



Denison Mines Corp.

{DML-T, DNN-US}

SECTOR: Mining

STOCK PRICE	\$1.80
RATING	BUY
TARGET PRICE	\$2.40
RISK	Very High

DECISION FORMALIZES PLAN TO ADVANCE PHOENIX ISR DEPOSIT AT WHEELER RIVER

Denison Formally Launches Feasibility Study at Phoenix to Further De-risk

OUR TAKE: This morning, Denison announced that the Wheeler River Joint Venture ('WRJV') has approved the initiation of an independent Feasibility Study ('FS') for the In-Situ Recovery ('ISR') mining operation proposed for the Company's Phoenix deposit. Denison has selected the leading global consulting and engineering firm Wood PLC to lead and author the NI 43-101 compliant study. This is positive news for the Company as it continues to further de-risk its Wheeler River project and follows up on its 2018 Pre-Feasibility Study ('PFS'). According to Denison, its confident that the Project is ready to advance into a full FS based on the results of field programs and metallurgical lab testing completed since the PFS where it has been able to verify ore-body permeability and the leachability of high-grade uranium in conditions representative of an ISR mining setting, as well as the Company being successful in engineering an improved containment design using a more conventional ground freezing approach. The FS will be an important milestone for the Company as it will be critical to Denison and the WRJV in making definitive development decision on the Project. The FS is expected to address 5 key objectives: environmental stewardship, an updated mineral resource estimate, mine design optimization, processing plant optimization, and a Class 3 capital cost estimate. Please see further details below.

As a reminder, last month the Company closed its agreement with UEX Corporation (UEX-T, Not Rated) to acquire a 50% interest in JCU (Canada) Exploration Company Limited (10% owner of the Wheeler River project) for \$20.5M, bringing Denison's consolidated ownership in the project up to 95% (see [Report dated August 4, 2021](#)). Additionally, we continue to flag Denison as a top pick where it was highlighted in our Haywood 2021 Top Picks Report [<Link to Haywood 2021 Top-Picks report. DML details on p.30>](#).

Feasibility Study Key Objectives Highlights

- ◆ **Environmental Stewardship:** Extensive planning and technical work undertaken as part of the ongoing Environmental Assessment is expected to be incorporated into the FS project designs to support environmental stewardship that meets and exceeds expectations of regulators and aligns with the interests of local Indigenous communities;
- ◆ **Updated Estimate of Mineral Resources:** The last mineral resource for Phoenix was released in 2018. Since then, additional drilling has been completed in and around the Phoenix deposit as part of various ISR field tests and exploration drilling.
- ◆ **Mine Design Optimization:** The FS mine design is expected to reflect the decision to adopt a freeze wall configuration for containment of the ISR well field, as well as the results from multiple field test programs and extensive hydrogeological modelling exercises, which have provided various opportunities to optimize other elements of the Project.
- ◆ **Processing Plant Optimization:** The FS process plant design is expected to reflect the decision to increase the ISR mining uranium head-grade to 15 g/L, as well as results from extensive metallurgical laboratory studies designed to optimize the mineral processing aspects of the Project.
- ◆ **Class 3 Capital Cost Estimate:** The FS is also intended to provide the level of engineering design necessary to support a Class 3 capital cost estimate (AACE international standard with an accuracy of -15% /+25%), which is expected to provide a basis to confirm the economic potential of the Project highlighted in the PFS completed in 2018.

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 continued 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 has been making significant positive technical progress in the field along with returning very positive drill results that we expect will ultimately mean more uranium actually recovered from Phoenix. We expect results of this technical work to translate into a FS that further supports 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		HAYWOOD ESTIMATES (CAD)			VALUATION	
		2019A	2020A	2021E		
52-Week High/Low	\$2.29/\$0.41				<p>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.</p> <p>Net of corporate adjustments, our NAV is \$2.1 billion, or \$2.37 per fully diluted share</p>	
YTD Performance	114%	Revenue (\$M)	\$15.5	\$14.4		\$13.5
Dividend Yield	N/A	U ₃ O ₈ Production	-	-		-
Shares O/S	805.7M	EBITDA (\$M)	(\$14.9)	(\$7.3)		(\$15.1)
Market Capitalization	\$1,450M	CFPS (\$/share)	(\$0.03)	(\$0.02)		(\$0.02)
Cash (as of June 2021)	\$84.9M					
Debt	NIL					
Enterprise Value	\$1,365M					
Daily Volume (3 mos.)	2,320,810					
Currency	C\$ unless noted					

Important Information and Legal Disclosures

This report is intended for institutional investors and may only be distributed to non-institutional US clients in the following states: Alaska, Alabama, Arkansas, Arizona, California, Colorado, Connecticut, District of Columbia, Delaware, Florida, Georgia, Guam, Hawaii, Iowa, Idaho, Illinois, Indiana, Kansas, Kentucky, Louisiana, Massachusetts, Maryland, Maine, Michigan, Minnesota, Missouri, Mississippi, Montana, North Carolina, North Dakota, Nebraska, New Hampshire, New Jersey, New Mexico, Nevada, New York, Ohio, Oklahoma, Oregon, Pennsylvania, Puerto Rico, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Virgin Islands, Vermont, Washington, Wisconsin, West Virginia, and Wyoming. Otherwise, this report may only be distributed into those states with an institutional buyer state securities registration exemption.

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

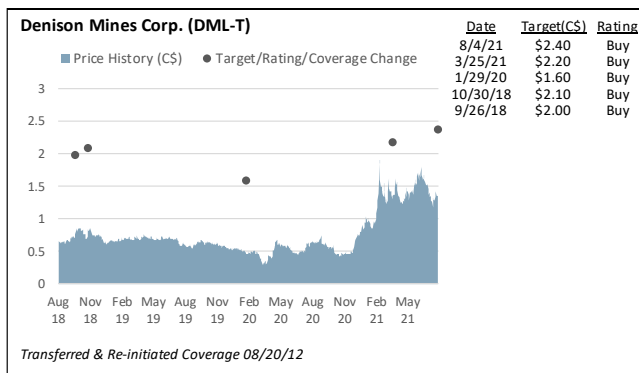
Of the companies included in the report the following Important Disclosures apply:

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- ◆ Haywood Securities Inc. or one of its subsidiaries has managed or co-managed or participated as selling group in a public offering of securities for Denison Mines Corp. (DML-T) in the past 12 months.
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Distribution of Ratings (as of September 22, 2021)

	%	#	IB Clients (TTM)
Buy	81.4%	79	85.7%
Hold	7.2%	7	7.1%
Sell	0.0%	0	0.0%
Tender	2.1%	2	2.4%
UR (Buy)	0.0%	0	0.0%
UR (Hold)	0.0%	0	0.0%
UR (Sell)	0.0%	0	0.0%
Dropped (TTM)	9.3%	9	4.8%

Price Chart, Rating and Target Price History (as of September 22, 2021)



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

Link to Research Policy: <http://haywood.com/what-we-offer/research/research-policy>

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