

Denison Mines Corp.

{DML-T, DNN-US}

SECTOR: Mining

STOCK PRICE \$1.09
RATING **BUY**
TARGET PRICE \$1.60
RISK Very High

2020 PHOENIX EXPANSION DRILLING

Drilling Results from Zone C at Phoenix Show Potential to Add Resources

OUR TAKE: This morning, Denison announced results from its 2020 exploration and expansion program focused on exploration proximal to its ultra-high grade Phoenix deposit that hosts reserves of 60 Mlb of uranium at an average grade of 19.1% U₃O₈, on its flagship Wheeler River project. **Today's results come as positive news as assays appear to indicate that Zone C at Phoenix may have the potential to host an additional resource outside the main resource area. If further drilling is successful in delineating a resource in this zone, it may have the potential to be incorporated into future development plans for the Company's Phoenix ISR operation, adding to the mine life and/or production rate.** Please note that yesterday the Company also released its 2021 budget and plans for its 90%-owned flagship Wheeler River project, where it announced that the initiation of a formal Feasibility Study is expected to commence later this year, with submission of the EIS in early 2022 (see [Flash Dated February 8, 2021](#)). Additionally, we recently highlighted Denison in our Haywood 2021 Top Picks Report (see [Haywood 2021 Top-Picks report. Denison details on p.30](#)).

HIGHLIGHTS

- ◆ **2020 Phoenix Expansion Drill Program Highlights:** The program was comprised of 19 drill holes (~7,400 m), with all holes located outside the current resources defined at Phoenix. Drilling intersected high-grade uranium mineralization in Zone C, the southwestern-most mineralized area at Phoenix (see Figure 1). Prior to the Company's 2020 exploration drill program, historic drilling at Phoenix mainly focused on the delineation of Zone A and Zone B, with Zone C defined over a strike length of ~250 metres by only five mineralized intersections. With only light historic drilling, Zone C is not part of the resource estimate at Phoenix. Of the program's 19 drill holes, 8 holes were completed to test the extents of known mineralization at Zones A and B, and the remaining 11 were completed at Zone C. Among these 11 holes, three intersected uranium mineralization and extended the mineralized zone's strike length by ~20 metres to the southwest, while delineating a potential high-grade mineralized "core" (see Figure 2). Notably, drill holes WR-328D1 and WR-767D1 represent the best mineralized intersections returned to date from exploration drilling at the Company's Zone C, with grades and thicknesses of the mineralized intersections representing a significant improvement versus historical drilling at Zone C (see highlights below and Table 1 for further details).
- ◆ **Assays for Drill Hole WR-328D1:** Intersected 5.69% U₃O₈ over 5.0 metres from a downhole depth of 376.4 metres (located approximately 22 metres northeast of historic mineralized hole WR-368 which returned 1.59% U₃O₈ over 2.0 metres).
- ◆ **Assays for Drill Hole WR-767D1:** Intersected 8.84% U₃O₈ over 2.0 metres from a downhole depth of 382.0 metres (located approximately 35 metres to the northeast of WR-328D1, see above).

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.** We continue to highlight Denison as one of our Top Picks. Denison has done 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. **Today's results hint at future expansion potential to what we already believe to be a very attractive economic proposition in regards to mining of its Phoenix deposit via ISR.** 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's unique (to the Athabasca) plan to in-situ leach the Phoenix deposit is perceived as technically challenging, but with a very high potential reward, with a PFS-supported cost profile among the lowest in the world, due to the extremely high grades at Phoenix. 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	\$1.11/\$0.235
YTD Performance	29.8%
Dividend Yield	N/A
Shares O/S	678.8M
Market Capitalization	\$739.9M
Cash	\$29.0M
Debt	NIL
Enterprise Value	\$710.9M
Daily Volume (3 mos.)	1,100,640
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.

Table 1. Phoenix Zone C Mineralized Intersections

Hole-ID	From (m)	To (m)	Length (m)	U ₃ O ₈ (%)
WR-328D1 ^{1,3,4}	376.40	381.40	5.00	5.69
WR-767D1 ^{1,3,4}	382.00	384.50	2.50	8.84
WR-771 ^{2,3,4}	376.50	377.50	1.00	0.89

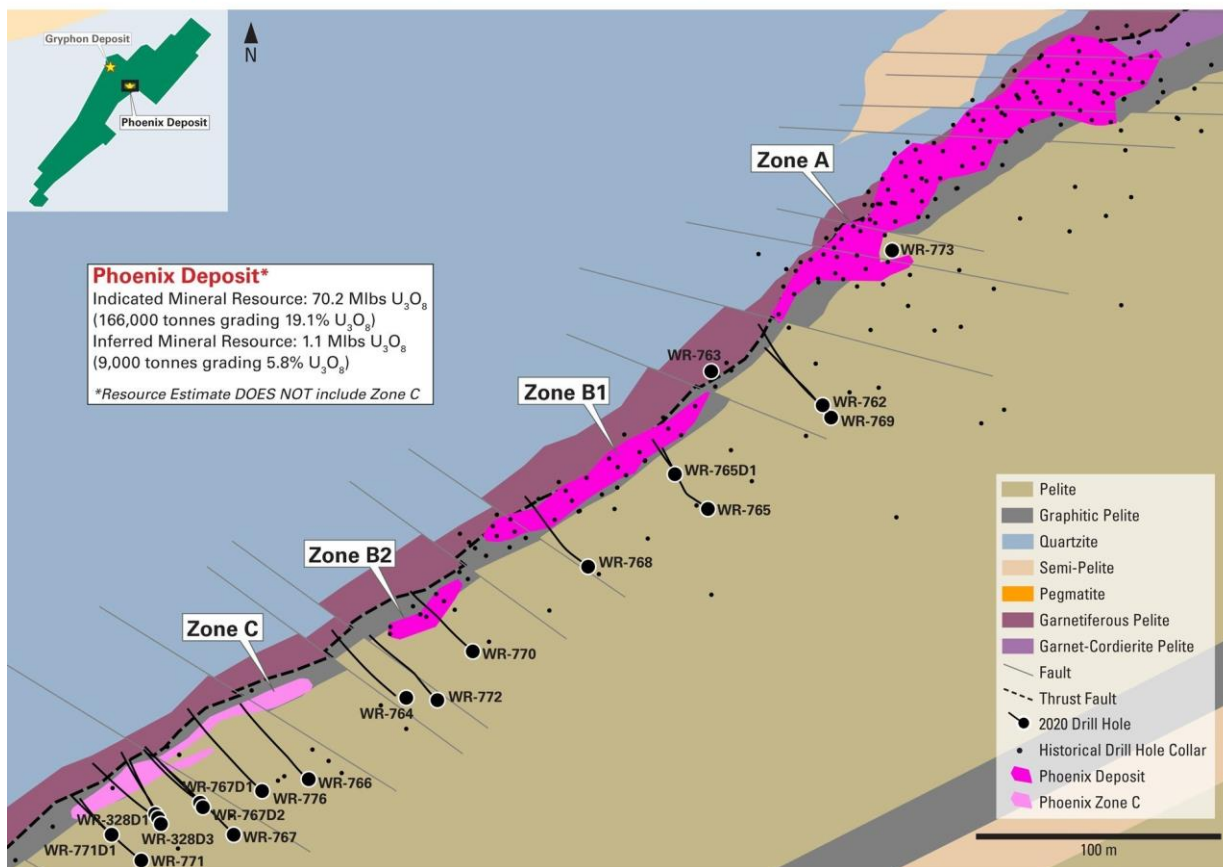
Notes:

- (1) Intersection interval is composited above a cut-off grade of 1.0% U3O8;
- (2) Intersection interval is composited above a cut-off grade of 0.1% U3O8;
- (3) WR-328D1 was drilled at an azimuth of 333.7° and an inclination of -80.3°. WR-767D1 was drilled at an azimuth of 310.4° and an inclination of -79.3°. WR-771 was drilled at an azimuth of 310.0° and an inclination of -79.5°.
- (4) Lengths indicated are the down-hole length and do not represent the true thickness of mineralization. True thickness is estimated to be approximately 98% of stated downhole length.

Source: Denison Mines

Figure 1. Phoenix Deposit- 2020 Exploration Drilling (current Phoenix Deposit in bright pink and Zone C in pale pink)

Phoenix Deposit – 2020 Exploration Drilling

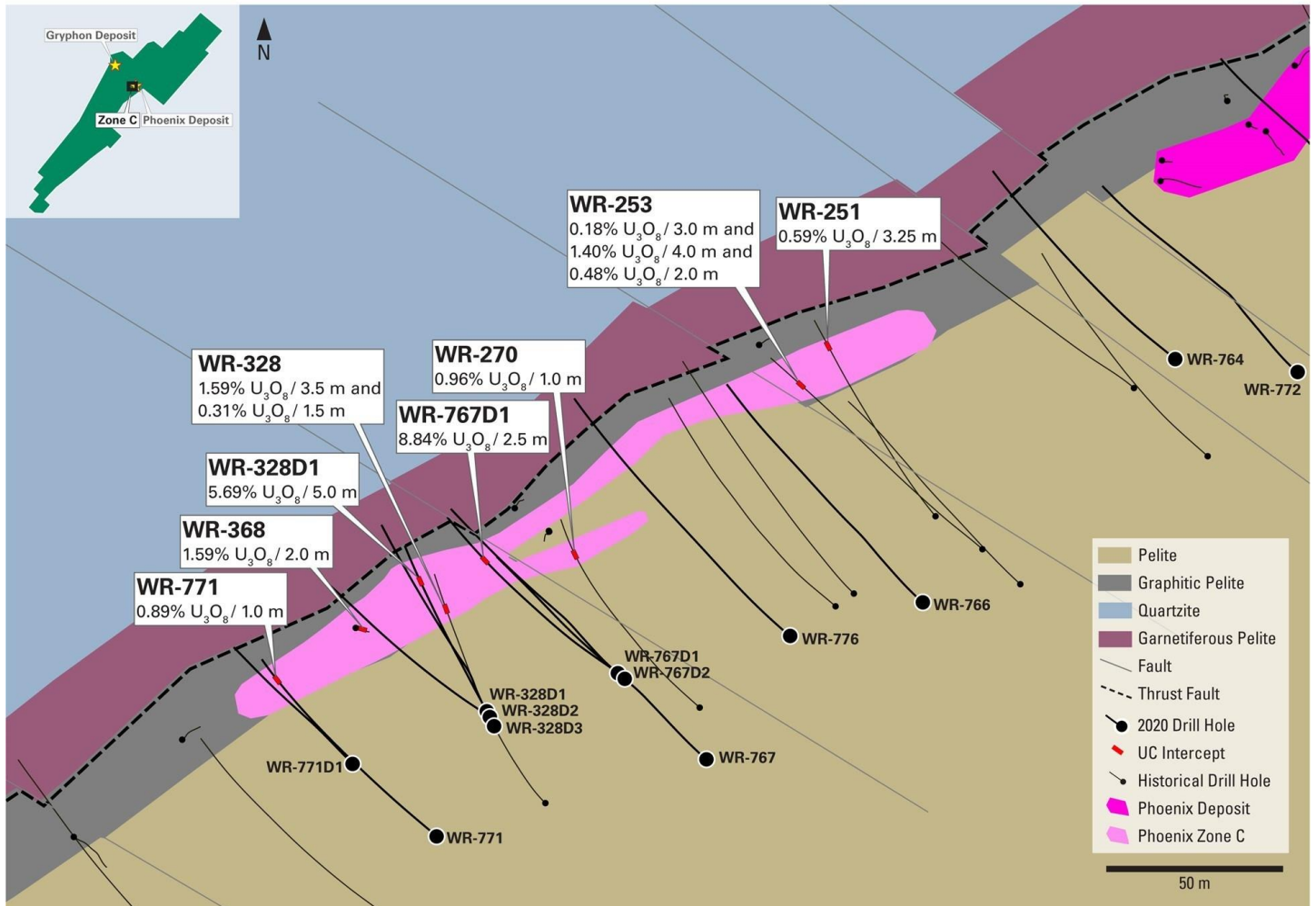


Source: Denison Mines



Figure 2. Phoenix Zone C – 2020 Exploration Drilling

Phoenix Zone C – 2020 Exploration Drilling



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

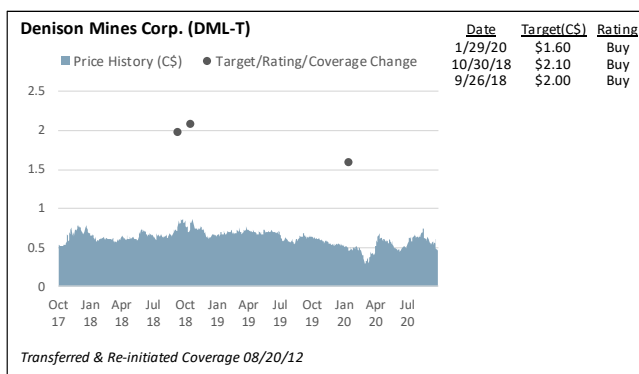
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Distribution of Ratings (as of February 9, 2021)

	%	#	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 9, 2021)



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

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