



Denison Mines Corp.

{DML-T, DNN-US}

SECTOR: Mining

STOCK PRICE	\$1.08
RATING	BUY
TARGET PRICE	\$1.60
RISK	Very High

CORPORATE UPDATE

Denison Outlines 2021 Strategy to Advance Wheeler River

OUR TAKE: This morning, Denison released its 2021 budget and plans for the 90%-owned flagship Wheeler River project including a coordinated approach to the completion of a formal Feasibility Study (FS) on the project with the submission of a final Environmental Impact Statement (EIS) as part of the Environmental Assessment (EA) process. Initiation of the formal Feasibility Study is expected to commence late this year, with submission of the EIS in early 2022. In support of these objectives, the Wheeler River Joint Venture approved a \$24.0 million evaluation budget for 2021 (on a 100% basis), which is highlighted by the resumption of the EA process, as well as the advancement of engineering studies, metallurgical testing, and field programs (see further details below). Of the evaluation budget, Denison's share net of operator fee recoveries, is \$19.4 million. **Denison continues to be rated as one of our top-picks 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.** Please note, we recently highlighted Denison in our Haywood 2021 Top Picks Report [<Link to Haywood 2021 Top-Picks report. DML details on p.30>](#).

HIGHLIGHTS

- ◆ **ISR field work continues in 2021:** Denison will install a 5-well ISR test pattern replicating a production injection/recovery well installation configuration using commercial-scale wells at the Phoenix deposit to "facilitate further hydrogeological evaluation and support the final production well design pattern, as well as refine cost estimates, while allowing for testing of further permeability enhancement options." DML expects to be in a position to carry out a lixiviant test in 2022 which will be a major milestone for the project and, if successful, highly de-risking from an ISR extraction feasibility perspective. DML says "[t]he 2021 field program is fully permitted, with all approvals received from the provincial government to commence work on site."
- ◆ **Continuation of metallurgical test work:** More lab work to replicate and confirm the ISR process flowsheet is planned. DML states that "studies are expected to include additional core leach tests followed by uranium bearing solution ("UBS") preparation, through column leaching, to allow for bench-scale tests planned to simulate each unit of operation in the process plant."
- ◆ **Advancement of engineering activities:** According to Denison, "[d]esktop and field investigations are planned to finalize specific Project details necessary for the EA and engineering inputs required to formally initiate the FS. Areas of investigation are expected to include site layout design and earthworks updates, electrical power studies, borrow pit investigation, geotechnical analysis, final ISR well designs and decommissioning plans."

RECOMMENDED ACTION

We recommend adding exposure as Phoenix continues to be de-risked and sector fundamentals improve...

- ◆ **Attractive entry point as risk/reward proposition improving.** A core strength of Denison remains its ability to leverage its technical team and knowledge gained in studying ISR and its applicability to unconformity-hosted uranium deposits in the Basin. Denison continues to demonstrate this as it applies its growing in-house ISR skill set, unique in the Athabasca Basin, to another deposit, potentially unlocking value in a project that would otherwise likely require significant scaling to be economic by conventional mining techniques. 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. Following major global production cuts, the uranium market is in fundamental deficit. We believe key major global projects will remain offline until uranium prices climb, which will be a major catalyst for high torque names like Denison.

KEY STATISTICS AND METRICS

52-Week High/Low	\$1.08/\$0.235
YTD Performance	28.6%
Dividend Yield	N/A
Shares O/S	678.8M
Market Capitalization	\$733.1M
Cash	\$29.0M
Debt	NIL
Enterprise Value	\$704.1M
Daily Volume (3 mos.)	1,073,550
Currency	CAD

HAYWOOD ESTIMATES (CAD)

	2019A	2020E	2021E
Revenue (\$M)	\$15.5	\$13.5	\$13.5
U ₃ O ₈ Production	-	-	-
EBITDA (\$M)	(\$14.9)	(\$15.1)	(\$15.1)
CFPS (\$/share)	(\$0.03)	(\$0.04)	(\$0.04)

VALUATION

Our target is based on a corporate NAV sum-of-parts assessment of Denison's full suite of interests, including a DCF_{10%} assessment of future production from the Wheeler River project and other credits.

Net of corporate adjustments, our NAV is \$1.13 billion, or \$1.63 per share.

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

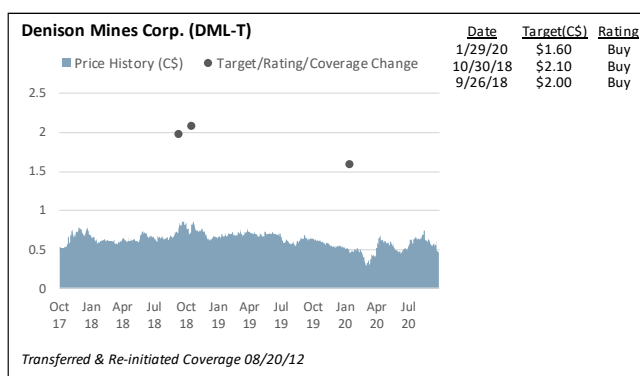
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- ◆ Haywood Securities, Inc. has reviewed lead projects of Denison Mines Corp. (DML-T) and a portion of the expenses for this travel have been reimbursed by the issuer.
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Distribution of Ratings (as of February 8, 2021)

	%	#	IB Clients (TTM)
Buy	73.8%	76	82.4%
Hold	5.8%	6	5.9%
Sell	1.0%	1	2.9%
Tender	1.0%	1	0.0%
UR (Buy)	1.0%	1	0.0%
UR (Hold)	0.0%	0	0.0%
UR (Sell)	0.0%	0	0.0%
Dropped (TTM)	17.5%	18	8.8%

Price Chart, Rating and Target Price History (as of February 8, 2021)



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

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