

# Denison Mines Corp.

{DML-T, DNN-US}

SECTOR: Mining

STOCK PRICE	\$0.80
RATING	<b>BUY</b>
TARGET PRICE	\$1.60
RISK	Very High

## 2020 REGIONAL EXPLORATION PROGRAM RESULTS

### The K-West for Success Yields High-Grade Uranium in New Area

**OUR TAKE:** This morning, Denison announced results from its 2020 regional exploration program focused on its flagship Wheeler River area, which is home to the ultra-high grade Phoenix deposit that hosts reserves of 60 Mlb of uranium at an average grade of 19.1% U<sub>3</sub>O<sub>8</sub>. Although the main work at Wheeler River continues to be focused on developing and de-risking the ISR mining approach to the Phoenix deposit, the concluded 2020 regional program resulted in an interesting highlight where Denison discovered new high grade mineralization over a somewhat narrow interval about four kilometers north-northwest of the Phoenix deposit (see Figure 1). The K-West conductive trend runs through the western side of the Wheeler River property and contains a 15km drill-defined fault that is host to multiple high-grade unconformity-hosted uranium-mineralized zones and today's results further demonstrate the potential for Denison to add satellite deposits to the Phoenix deposit. The high-grade mineralization seen in today's result was found in one of the last holes drilled this program and will require follow-up drilling to test its potential to evolve into such, but the area remains open along strike for "several hundred metres in both directions" and on-section to the footwall side of the discovery hole.

#### HIGHLIGHTS

- ◆ **K-West Launching Satellites?** Drill hole WR-741AD2 intersected some high-grade uranium marking the discovery of a new zone proximal to DML's Phoenix deposit. Although much more drilling is needed to fully define this new zone, it has been initially interpreted to straddle the unconformity contact of the underlying basement rocks and the overlying Athabasca Basin sandstone, much like the setting at Phoenix. The hole was drilled along the "K West" conductive trend located in the Northwest portion of the property where in total, the Company completed 6 drill holes as part of its 2020 exploration program. As noted above the K-West fault is home to several zones of high-grade unconformity-hosted mineralization identified on the Wheeler River property and on adjacent properties to the north, including Denison's 30%-owned Mann Lake property. Although still early days, we find the potential for Denison to define a satellite deposit to its main Phoenix deposit compelling. As mineralization appears at the unconformity, similar to that at Phoenix, it could prove to be ISR amenable. If Denison can define a mineralized zone of critical mass, there is potential for it to evolve into a bolt-on satellite deposit to Phoenix, leveraging that infrastructure. This would be pure upside to our \$1.60 valuation which does not integrate additional feed from new discoveries in our DCF NAV of Wheeler River. We recently highlighted Denison in our Haywood 2021 Top Picks Report [<Link to Haywood 2021 Top-Picks report. Denison details on p.30>](#).
- ◆ **Assays for Drill Hole WR-741AD2:** Intersected 2.14% U<sub>3</sub>O<sub>8</sub> over 4.0 metres from a downhole depth of 640.3 metres, including 7.66% U<sub>3</sub>O<sub>8</sub> over 1 metre from a downhole depth of 643.3, and intersected 4.29% nickel over 6.5 metres (including grades of up to 19.1% nickel) from a downhole depth of 637.8 metres. See Table 1 for further details.

#### 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 drilling results hint at future upside potential to what we already believe to be a very attractive economic proposition in regards to mining of its Phoenix deposit via ISR. Additionally, we believe the market is significantly underestimating the importance of the Company's more recent de-risking of Phoenix with the 'freeze-wall' technical update and will gain the recognition it deserves over time. 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.

#### KEY STATISTICS AND METRICS

52-Week High/Low	\$1.04/\$0.235
YTD Performance	-4.8%
Dividend Yield	N/A
Shares O/S	678.8M
Market Capitalization	\$543.0M
Cash	\$29.0M
Debt	NIL
Enterprise Value	\$514.0M
Daily Volume (3 mos.)	976,270
Currency	CAD

#### HAYWOOD ESTIMATES (CAD)

	2019A	2020E	2021E
Revenue (\$M)	\$15.5	\$13.5	\$13.5
U <sub>3</sub> O <sub>8</sub> 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<sub>10%</sub> 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. Wheeler River 2020 Regional Exploration Drill Results

K West Zone Mineralized Intersections				
Hole-ID	From (m)	To (m)	Length (m) <sup>3</sup>	U <sub>3</sub> O <sub>8</sub> (%)
WR-741AD1 <sup>1</sup>	644.80	647.80	3.00	0.42
WR-741AD2 <sup>1</sup>	640.30	644.30	4.00	2.14
(includes) <sup>2</sup>	643.30	644.30	1.00	7.66
WR-775 <sup>1</sup>	594.40	595.40	1.00	0.30

Notes:

- (1) Intersection interval is composited above a cut-off grade of 0.1% U<sub>3</sub>O<sub>8</sub>
- (2) Intersection interval is composited above a cut-off grade of 1.0% U<sub>3</sub>O<sub>8</sub>
- (3) Lengths indicated are the down-hole length and do not represent the true thickness of mineralization

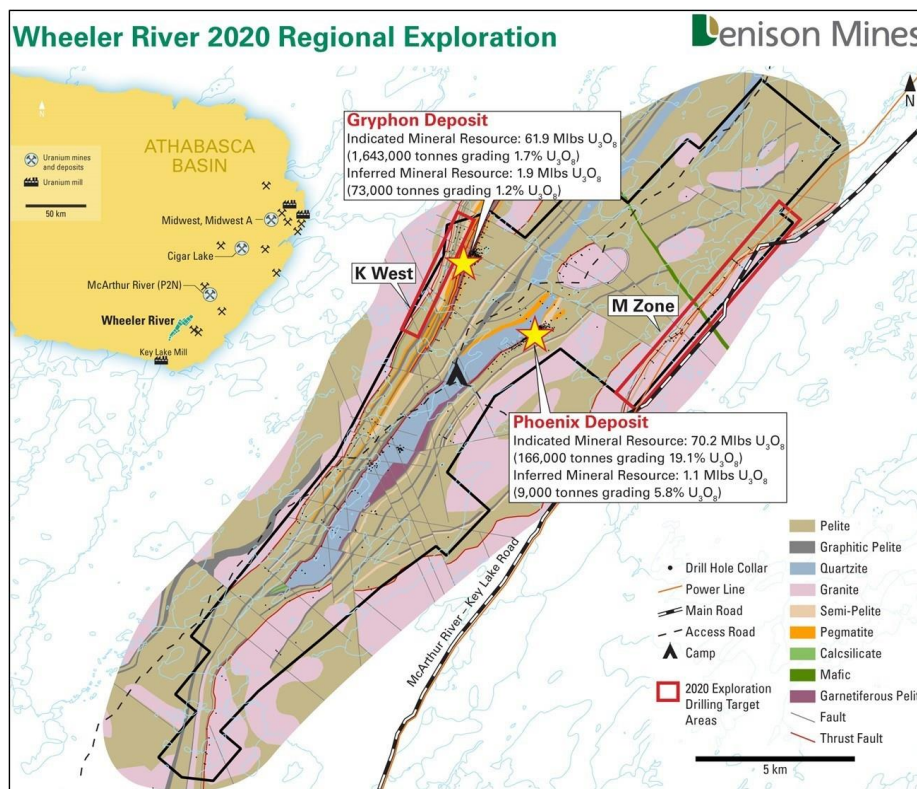
M Zone Mineralized Intersection				
Hole-ID	From (m)	To (m)	Length (m) <sup>3</sup>	eU <sub>3</sub> O <sub>8</sub> (%) <sup>1</sup>
WR-778 <sup>2</sup>	397.10	407.30	10.20	0.08
And	411.20	414.20	3.00	0.08

Notes:

- (1) Due to core loss, the interval is reported as radiometric equivalent U<sub>3</sub>O<sub>8</sub> ("eU<sub>3</sub>O<sub>8</sub>") derived from a calibrated total gamma downhole probe
- (2) Intersection interval is composited above a cut-off grade of 0.1% eU<sub>3</sub>O<sub>8</sub>
- (3) Lengths indicates are the down-hole length and do not represent the true thickness of mineralization

Source: Denison Mines

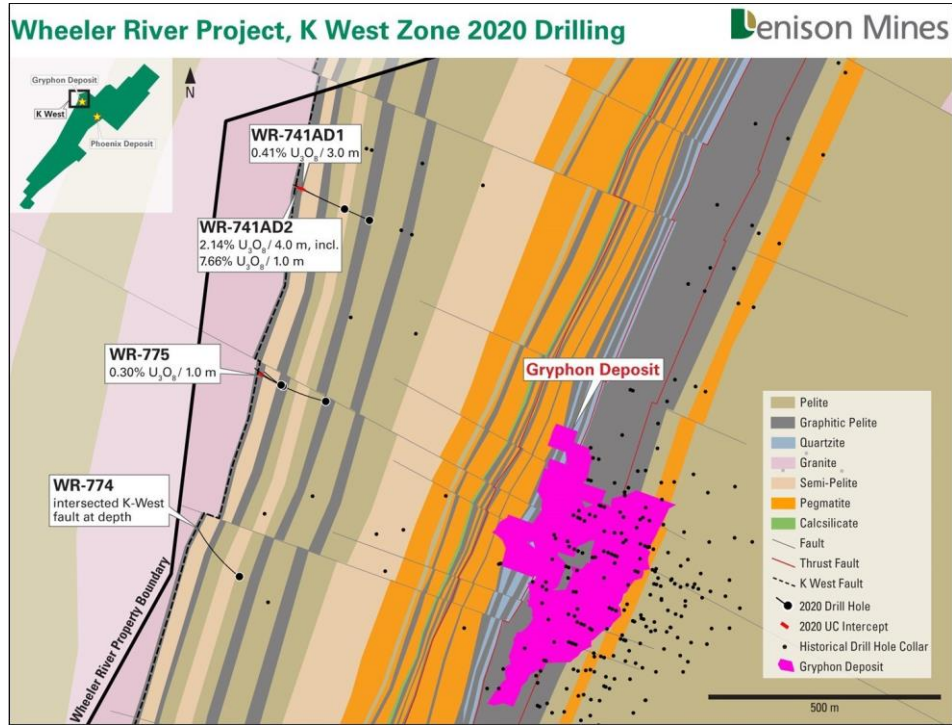
Figure 1. Wheeler River 2020 Regional Exploration



Source: Denison Mines

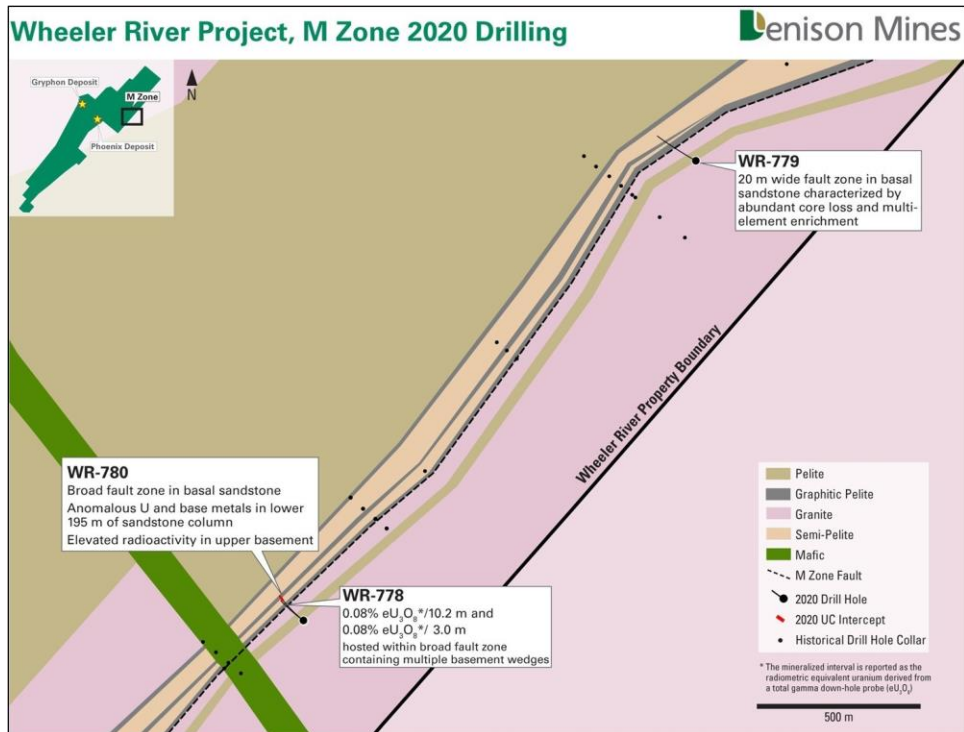


Figure 2. K West Zone 2020 Drilling



Source: Denison Mines

Figure 3. M Zone 2020 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

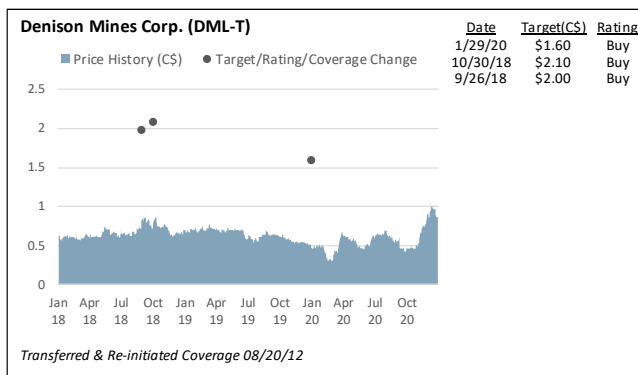
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- ◆ Haywood Securities Inc. or one of its subsidiaries has managed or co-managed or participated as selling group in a public offering of securities for Denison Mines Corp. (DML-T) in the past 12 months.

### Distribution of Ratings (as of January 28, 2021)

	%	#	IB Clients (TTM)
<b>Buy</b>	73.8%	76	81.3%
<b>Hold</b>	5.8%	6	6.3%
<b>Sell</b>	1.0%	1	3.1%
<b>Tender</b>	1.0%	1	0.0%
<b>UR (Buy)</b>	1.0%	1	0.0%
<b>UR (Hold)</b>	0.0%	0	0.0%
<b>UR (Sell)</b>	0.0%	0	0.0%
<b>Dropped (TTM)</b>	17.5%	18	9.4%

### Price Chart, Rating and Target Price History (as of January 28, 2021)



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

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