.0 | 0.0 | 0.0 |
| Exchange (US$/C$) | 0.76 | 0.77 | 0.77 | 0.80 |

*Source: Company Reports, FactSet, Eight Capital*

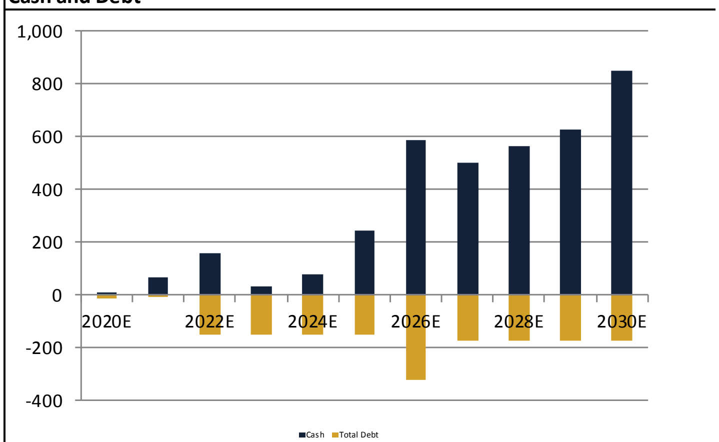
# Denison Mines Corp.

**Net Asset Valuation at Eight Capital Price Deck (C$)**

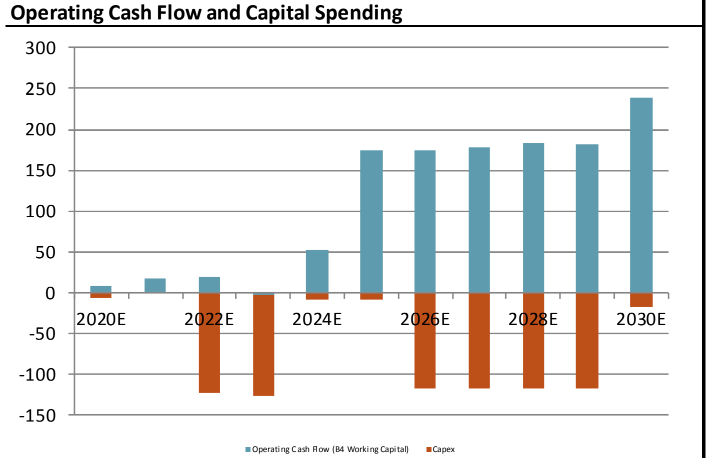
| | Target Setting NAV | | | NAV at Various Discount Rates | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | 0% | | 5% | | 15% | |
| | Discount Rate (10% | ($MM) | ($/Share) | ($MM) | ($/Share) | ($MM) | ($/Share) | ($MM) | ($/Share) |
| **Uranium Assets** | | | | | | | | | |
| McClean Lake (22%) | | 94 | 0.17 | 138 | 0.25 | 112 | 0.20 | 80 | 0.14 |
| Phoenix | | 393 | 0.71 | 1,282 | 2.31 | 703 | 1.27 | 221 | 0.40 |
| Gryphon | | 132 | 0.24 | 891 | 1.60 | 359 | 0.65 | 36 | 0.06 |
| **Total Uranium Assets** | | **619** | **1.11** | **2,312** | **4.16** | **1,175** | **0.20** | **337** | **0.14** |
| **Other Assets & Expenses** | | | | | | | | | |
| Cash | | 2 | 0.00 | 2 | 0.00 | 2 | 0.00 | 2 | 0.00 |
| Debt | | 8 | 0.01 | 8 | 0.01 | 8 | 0.01 | 8 | 0.01 |
| Resources & McCLean Mill | | 345 | 0.62 | 345 | 0.62 | 345 | 0.62 | 345 | 0.62 |
| Exploration, G&A, Other | 10% | 440 | 0.79 | 977 | 1.76 | 654 | 1.18 | 298 | 0.54 |
| **Net Other Assets** | | **795** | **1.43** | **1332** | **2.40** | **1009** | **1.82** | **653** | **1.18** |
| **Net Asset Value** | | **1,414** | **2.55** | **3,644** | **6.56** | **2,184** | **2.02** | **990** | **1.32** |
| **Share Price** | | | **0.75** | | **0.75** | | **0.75** | | **0.75** |
| **P/NAV** | | | **0.29x** | | **0.11x** | | **0.37x** | | **0.57x** |

**Financial Forecasts at Eight Capital Price Deck (MM US$)**

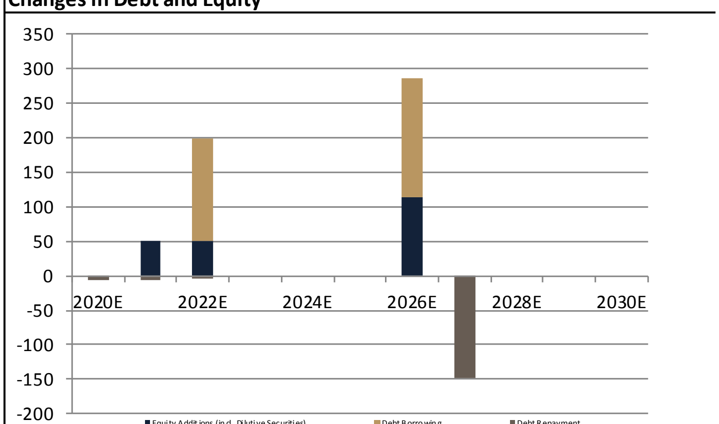
**Cash and Debt**



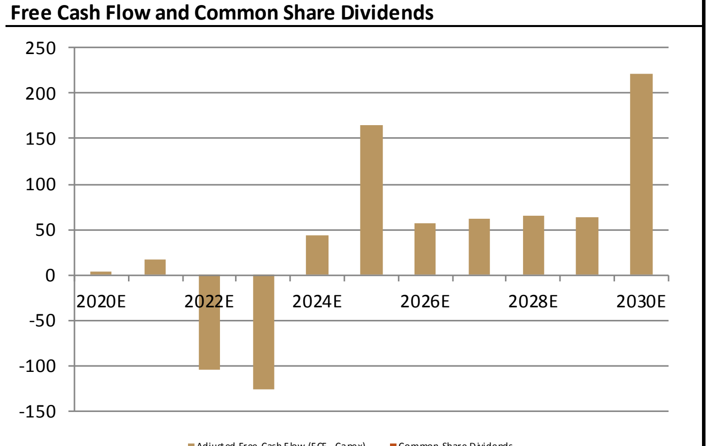

**Operating Cash Flow and Capital Spending**




**Changes in Debt and Equity**




**Free Cash Flow and Common Share Dividends**




*Source: Company Reports, FactSet, Eight Capital*

## Disclosures and Disclaimers

This research report (as defined in IIROC Rule 3400) is issued and approved for distribution in Canada by Eight Capital, a member of the Investment Industry Regulatory Organization of Canada, and the Canadian Investor Protection Fund. Eight Capital accepts responsibility for the dissemination of this report. Non-client recipients of the research report should not rely solely on the investment recommendations contained herein and should consult their own professional advisors. Eight Capital will not treat any non-client receiving this report as its own. Institutional clients who require additional information on securities discussed in this report should contact a qualified sales person at Eight Capital.

Eight Capital accepts no liability whatsoever for any loss arising from any use or reliance on this research report or the information contained herein.

This research report is being provided only to institutional clients of Eight Capital and is intended for informational purposes only. This research report is not an offer to sell or the solicitation of an offer to buy any of the securities discussed herein. The information contained in this research report is prepared from publicly available information, internally developed data and other sources believed to be reliable, but has not been independently verified by Eight Capital. Eight Capital makes no representations or warranties with respect to the accuracy, correctness or completeness of such information and they should not be relied upon as such.

All estimates, opinions and recommendations expressed herein constitute judgments as of the date of this research report and are subject to change without notice. Eight Capital does not accept any obligation to update, modify or amend this research report or to otherwise notify a recipient of this research report in the event that any estimates, opinions and recommendations contained herein change or subsequently become inaccurate or if this research report is subsequently withdrawn.

Past performance is not a guarantee of future results, and no representation or warranty, expressed or implied, is made regarding future performance of any security mentioned in this research report. The price of the securities mentioned in this research report and the income they generate may fluctuate and/or be adversely affected by market factors or exchange rates, and investors may realize losses on investments in such securities, including the loss of investment principal. Nothing in this research report constitutes legal, accounting or tax advice. Investors should consult with his or her independent legal or tax adviser in this regard.

**US Residents:** This report is provided to US residents under a chaperoning arrangement pursuant to Rule 15a-6 of the U.S. Securities Exchange Act of 1934 (the "Rule"). Eight Capital is a non-U.S. broker-dealer for the purposes of the Rule and is not registered with the Financial Industry Regulatory Authority, the Securities and Exchange Commission or any state securities regulatory authority. This research report is intended only for persons who are a “major U.S. institutional investor” which is defined as a U.S. institutional investor or any other entity which owns or manages at least $100 million in financial assets. This research report is not a solicitation to sell the securities discussed herein; however, should you choose to make an unsolicited transaction in such securities we may refer you to our chaperone. Please be advised that Eight Capital may earn a commission in connection with transactions through our chaperone and, in certain cases, our chaperone may give up trading to Eight Capital for execution.

Eight Capital Corp. is a U.S. registered broker-dealer, a member of FINRA and an affiliate of Eight Capital. Eight Capital Corp. accepts responsibility for the contents of this research report, subject to the terms and limitations as set out above. U.S. residents seeking to effect a transaction in any security discussed herein should contact Eight Capital Corp. directly. Research reports published by Eight Capital are intended for distribution in the United States only to Major Institutional Investors (as such term is defined in SEC 15a-6 and Section 15 of the Securities Exchange Act of 1934, as amended) and are not intended for the use of any person or entity.

## Dissemination of Research

Eight Capital’s Research is distributed electronically through email, website (password protected) or hard copy. Dissemination of initial research reports and any subsequent research reports is made simultaneously to a pre-determined list of clients of Eight Capital’s Institutional Sales and Trading representatives.

## Conflicts of Interest

Eight Capital has written procedures designed to identify and manage potential conflicts of interest that arise in connection with its research and other businesses. The compensation of each Research Analyst/Associate involved in the preparation of this research report is based competitively upon several criteria, including performance assessment criteria, the quality of research and the value of the services they provide to clients of Eight Capital. The Research Analyst compensation pool includes revenues from several sources, including sales, trading and investment banking. Research analysts and associates do not receive compensation based upon revenues from specific investment banking transactions.

Eight Capital generally restricts any research analyst/associate and any member of his or her household from executing trades in the securities of a company that such research analyst covers, with limited exception.
Should this research report provide web addresses of, or contain hyperlinks to, third party web sites, Eight Capital has not reviewed the contents of such links and takes no responsibility whatsoever for the contents of such web sites. Web

addresses and/or hyperlinks are provided solely for the recipient's convenience and information, and the content of third party web sites is not in any way incorporated into this research report. Recipients who choose to access such web addresses or use such hyperlinks do so at their own risk.

Unless publications are specifically marked as research publications of Eight Capital, the views expressed therein (including recommendations) are those of the author and, if applicable, any named issuer or Investment Dealer alone, and have not been approved by, nor are they necessarily those of, Eight Capital. Eight Capital expressly disclaims any and all liability for the content of any publication that is not expressly marked as a research publication of Eight Capital.

Forward-looking statements are based on current expectations, estimates, forecasts and projections based on beliefs and assumptions made by the author. These statements involve risks and uncertainties and are not guarantees of future performance or results and no assurance can be given that these estimates and expectations will prove to have been correct, and actual outcomes and results may differ materially from what is expressed, implied or projected in such forward-looking statements.

## Research Analyst Certification

Each Research Analyst and/or Associate who is involved in the preparation of this research report hereby certifies that:

- the views and recommendations expressed herein accurately reflect his/her personal views about any and all of the securities or issuers that are the subject matter of this research report;
- his/her compensation is not and will not be directly related to the specific recommendations or views expressed by the Research Analyst in this research report;
- they have not affected a trade in a security of any class of the issuer whether directly or indirectly through derivatives within the 30-day period prior to the publication of this research report;
- they have not distributed or discussed this Research Report to/with the issuer, investment banking at Eight Capital or any other third party except for the sole purpose of verifying factual information; and
- they are unaware of any other potential conflicts of interest.

The Research Analyst involved in the preparation of this research report does not have any authority whatsoever (actual, implied or apparent) to act on behalf of any issuer mentioned in this research report.

## Informal Comment

Informal Comments are analysts' informal comments that are posted on the Eight Capital website. They generally pertain to news flow and do not contain any change in analysts' opinion, estimates, rating or target price. Any rating(s) and target price(s) in an Informal Comment are from prior formal published research reports. A link is provided in any Informal Comment to all company specific disclosures and analyst specific disclosures for companies under coverage, as well as general disclosures and disclaimers.

## Presentations

Presentations do not include disclosures that are specific to analysts and specific to companies under coverage. Please refer to formal published research reports for company specific disclosures, analyst specific disclosures and valuation methodologies used in determining target prices for companies under coverage.

## Idea of Interest

Eight Capital has not initiated formal continuing coverage of Idea of Interest companies. Eight Capital from time to time publishes reports on Idea of Interest securities for which it does not and may not choose to provide formal continuous research coverage. All opinions and estimates contained in an Idea of Interest report are subject to change without notice and are provided in good faith but without the legal responsibility that would accompany formal continuous research coverage. The companies may have recommendations as per our regular rating system and may have target prices; see Explanation of Recommendations for details. Any recommendations, target prices and/or comments expire 30 days from the published date, and once expired should no longer be relied upon as no assurance can be given as to the accuracy or relevance going forward. Eight Capital does not accept any obligation to update, modify or amend any Idea of Interest report or to otherwise notify a recipient of an Idea of Interest report in the event that any estimates, opinions and recommendations contained in such report change or subsequently become inaccurate. Eight Capital's clients should consult their investment advisor as to the appropriateness of an investment in the securities mentioned.

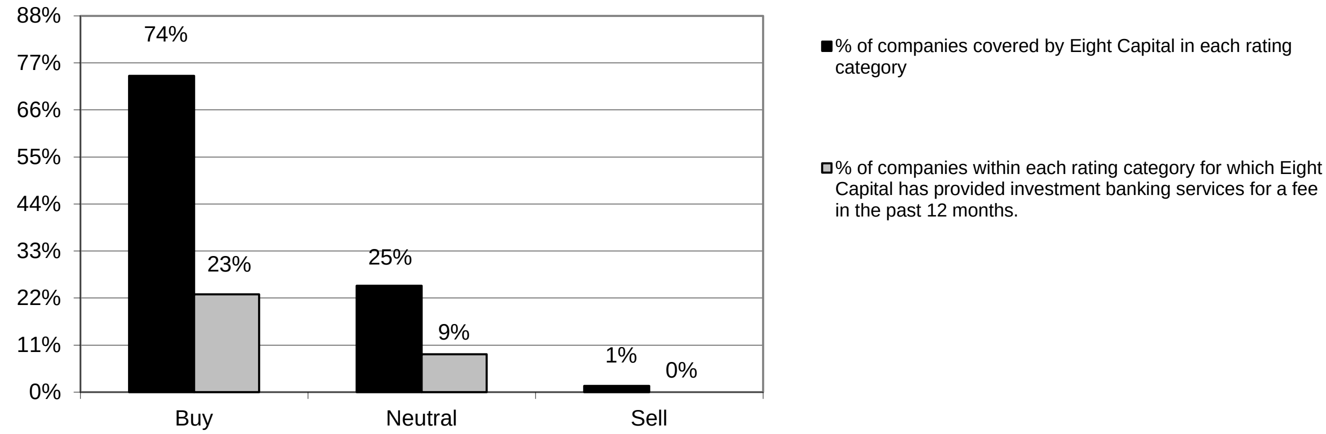
**IIROC Rule 3400 Disclosures:** A link (here) is provided in all research reports delivered by electronic means to disclosures required under IIROC Rule 3400, including disclosures for sector research reports covering six or more issuers.

## Explanation of Recommendations

**Eight Capital target:** Represents the price target as required under IIROC Rule 3400. Valuation methodologies used in determining the price target(s) for the issuer(s) mentioned in this research report are contained in current and/or prior research. Eight Capital target N/A: a price target and/or NAV are not available if the analyst deems there are limited financial metrics upon which to base a reasonable valuation.

**Recommendations**: **BUY**: Total returns expected to be materially better than the overall market with higher return expectations needed for more risky securities. **NEUTRAL**: Total returns expected to be in line with the overall market. **SELL**: Total returns expected to be materially lower than the overall market. **TENDER**: The analyst recommends tendering shares to a formal tender offer. **UNDER REVIEW**: The analyst will place the rating and/or target price Under Review when there is a significant material event with further information pending; and/or when the analyst determines it is necessary to await adequate information that could potentially lead to a re-evaluation of the rating, target price or forecast; and/or when coverage of a particular security is transferred from one analyst to another to give the new analyst time to reconfirm the rating, target price or forecast.
**SECURITY ABBREVIATIONS**: NVS (non-voting shares); RVS (restricted voting shares); RS (restricted shares); SVS (subordinate voting shares).

## Eight Capital Equity Research Ratings:




*As at June 29, 2018*
*Source: Eight Capital*