



# Denison Mines Corp.

{DML-T, DNN-US}

SECTOR: Mining

STOCK PRICE	\$1.82
RATING	BUY
TARGET PRICE	\$2.90
RISK	Very High

## EXPLORATION DRILL RESULTS

### Summer Drilling Cuts Best Hole to-Date at Waterfound

**OUR TAKE:** This morning, Denison announced assay results from the recently completed 2022 summer exploration program at the Waterfound River property carried out by the operator, Orano Canada Inc. The Waterfound River property is located approximately 40 km northwest of Orano and Denison's (22.5%) McClean Lake mill in the eastern portion of the Athabasca Basin. Denison holds an effective 24.68% ownership interest in the Waterfound JV through its direct interest in the joint venture (to which each of Orano Canada Inc., Denison, and JCU (Canada) Exploration Company, Limited ("JCU") are participants) and its 50% ownership of JCU. Seven drill holes were completed as part of the summer exploration program, with uranium mineralization returned in three of the holes (see Table 1). The program was designed to follow up on the winter 2022 discovery of high-grade mineralization approximately 800 metres to the west of the Alligator Zone, where drill hole WF-68 returned a mineralized interval of 5.91% eU<sub>3</sub>O<sub>8</sub> over 3.9 metres (see Figures 1 and 2). Approximately 40 metres west of 2022 winter drill hole WF-68, recent results include highlight hole WF-74A which returned a 13.3 metre intercept grading 4.75% eU<sub>3</sub>O<sub>8</sub>, including a sub-interval of 0.5 metres grading 25.23% eU<sub>3</sub>O<sub>8</sub> (see Table 1). Hole WF-74A denotes the best intersection drilled to date on the Waterfound property, where it returned multiple narrow intervals of high-grade uranium hosted within fault strands and highlights the potential for the discovery of additional high-grade uranium mineralization further along strike to the west of the Alligator Zone. Additionally, WF-74A remains open along strike to the west and across strike in both directions. With the area to the west of WF-74A reportedly "sparsely drilled", Denison sees "several kilometres" along the La Rocque conductive corridor open for follow-up. Other drill holes from the summer program included two others cutting uranium grades in excess of 0.05% eU<sub>3</sub>O<sub>8</sub> (WF-73 and -73-1), with all holes intersecting alteration and "structural disruption related to brittle-ductile deformation" along the conductive trend, conditions positive for discovery of additional mineralization.

## HIGHLIGHTS

### ◆ Assay Highlights:

- ◆ **WF-74A returned a 13.3 metre intercept grading 4.75% eU<sub>3</sub>O<sub>8</sub>, including a sub-interval of 0.5 metres grading 25.23% eU<sub>3</sub>O<sub>8</sub>.** The high-grade mineralization was encountered approximately 40 metres west of 2022 winter drill hole WF-68 which cut 3.9 metres grading 5.91% eU<sub>3</sub>O<sub>8</sub>.
- ◆ **Best Hole yet at Waterfound:** WF-74A is the best hole drilled at the property to-date and highlights the potential for discovery of additional high-grade unconformity style uranium at the project. Hole WF-74A is located approximately 800 metres west of the project's Alligator Zone. The area to the west of WF-74A is reportedly "sparsely drilled" and Denison sees "several kilometres" along the La Rocque conductive corridor open for follow-up. This area remains open along strike to the west and across strike in both directions, according to Denison, and additional drilling is definitely warranted here.

## RECOMMENDED ACTION

*We recommend adding exposure as Denison continues to de-risk the Wheeler River project...*

**We maintain our \$2.90 target and a Buy rating.** 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 has made significant positive technical progress in the field culminating in the anticipated live lixiviant test later this year, 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	\$2.64/\$1.19
YTD Performance	4.6%
Dividend Yield	N/A
Shares O/S	817.8M
Market Capitalization	\$1,488M
Cash	\$64M
Debt	NIL
Enterprise Value	\$1,424M
Daily Volume (3 mos.)	1,915,960
Currency	C\$ unless noted

### HAYWOOD ESTIMATES (CAD)

	2021A	2022E	2023E
Revenue (\$M)	\$20.0	\$13.5	\$13.5
U <sub>3</sub> O <sub>8</sub> Production	-	-	-
EBITDA (\$M)	(\$16.8)	(\$15.6)	(\$15.6)
CFPS (\$/share)	(\$0.03)	(\$0.01)	(\$0.01)

### VALUATION

**Our target** is based on a corporate NAV sum-of-parts assessment of Denison's full suite of interests, including a DCF<sub>6%</sub> 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: 2022 Waterfound River Summer Exploration Drilling Highlights

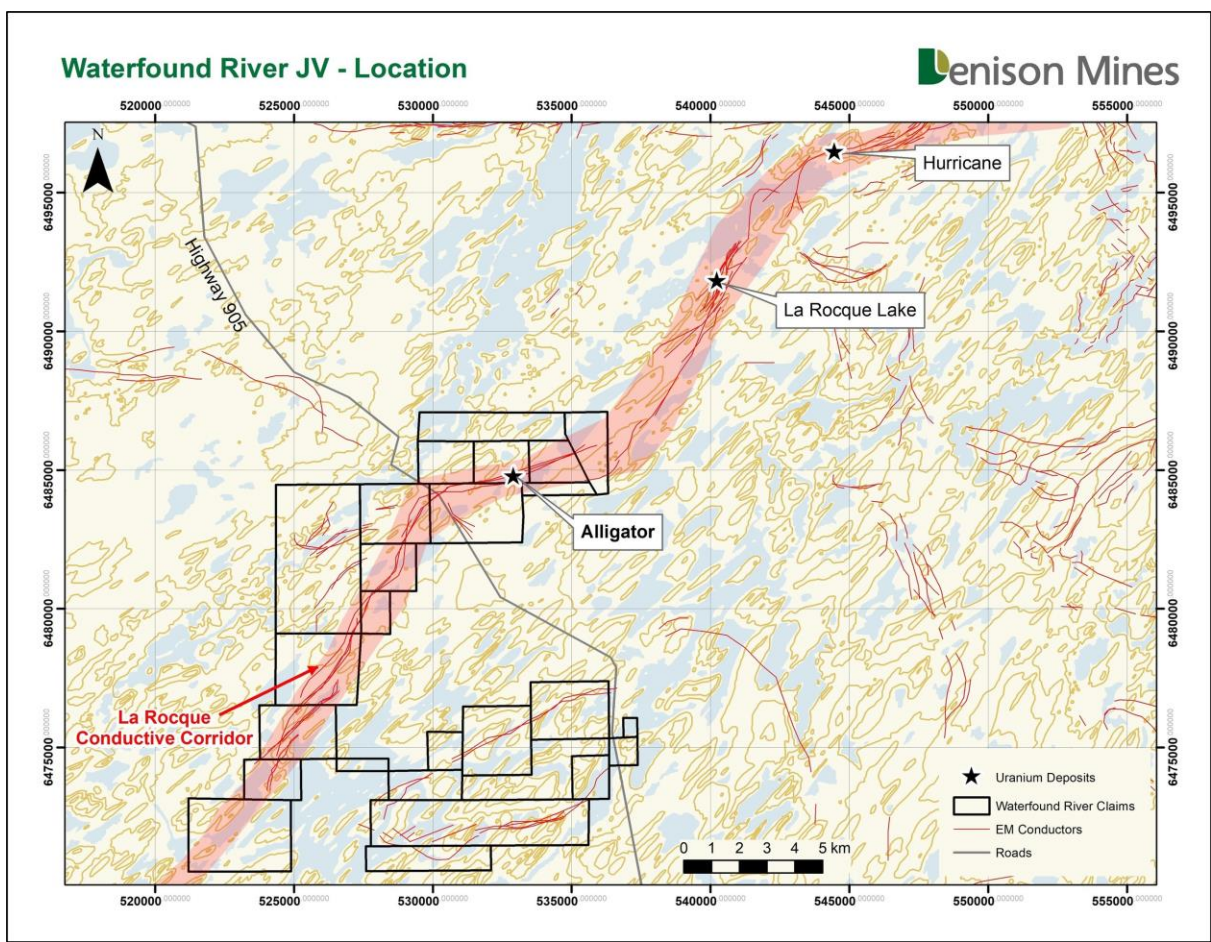
Drill Hole	Orientation (azi./dip)	From (m)	To (m)	Length (m) <sup>(1)</sup>	eU <sub>3</sub> O <sub>8</sub> (%) <sup>(2)</sup>
WF-73 <sup>(3)</sup>	158°/-69°	461.70	461.90	0.20	0.09
WF-73-1 <sup>(3)</sup>	158°/-67°	470.10	471.70	1.60	0.34
WF-74A <sup>(3)</sup>	155°/-69°	479.20	492.50	13.30	4.75
including <sup>(4)</sup>	-	484.00	484.50	0.50	25.23
and <sup>(4)</sup>	-	487.70	488.60	0.90	14.35
and <sup>(4)</sup>	-	490.20	490.50	0.30	16.30
and <sup>(4)</sup>	-	491.80	492.00	0.20	17.52

Notes:

- (1) Lengths indicated represent the down-hole length of mineralized intersections.
- (2) Radiometric equivalent U<sub>3</sub>O<sub>8</sub> ("eU<sub>3</sub>O<sub>8</sub>") derived from a calibrated gamma downhole probe.
- (3) Mineralized interval is composited above a cut-off grade of 0.05% eU<sub>3</sub>O<sub>8</sub>.
- (4) Mineralized interval is composited above a cut-off grade of 10.0% eU<sub>3</sub>O<sub>8</sub>.

Source: Denison Mines, Haywood Securities

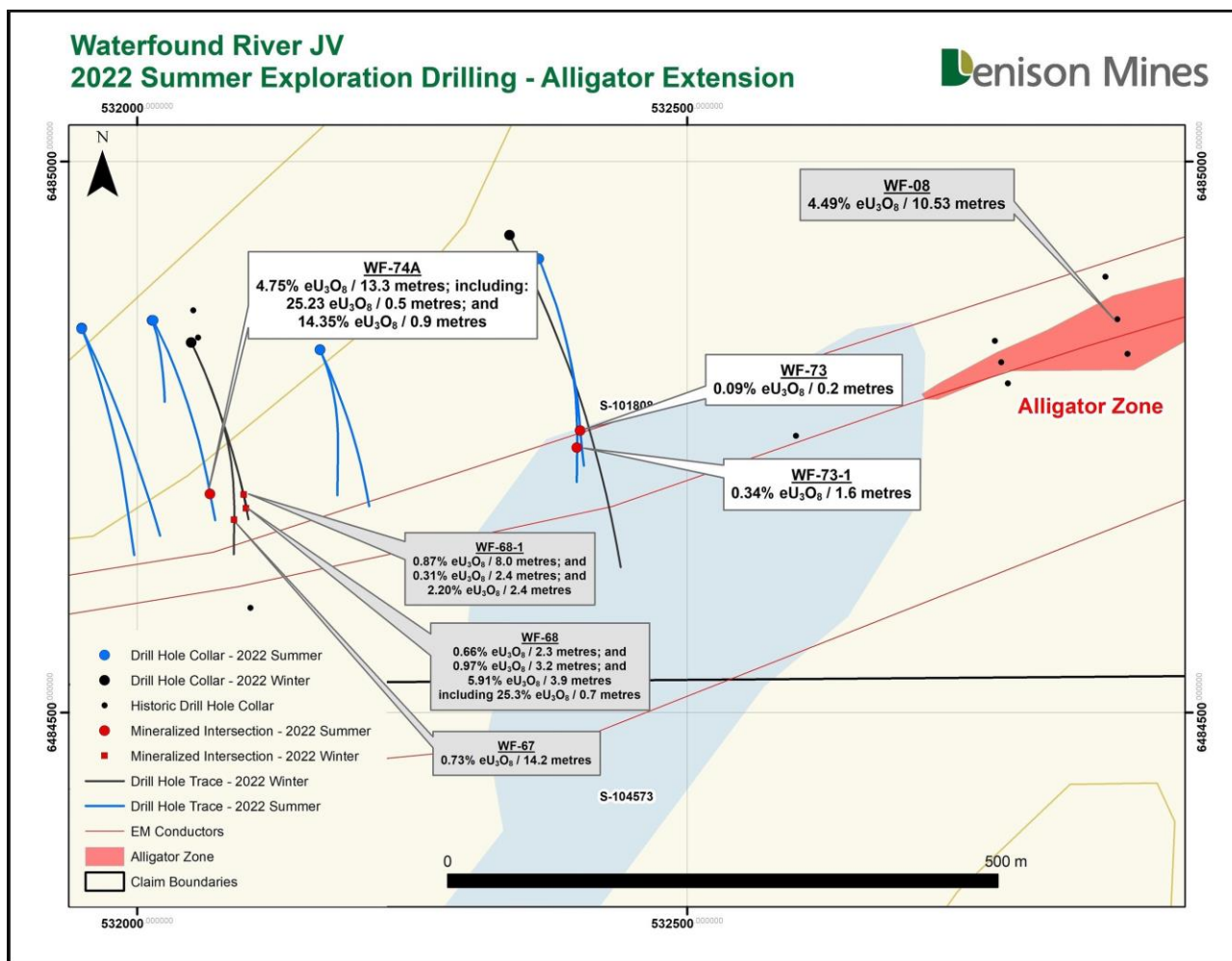
Figure 1: Location – Waterfound River JV



Source: Denison Mines



Figure 2: 2022 Summer Exploration Drilling – Alligator Extension



Source: Denison Mines



## Important Information and Legal Disclosures

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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

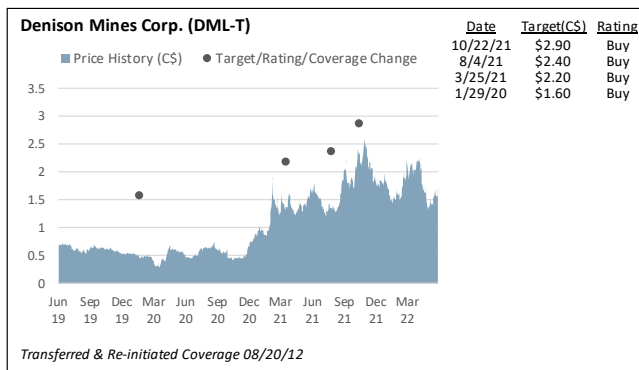
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- ◆ Haywood Securities, Inc. or one of its subsidiaries has received compensation for investment banking services from Denison Mines Corp. (DML-T) in the past 24 months.

### Distribution of Ratings (as of September 14, 2022)

	%	#	IB Clients (TTM)
<b>Buy</b>	74.7%	74	70.0%
<b>Hold</b>	11.1%	11	15.0%
<b>Sell</b>	0.0%	0	0.0%
<b>Tender</b>	1.0%	1	5.0%
<b>UR (Buy)</b>	0.0%	0	0.0%
<b>UR (Hold)</b>	0.0%	0	0.0%
<b>UR (Sell)</b>	0.0%	0	0.0%
<b>Dropped (TTM)</b>	13.1%	13	10.0%

### Price Chart, Rating and Target Price History (as of September 14, 2022)



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

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