

Denison Mines Corp.

{DML-T, DNN-US}

SECTOR: Mining

STOCK PRICE \$1.33
RATING **BUY**
TARGET PRICE \$2.20
RISK Very High

EXTENDED PORTFOLIO SHOWING OFF ITS POTENTIAL

High-Grade Uranium Intercept at McClean Lake South JV in New Zone

OUR TAKE: This morning, Denison announced that its McClean Lake Joint Venture (MLJV, Figure 2) partner and operator, Orano (77.5%), made the discovery of a new high-grade zone of unconformity hosted uranium mineralization in the final holes of the 4,083 metre, 15-hole winter program at the project. Denison holds a 22.5% share in the MLJV. **The highlight intercept in hole MCS-34 included 14.0 metres grading 5.04% eU₃O₈, with a very high-grade sub-interval of 3.9 metres grading 14.86% eU₃O₈.** Although the program was constrained time-wise as ground conditions deteriorated with warmer weather, two follow-up holes were drilled within ~20 metres of discovery hole MCS-34. Both intersected elevated uranium grades over >3 metres (see highlights below and Table 1). As shown in Figure 1, the winter drill program was largely focused on testing the ~1/2 km space between the previously discovered 8W and 8E pods at McClean Lake South, where prior drilling within the gap between the zones was considered to be “too far north” to find the extension of the McClean Lake conductor. Hole MCS-34 is situated ~120 metres west of the “8E” pod and successfully intersected high-grade uranium at the unconformity and will certainly be a focus for follow-up drilling in future programs and **shows great potential to add resources to a project in close proximity to the McClean Lake mill** (22.5% owned by Denison), which will have excess capacity in the future. The McClean Lake North Pods just north of “8W” and “8E” host 12.4 Mlb Indicated resource at 2.8% U₃O₈ (Figure 2). The McClean Lake property historically produced over 50 Mlb U₃O₈. **Today’s results demonstrate the potential of Denison’s large project portfolio in the eastern Athabasca basin, to deliver ‘blue sky’ upside to investors while the Company focuses on advancing the flagship Wheeler River project. 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 highlighted Denison in our Haywood 2021 Top Picks Report [<Link to Haywood 2021 Top Picks report. DML details on p.30>](#).

HIGHLIGHTS

- ◆ **McClean Lake South JV New Discovery (See Table 1 & Figure 1 for details):**
 - **Hole MCS-34 intersected 14.0 metres grading 5.04% eU₃O₈ from 182.8 metres depth, including 3.9 metres grading 14.87% eU₃O₈.**
 - **Follow-up hole MSC-36 (~15 metres east of MCS-34) intersected 3.1 metres grading 1.17% eU₃O₈ from 165.4 metres depth.**
 - **Follow-up hole MSC-37 (~10 metres north of MCS-34) intersected 6.4 metres grading 0.52% eU₃O₈ from 164.3 metres depth.**
- ◆ **Active year ahead:** Denison’s 2021 budget and plans for its Wheeler River project include 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 (the formal Feasibility Study is expected to commence late this year, with submission of the EIS in early 2022).
- ◆ **ISR field work continues at Wheeler in 2021:** As previously disclosed, 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.

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.

KEY STATISTICS AND METRICS

52-Week High/Low	\$2.29/\$0.41
YTD Performance	58%
Dividend Yield	N/A
Shares O/S	803.9M
Market Capitalization	\$1,069.2M
Cash	\$150M
Debt	NIL
Enterprise Value	\$919.2M
Daily Volume (3 mos.)	3,157,820
Currency	C\$ unless noted

HAYWOOD ESTIMATES (CAD)

	2019A	2020A	2021E
Revenue (\$M)	\$15.5	\$14.4	\$13.5
U ₃ O ₈ Production	-	-	-
EBITDA (\$M)	(\$14.8)	(\$7.2)	(\$15.1)
CFPS (\$/share)	(\$0.03)	(\$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 \$1.9 billion, or \$2.18 per fully diluted share.

Table 1: MLJV Drill Results Proximal to New Discovery Zone

Hole-ID	From (m)	To (m)	Length (m)	eU ₃ O ₈ (%) ⁽¹⁾
MCS-26 ⁽²⁾	221.7	222.6	0.9 ⁽³⁾	0.08
MCS-31 ⁽²⁾	224.5	225.6	1.1 ⁽⁴⁾	0.14
MCS-34 ⁽²⁾	182.8	196.8	14.0 ⁽⁵⁾	5.04
Including ⁽⁶⁾	192.3	196.2	3.9 ⁽⁵⁾	14.87
MCS-36 ⁽²⁾	165.4	168.5	3.1 ⁽⁷⁾	1.17
MCS-37 ⁽²⁾	164.3	170.7	6.4 ⁽⁷⁾	0.52

Notes:

(1) Radiometric equivalent U₃O₈ ("eU₃O₈") derived from a calibrated gamma downhole probe.

(2) Intersection interval is composited above a cut-off grade of 0.05% eU₃O₈.

(3) True thickness is estimated to be approximately 40% of stated downhole length.

(4) True thickness is estimated to be approximately 65% of stated downhole length.

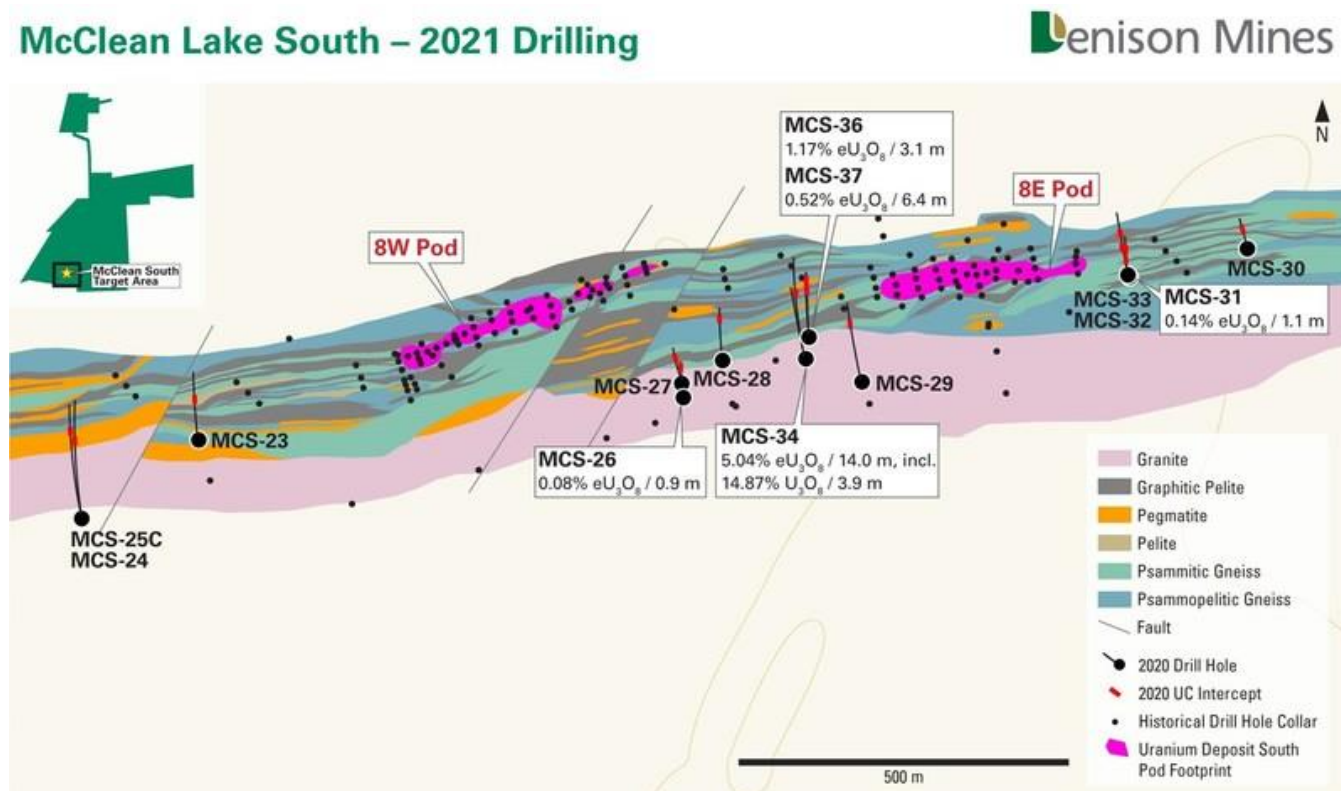
(5) True thickness is estimated to be approximately 85% of stated downhole length.

(6) Intersection interval is composited above a cut-off grade of 1.0% eU₃O₈.

(7) True thickness is estimated to be approximately 90% of stated downhole length.

Source: Denison Mines, Haywood Securities

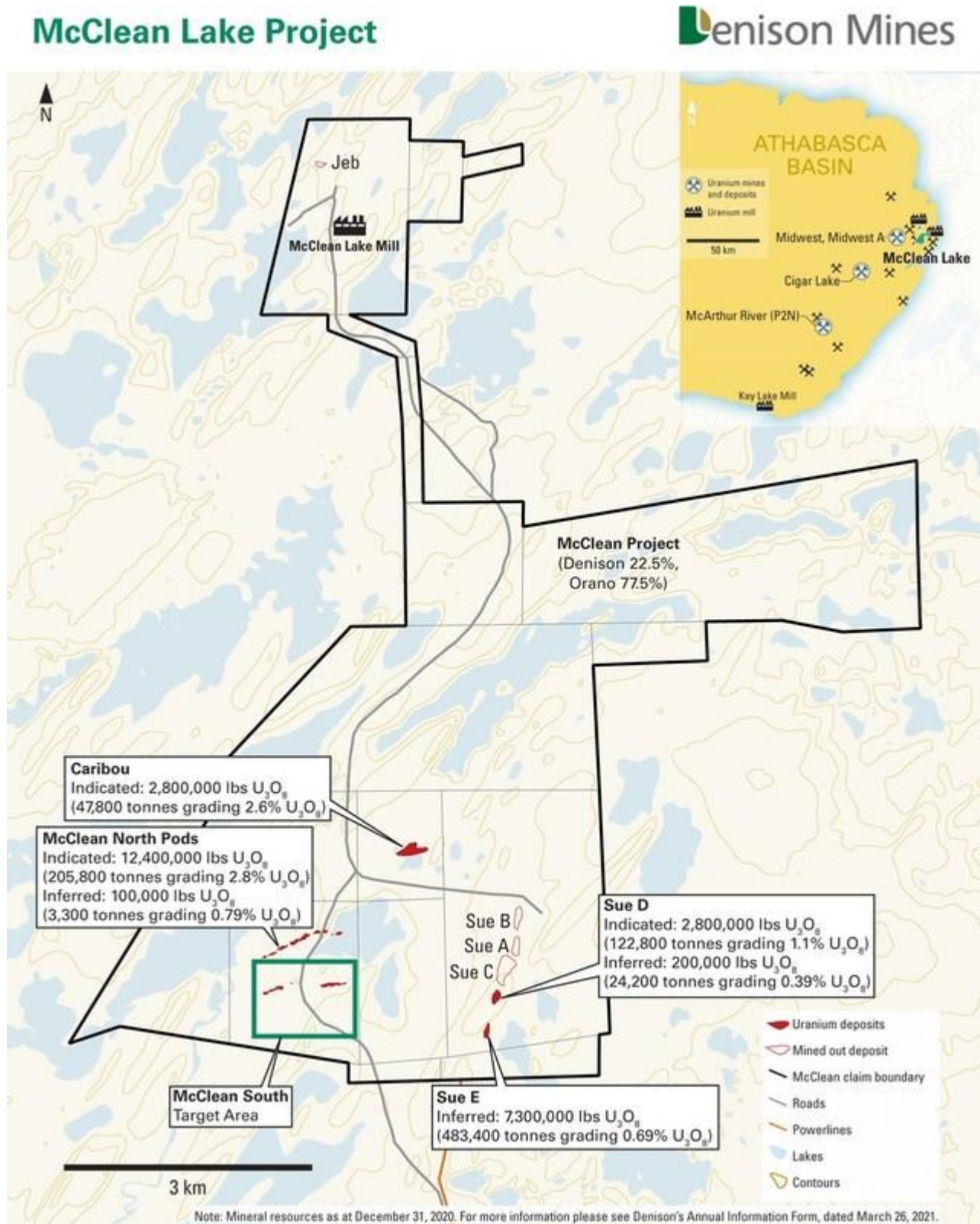
Figure 1: Location of MLJV Drill Results at New Discovery Zone



Source: Denison Mines



Figure 2: MLJV Project Area and Drill Results at New Discovery Zone



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

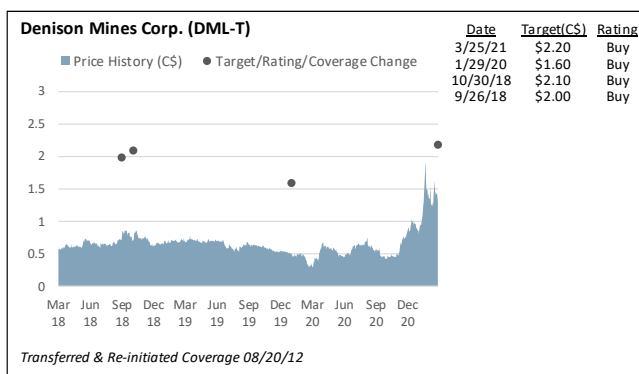
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- ◆ Haywood Securities Inc. or one of its subsidiaries has managed or co-managed or participated as selling group in a public offering of securities for Denison Mines Corp. (DML-T) in the past 12 months.

Distribution of Ratings (as of April 14, 2021)

	%	#	IB Clients (TTM)
Buy	82.1%	78	91.4%
Hold	7.4%	7	8.6%
Sell	0.0%	0	0.0%
Tender	1.1%	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)	9.5%	9	0.0%

Price Chart, Rating and Target Price History (as of April 14, 2021)



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>

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