



Denison Mines Corp.

{DML-T, DNN-US}

SECTOR: Mining

STOCK PRICE	\$1.41
RATING	BUY
TARGET PRICE	\$2.20
RISK	Very High

HIGH GRADE INTERCEPT AND PROGRESS UPDATE ON ISR FIELD TESTS AT WHEELER RIVER

Drilling Suggests More Pounds at Phoenix - Field Program Progressing

OUR TAKE: This morning, Denison announced the discovery of additional high-grade uranium outside of the existing high-grade resource domain at Phoenix Zone A and the planned Phase 1 mining area, and also provided an update on its ongoing field test programs at the Wheeler River project, which host both the Phoenix and Gryphon deposits. As a reminder, last month the Company entered into a binding agreement with UEX Corporation (UEX-T, not covered) to acquire a 50% interest in JCU (Canada) Exploration Company Limited (current 10% owner of the Wheeler River project) for \$20.5M. Upon the completion of which, Denison's current interest in the Project will go from 90% to 95% (see [radar flash dated June 15, 2021](#)). **Of note in today's release is drill hole GWR-045 which cut 8.6 metres grading 22.0% U₃O₈, located ~5 metres outside of the currently defined high-grade resource domain of Zone A and planned Phase 1 mining area (see Table 1 and Figure 2). This is important as it has the potential to increase the high-grade uranium contained within the area designated for the first phase of ISR mining at the Phoenix deposit, while increasing total mineable resources overall.** Denison also details the significant technical progress being made in its field programs at Phoenix where it has completed a substantial portion of the 2021 ISR test plan. Denison has completed the installation of all five planned commercial-scale wells, installed 9 of the 11 planned monitoring wells, and is proceeding with baseline hydrogeologic and permeability enhancement work with positive results (see Figure 1). This is all ahead of a possible lixiviant injection test in 2022, which would be a major milestone and de-risking event for this 'unique to the Basin' ISR mining approach. Denison was highlighted in our Haywood 2021 Top Picks Report [<Link to Haywood 2021 Top-Picks report. DML details on p.30>](#).

2021 ISR Field Program Highlights

- ◆ **High-Grade Uranium in new Drilling** - Hole GWR-045 was completed as part of the ISR field test program to install monitoring wells to the northwest of the Test Pattern. Although the hole was expected to intersect low-grade uranium mineralization, it intersected a thick interval of high-grade unconformity-associated uranium grading 22.0% U₃O₈ over 8.6 metres (see Table 1). Mineralization remains open to the northwest of GWR-045 and represents an area for further exploration and potential mineral resource expansion of the Phoenix deposit.
- ◆ Currently, the Phase 1 mining area is estimated to contain probable reserves of 22.2Mlb U₃O₈ grading 27.1%, and notably, an estimated 6.6 Mlb U₃O₈ grading 39.2% of the probable reserves in Phase 1 are covered by the newly installed commercial-scale well five-spot pattern (GWR-038 to GWR-042), and GWR-032, which was installed in 2019 (see Figure 1). Altogether, the commercial-scale wells are spaced between 5 and 30 metres apart and should assist in facilitating further hydrogeologic testing and assessment of down-hole permeability enhancement tools as part of the Company's ongoing field program.
- ◆ Denison has also installed 9 of its 11 planned monitoring wells (with the final 2 expected to be completed early next month) and the Company is proceeding with baseline hydrogeologic and permeability enhancement work with encouraging results thus far.
- ◆ **Upcoming Work for the balance of 2021** - Planned work for the remainder of DML's 2021 Field Program will include: 1) multi-day pump and injection tests on full-scale 5-well pattern, 2) Ion tracer tests (see below), 3) Evaluation and testing of other permeability enhancement techniques, 4) continued permeability testing and data analysis performed on drill core.
 - Denison expects to be in a position to carry out a full-scale tracer test in Q3 which involves injection of marker chemicals to determine injection/fluid recovery/flow characteristics of the target rocks, and will provide important data for mine planning.

RECOMMENDED ACTION

We recommend adding exposure as Denison continues to de-risk the Wheeler River project and sector fundamentals improve...

- ◆ **Denison continues to be rated a top-pick in the uranium space largely underpinned by our thesis that recent de-risking work at Wheeler River regarding the ISR mining approach to the ultra-high-grade Phoenix deposit is going under-appreciated by the market.** Denison is making significant positive technical progress in the field in 2021 along with very positive drill results that we expect will ultimately mean more uranium actually recovered from Phoenix. **We believe that work-to-date is highly encouraging and sets the stage for a very important live lixiviant test in 2022, which will be a major milestone** and we expect results of this technical work to further support our thesis that **DML will be successful in mining Phoenix by the ISR technique resulting in an extremely low production cost profile and is therefore a 'must own' for uranium sector investors.** We recommend buying Denison to gain leverage to the uranium sector and potentially ultra low cost future production from Wheeler River while Denison works to uncover additional value in its extensive portfolio of other projects.

KEY STATISTICS AND METRICS

52-Week High/Low	\$2.29/\$0.41
YTD Performance	68%
Dividend Yield	N/A
Shares O/S	804.9M
Market Capitalization	\$1,135M
Cash	\$150M
Debt	NIL
Enterprise Value	\$985M
Daily Volume (3 mos.)	2,233,080
Currency	C\$ unless noted

HAYWOOD ESTIMATES (CAD)

	2019A	2020A	2021E
Revenue (\$M)	\$15.5	\$14.4	\$13.5
U ₃ O ₈ Production	-	-	-
EBITDA (\$M)	(\$14.8)	(\$7.2)	(\$15.1)
CFPS (\$/share)	(\$0.03)	(\$0.02)	(\$0.02)

VALUATION

Our target is based on a corporate NAV sum-of-parts assessment of Denison's full suite of interests, including a DCF_{6%} assessment of future production from the Wheeler River project and other credits.

Net of corporate adjustments, our NAV is \$1.9 billion, or \$2.18 per fully diluted share.

Table 1 - GWR-045 Mineralized Intersection

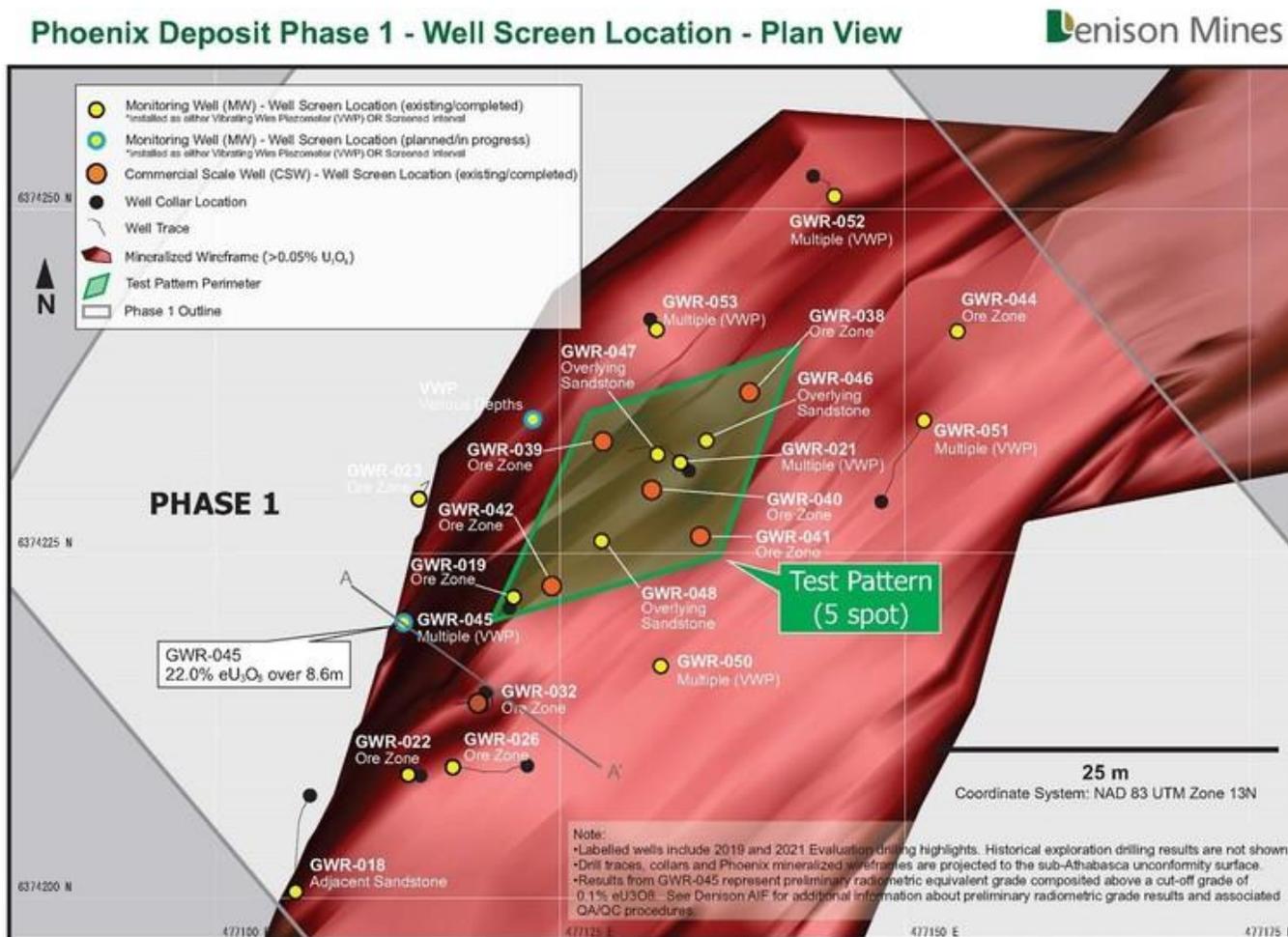
Drill Hole	From (m)	To (m)	Length (m) ⁴	eU ₃ O ₈ (%) ^{1,2,3}
GWR-045	406.95	415.55	8.60	22.00

Notes:

1. eU₃O₈ is radiometric equivalent U₃O₈ derived from a calibrated total gamma down-hole probe.
2. Composited above a cut-off grade of 0.1% eU₃O₈
3. Composited using a 1.0 metre minimum mineralization thickness and 1.0 metre maximum waste
4. The stated length is interpreted to represent true thickness as the drill hole is oriented vertically, and the unconformity mineralization is interpreted to lie horizontally

Source: Denison Mines Corp

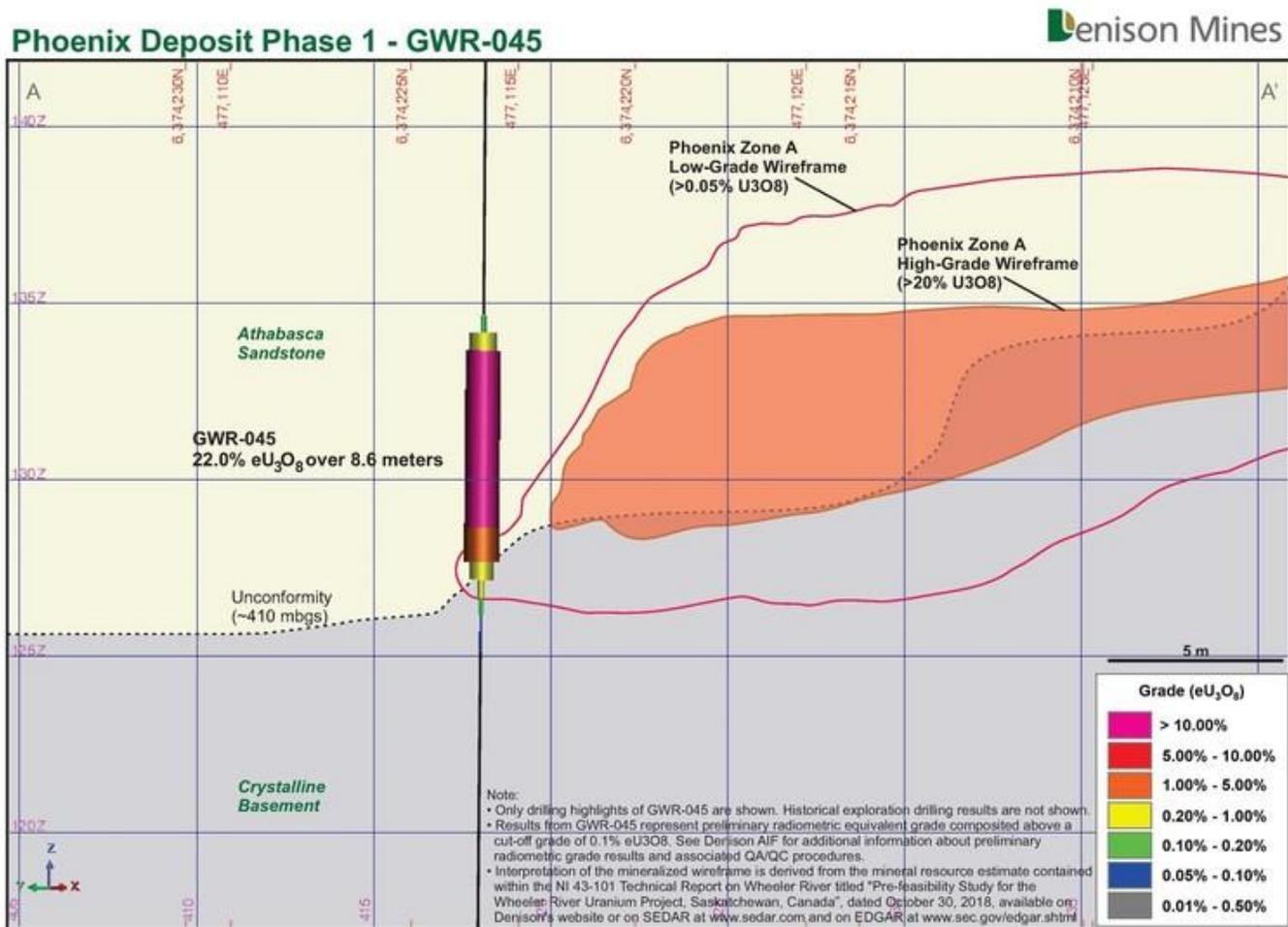
Figure 1 - Plan Map Showing Location of Phoenix Deposit (Phase 1) – ISR Test Pattern



Source: Denison Mines Corp



Figure 2 - Cross Section View of the Phoenix Deposit (Phase 1) – Through GWR-045 Showing Location of Mineralized Intersection Relative to Existing High-Grade Resource Domain



Source: Denison Mines Corp



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Analyst Certification

I, Colin Healey, hereby certify that the views expressed in this report (which includes the rating assigned to the issuer's shares as well as the analytical substance and tone of the report) accurately reflect my/our personal views about the subject securities and the issuer. No part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations.

Important Disclosures

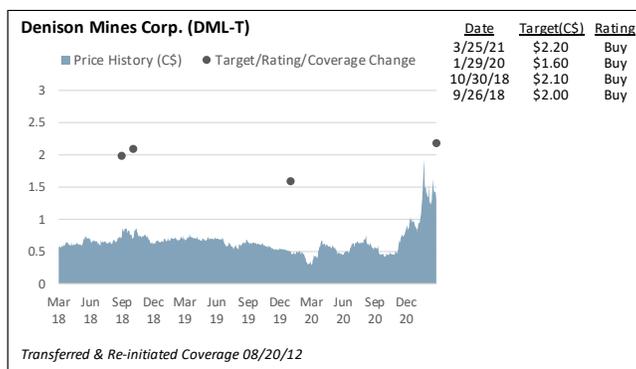
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Distribution of Ratings (as of July 29, 2021)

	%	#	IB Clients (TTM)
Buy	84.9%	79	89.5%
Hold	7.5%	7	7.9%
Sell	0.0%	0	0.0%
Tender	0.0%	0	0.0%
UR (Buy)	0.0%	0	0.0%
UR (Hold)	0.0%	0	0.0%
UR (Sell)	0.0%	0	0.0%
Dropped (TTM)	7.5%	7	2.6%

Price Chart, Rating and Target Price History (as of July 29, 2021)



B: Buy; H: Hold; S: Sell; T: Tender; UR: Under Review
Source: Capital IQ and Haywood Securities

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