

Denison Mines Corporation

Specialty Minerals and Metals

Rating
SPECULATIVE BUY

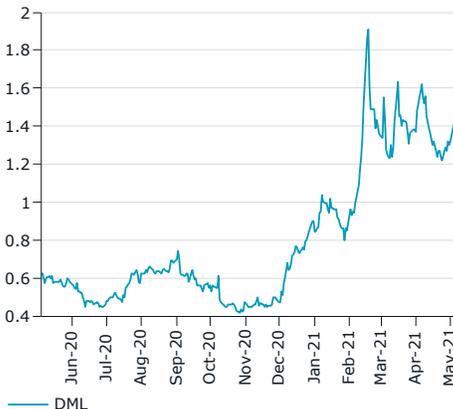
Price Target
C\$2.00

DML-TSX
DNN-NYSE

Price
C\$1.41

Market Data

52-Week Range (C\$) :	0.41 - 2.29
Avg Daily Vol (000s) :	3,266.95
Shares Out. (M) :	791.6
Market Cap (C\$M) :	1,116.2
Dividend /Shr (C\$) :	0.00
Dividend Yield (%) :	0.0



Source: FactSet

Priced as of close of business 3 May 2021

Denison is a Canadian uranium exploration, development and production company, with a diverse portfolio of uranium interests located in the Athabasca Basin. Denison's key assets include its flagship Wheeler River Project (90% DML), as well as its 22.5% interest in the McClean Lake JV, among other exploration projects.

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First look: Competing bid to acquire JCU Exploration

Event: Denison announced this morning that it has delivered a competing bid to Overseas Uranium Resources Development Co. (OURD) to acquire 100% ownership in JCU Exploration Company. JCU Exploration holds a number of uranium joint venture interests in Canada, including a 10% interest in Denison's flagship Wheeler River project. DML's offer includes cash payments of up to \$40.5 million and the assumption of JCU's existing liabilities. Recall, UEX Corporation (UEX-TSX: \$0.43 | Not rated) had previously offered C\$12.5 million + liabilities.

Impact: Positive

Our take: In our view, this is a great deal for Denison and is unlikely to be met by a competing bid from UEX, given a purchase price of more than 3x UEX's offer. The strategic rationale for Denison is clear, having the opportunity to consolidate 100% of the Wheeler River Project. We currently value Denison's 90% stake in Wheeler River at \$696 million, which implies a value of \$77 million for JCU's 10% share. This alone justifies the transaction and purchase price, in our view. Furthermore, we see benefit to Denison consolidating 100% ownership of Wheeler River, with respect to negotiating a future financing agreement and/or partnership.

In addition to the stake in Wheeler River, Denison would acquire 30.099% of Millennium, 33.812% of the Kiggavik project, and 34.451% of Christie Lake. As further detailed below, these projects represent some of the better undeveloped projects in Canada and are all well advanced with strong JV partners (Cameco, Orano, and UEX). Although longer-dated, these projects add optionality and leverage to rising uranium prices. In total, we estimate that DML would be acquiring 97mlbs U₃O₈ of attributable resources for a mere US\$0.33/lb, well below our current in-situ database value of ~US\$3.80/lb M&I (Figure 3).

The terms of Denison's offer include:

- Consideration of C\$40.5 million in cash
 - C\$10 million upon signing of a definitive agreement
 - C\$28 million upon closing
 - Up to C\$2.5 million in working capital adjustments payable 45 days after closing
- Assumption of JCU's existing liabilities owed to the Japan Atomic Energy Agency
- The offer is binding subject to the completion of definitive documentation, regulatory approvals (if required), and the termination of OURD's existing definitive purchase agreement with UEX Corp.
 - There are no conditions for due diligence on the assets or obtaining financing to fund the purchase price
- Denison has sufficient cash on hand to fund the acquisition

Projects overview:

In addition to Wheeler River, JCU Exploration holds joint venture interests in a number of development and exploration stage projects (Figures 1 and 2).

Millennium: Arguably one of the best undeveloped projects in the Basin, with ~105mlbs U₃O₈ of defined resources. Joint venture partner Cameco had previously planned to bring the project into production, having already undergone federal and provincial EIS review. Licensing was halted in 2014 due to depressed uranium prices. In our view, this project is likely to move forward as uranium prices recover.

Kiggavik: Longer-dated, large-scale project located in Nunavut (132mlbs U₃O₈). Well advanced but denied federal permits as joint venture partner Orano refused to put a start date on the project due to weak market conditions.

Christie Lake: Earlier stage project with 20.3mlbs of defined resources. Remains open at depth and along strike. UEX continues to test high-priority targets along trend.

Figure 1: JCU development and exploration projects as at December 31, 2020

Project	Province	JCU Share (%)	Partners (%) * Operator	
Millennium	Saskatchewan	30.0990	Cameco Corporation*	69.9010
Kiggavik	Nunavut	33.8123	Orano Canada Inc.* Urangesellschaft Canada Ltd	24.0033 42.1844
Wheeler River	Saskatchewan	10.0000	Denison Mines Corp.*	90.0000
Christie Lake	Saskatchewan	34.4508	UEX Corporation*	65.5492
Wolly	Saskatchewan	13.1077	Orano Canada Inc.* Denison Mines Corp.	64.9997 21.8926
Close Lake	Saskatchewan	10.3128	Orano Canada Inc.* Cameco Corporation	75.1279 14.5593
Candle Lake	Saskatchewan	25.0000	Denison Mines Corp.* Uranium One	44.9400 30.0600
Beatty River	Saskatchewan	21.4253	Orano Canada Inc.* UEX Corporation	56.5303 22.0444
Waterfound River	Saskatchewan	26.9830	Orano Canada Inc.* Denison Mines Corp.	60.7008 12.3162
Cree Extension	Saskatchewan	30.0990	Cameco Corporation* Orano Canada Inc.	41.9645 27.9365
Moon Lake	Saskatchewan	20.1494	Cameco Corporation* Orano Canada Inc.	56.6816 23.1690
Moore Tomblin	Saskatchewan	13.5947	Orano Canada Inc.* Cameco Corporation	66.6194 19.7859

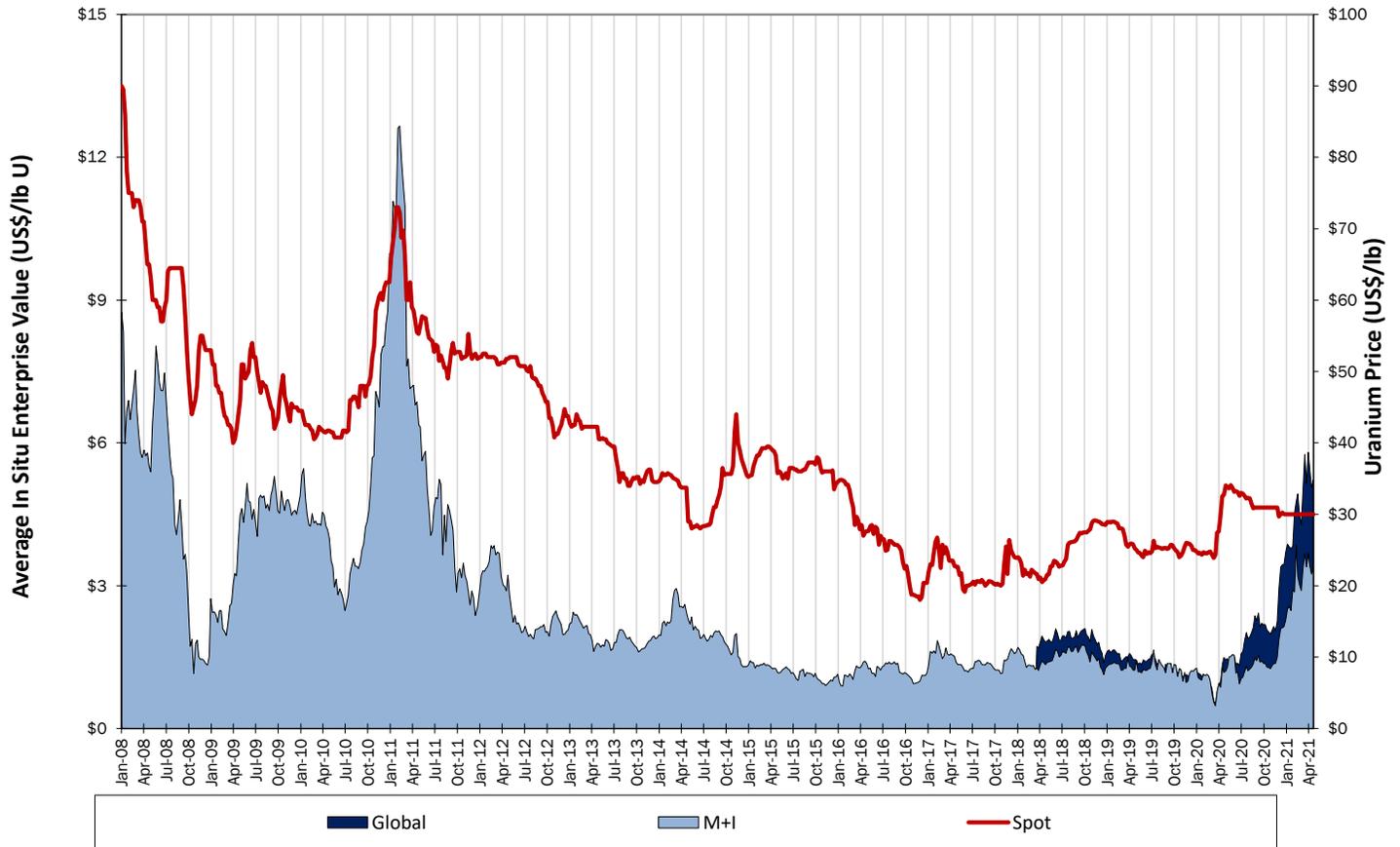
Source: Company Reports, UEX Corporation

Figure 2: Historic indicated and inferred resources

Deposit ⁽¹⁾	Ownership Interest	Indicated Resources				Inferred Resources			
		Tonnes	Grade (wt% U ₂ O ₈)	U3O8 (lbs)	Combined Company Share (lbs)	Tonnes	Grade (wt% U ₂ O ₈)	U3O8 (lbs)	Combined Company Share (lbs)
Wheeler River ⁽⁴⁾	JCU - 10%	1,809,000	3.3	132,100,000	13,210,000	82,000	1.700	3,000,000	300,000
Millennium ⁽⁵⁾	JCU - 30.099%	1,442,600	2.39	75,900,000	22,845,141	412,400	3.19	29,000,000	8,728,710
Kiggavik ⁽⁶⁾	JCU - 33.8123%	10,418,000	0.47	127,267,000	43,031,900	713,000	0.28	5,353,000	1,809,972
Christie Lake ⁽²⁾⁽³⁾	JCU - 34.45%					588,000	1.57	20,350,000	7,010,575
Subtotal - JCU Projects					79,087,041				17,849,257

Source: Company Reports, UEX Corporation

Figure 3: Historical uranium in-situ enterprise value (US\$/lb)



Source: FactSet, Bloomberg, Company reports, Canaccord Genuity estimates

Source: FactSet, Bloomberg, Company Reports, Canaccord Genuity estimates

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Investment Recommendation

Date and time of first dissemination: May 04, 2021, 10:00 ET

Date and time of production: May 04, 2021, 10:00 ET

Target Price / Valuation Methodology:

Denison Mines Corporation - DML

Our target price is based on 1.4x our fully funded NAV, forecast as at Apr 1, 2022.

Risks to achieving Target Price / Valuation:

Denison Mines Corporation - DML

Key risks to our investment thesis include uranium price movements and market sentiment, viability of ISR as the mining method, potential changes to project parameters, permitting and financing risks, and exposure to changes in the CAD:USD exchange rate.

Distribution of Ratings:

Global Stock Ratings (as of 05/04/21)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	608	64.54%	40.95%
Hold	164	17.41%	21.34%
Sell	13	1.38%	30.77%
Speculative Buy	144	15.29%	68.06%
	942*	100.0%	

*Total includes stocks that are Under Review

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HOLD: The stock is expected to generate risk-adjusted returns of 0-10% during the next 12 months.

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12-Month Recommendation History (as of date same as the Global Stock Ratings table)

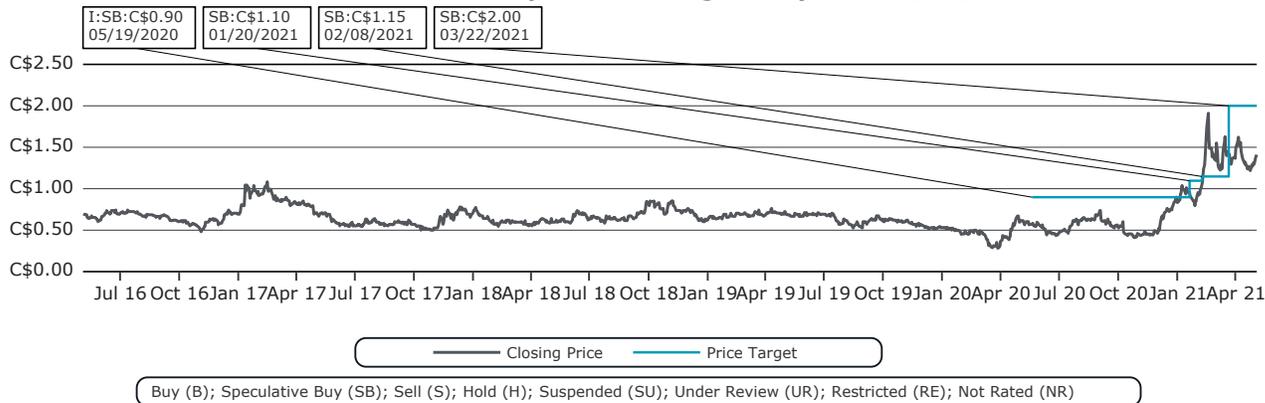
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Denison Mines Corporation Rating History as of 05/03/2021



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