

Denison Mines Corp.

{DML-T, DNN-US}

SECTOR: Mining

STOCK PRICE \$1.62
RATING **BUY**
TARGET PRICE \$2.90
RISK Very High

FALL 2021 FOLLOW UP DRILL RESULTS AT ZONE A

Latest Drilling Shows Potential to Expand High-Grade Domain at Phoenix

OUR TAKE: This morning, Denison announced drill results from its Fall 2021 program at its 95%-owned Wheeler River Uranium Project in northern Saskatchewan. Namely, today's results included three holes drilled to follow-up on discovery hole GWR-045, which intersected 8.6 metres grading 20% ${}^e\text{U}_3\text{O}_8$ to the northeast, outside the prior known extents of the high-grade resource area at Phoenix in the Company's summer 2021 drilling. All three follow-up holes returned multi-metre intersections of uranium grading above 1% but the highlight result came from hole GWR-049, which intercepted 4.2 metres grading 24.9% ${}^e\text{U}_3\text{O}_8$, located 17 metres northeast of the previously reported GWR-045 hole which first uncovered the extension. Together these holes will assist in expanding the resource within the high-grade domain outside the boundaries in the proposed phase one mining area at the Company's Phoenix deposit where Denison continues to de-risk its plan to ISR mine the deposit at potentially ultra low-cost with the PFS indicating lowest decile OPEX costs in the industry at US\$3.33 per pound. The probable reserves of the Phoenix deposit are 59.7 million pounds grading 19.1% U_3O_8 . We continue to highlight Denison as one of our top picks in the uranium mining sector in 2022 [<Link to Haywood 2022 Top-Picks report. DML details on p.31>](#). Specifically, the Company has remained a top pick for the past couple of years owing to its super high grades and large deposit with a low cost profile in a great jurisdiction. Denison continues to do an impressive job of redefining what its flagship Wheeler River project could be, especially with respect to the Phoenix deposit and the ISR mining approach it is developing. Denison has made 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.

Additionally, it should be noted that with last week's news that Cameco (CO-T, Not Rated) will scale back production at Cigar Lake* in 2024 ([link to Feb. 9th PR](#)), there is more certainty regarding available capacity at the McLean Lake mill (DML, 22.5%) in the future to accommodate Wheeler River's Gryphon deposit expected to be conventionally mined, which integrates use of the mill in its production plan. **We maintain our \$2.90 target and a Buy rating.**

Key Highlights

- ◆ **GWR-049: Intersected 4.2 metres averaging 24.9% ${}^e\text{U}_3\text{O}_8$ from 408.95 metres depth.** Located ~17 metres to the northeast of GWR-045, GWR-049 intersected a thick interval of high-grade unconformity-associated uranium mineralization. Together with the results of GWR-045, the holes are expected to expand the volume of the high-grade domain to the northwest outside of the extents of the current resource model (see Figures 1 & 3).
- ◆ **WR-787: Intersected 4.5 metres averaging 3.6% ${}^e\text{U}_3\text{O}_8$ from 411.40 metres depth, including 0.7 metres averaging 15.2% ${}^e\text{U}_3\text{O}_8$ from 413.00 metres depth.** Located 6 metres north of the mineralization in GWR-049, the hole was designed to test the extents of the high-grade mineralization discovered in GWR-049 (see Figures 1 & 3).

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. We expect ongoing and future work to further demonstrate the viability of this low-cost mining approach and believe that it will translate into more positive movement in DML's share price. Denison made 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. The importance of DML having visibility and access to a licensed, operating mill, capable of processing uranium produced from its projects cannot be understated. The process of licensing, financing, and constructing an equivalent facility would be a much higher risk proposition. This provides Denison a material strategic advantage along its development path. 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.

*The Cigar Lake Mine is owned by Cameco (50.025%, operator), AREVA (Orano) Canada (37.1%), Idemitsu (7.875%), and TEPCO (5%).

KEY STATISTICS AND METRICS

| | |
|-----------------------|------------------|
| 52-Week High/Low | \$2.64/\$1.11 |
| YTD Performance | -6.9% |
| Dividend Yield | N/A |
| Shares O/S | 807.4M |
| Market Capitalization | \$1,308M |
| Cash | \$115M |
| Debt | NIL |
| Enterprise Value | \$1,193M |
| Daily Volume (3 mos.) | 3,781,840 |
| Currency | C\$ unless noted |

HAYWOOD ESTIMATES (CAD)

| | 2020A | 2021E | 2022E |
|-----------------------------------|----------|----------|----------|
| Revenue (\$M) | \$14.4 | \$13.5 | \$13.5 |
| U_3O_8 Production | - | - | - |
| EBITDA (\$M) | (\$7.3) | (\$15.1) | (\$15.6) |
| CFPS (\$/share) | (\$0.02) | (\$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 \$2.45 billion, or \$2.85 per fully diluted share.

Table 1 –Phoenix Zone A – Select 2021 Mineralized Intersections

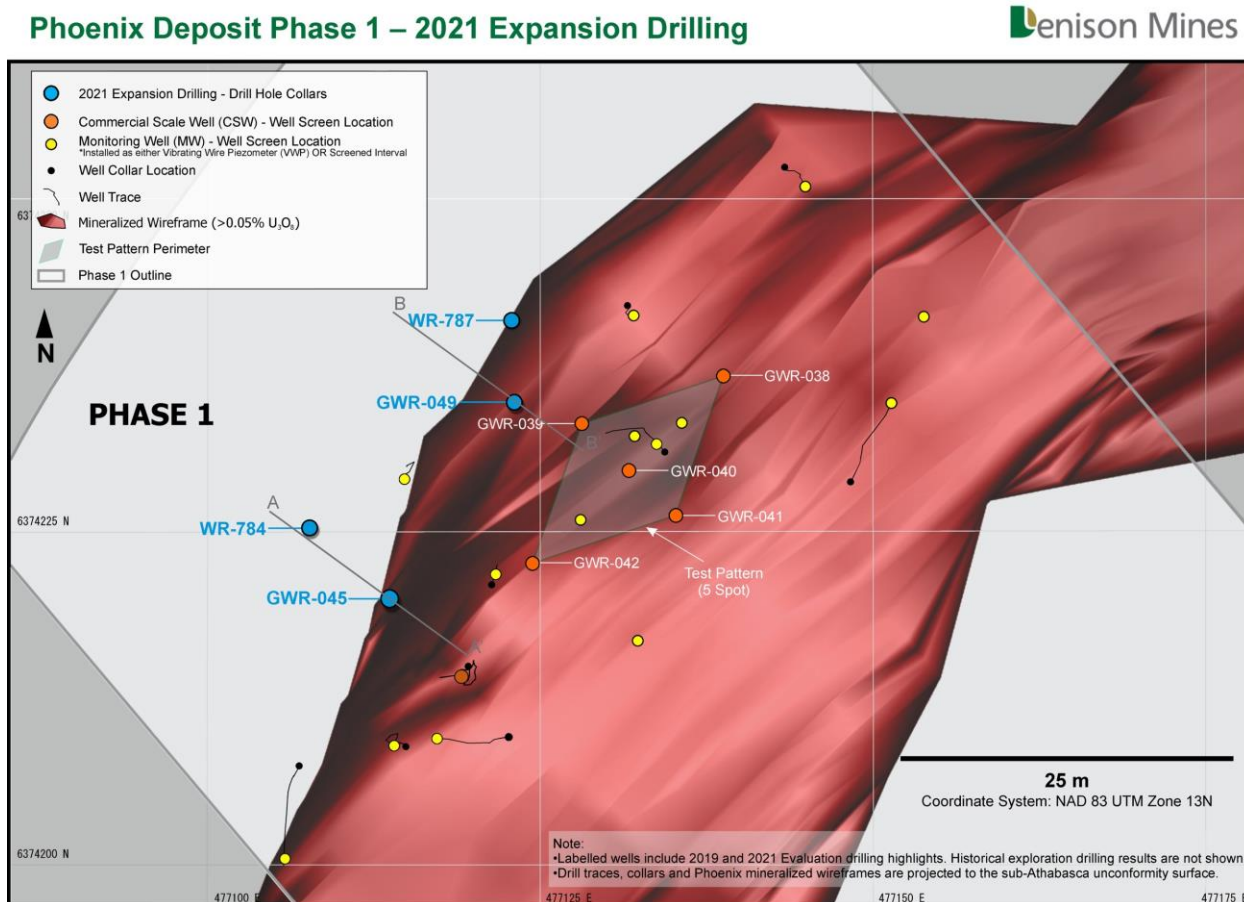
| Drill Hole | From (m) | To (m) | Length (m) ⁽¹⁾ | eU ₃ O ₈ (%) ^(2,3) |
|------------------|----------|--------|---------------------------|---|
| GWR-045 | 406.95 | 415.55 | 8.60 | 22.0 ⁽⁴⁾ |
| GWR-049 | 408.95 | 413.15 | 4.20 | 24.9 ⁽⁴⁾ |
| WR-784 | 406.25 | 408.35 | 2.10 | 1.20 |
| WR-787 | 411.40 | 415.90 | 4.50 | 3.60 |
| <i>including</i> | 413.00 | 413.70 | 0.70 | 15.2 ⁽⁴⁾ |

Notes:

1. As the drill holes are oriented vertically and the mineralization is interpreted to lie nearly horizontal, the drill intersection is interpreted to represent the true thickness.
2. eU3O8 is a radiometric equivalent grade U3O8 derived from a calibrated total gamma down-hole probe.
3. Composited above a cut-off grade of 0.1% eU3O8 unless otherwise indicated.
4. Composited above a cut-off grade of 1.0% eU3O8.

Source: Denison Mines

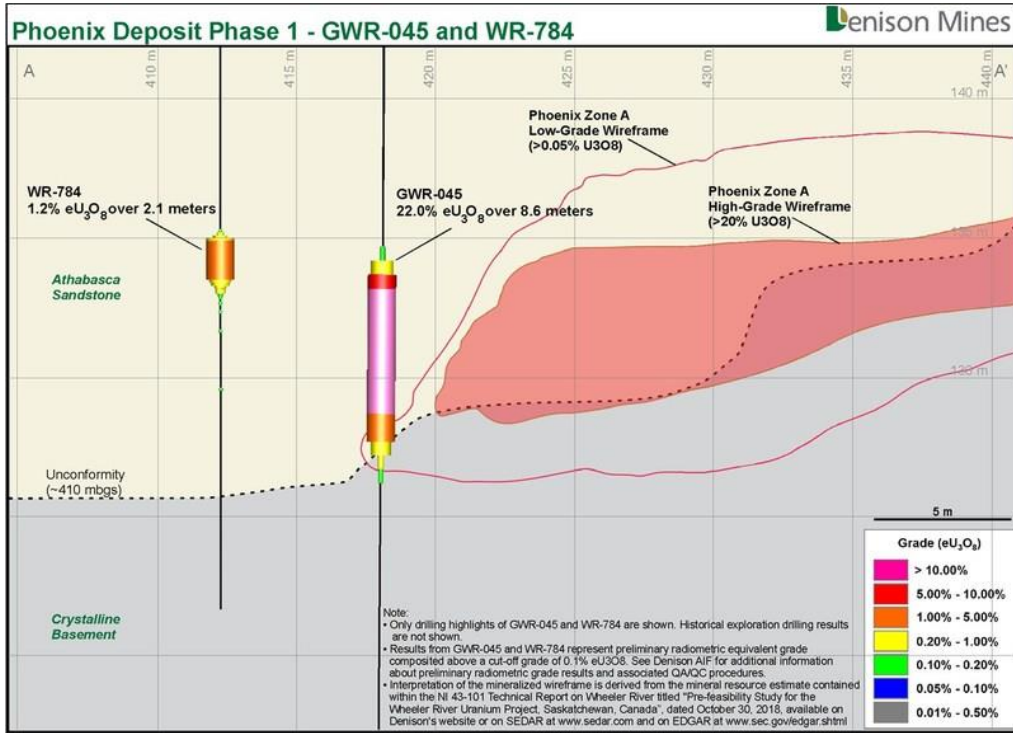
Figure 1 – Plan Map Showing Location of Phoenix Deposit (Phase 1) – ISR Test Pattern and exploration holes WR-784 and WR-787



Source: Denison Mines

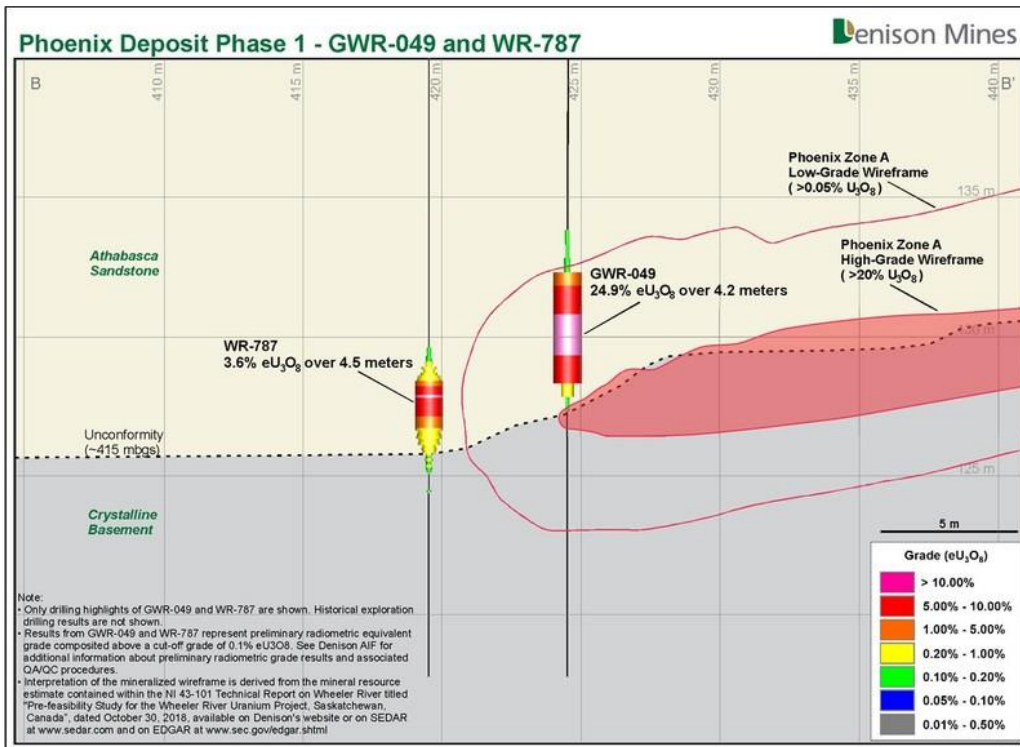


Figure 2 – Cross-Section View of the Phoenix Deposit (Phase 1) – Through GWR-045 and WR-784



Source: Denison Mines

Figure 3 – Cross-Section View of the Phoenix Deposit (Phase 1) – Through GWR-049 and WR-787



Source: Denison Mines



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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

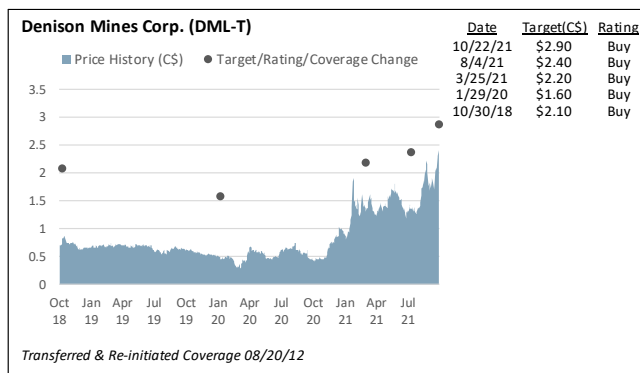
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Distribution of Ratings (as of February 16, 2022)

| | % | # | IB Clients (TTM) |
|----------------------|-------|----|------------------|
| Buy | 83.7% | 82 | 90.0% |
| Hold | 5.1% | 5 | 6.7% |
| Sell | 0.0% | 0 | 0.0% |
| Tender | 1.0% | 1 | 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) | 10.2% | 10 | 3.3% |

Price Chart, Rating and Target Price History (as of February 16, 2022)



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>

Member of the Canadian Investor Protection Fund

