

DENISON MINES CORP.

Consolidates 50% of JCU in Accretive Deal

EVENT

This morning Denison Mines announced a friendly transaction with UEX Corporation (UEX-TSX, Not Covered) to acquire 50% of JCU (Canada) Exploration Company for C\$20.5 MM in cash.

BOTTOM LINE

Positive – JCU holds a portfolio of 12 uranium joint venture interests, including the 10% minority interest in Wheeler River (90% owned by Denison), and three other advanced stage uranium projects in Canada.

FOCUS POINTS

- **Asset Overview** – JCU’s interests in Wheeler River, Millennium, Christie Lake (Athabasca Basin) and Kiggavik (Nunavut), will add combined high-grade resources of 48.5 MMlb U₃O₈ net to DNN.
- **Transaction Details** – UEX will acquire JCU from Overseas Uranium Resources Development (OURD) for C\$41.0 MM in cash, funded via a term loan provided by Denison. C\$20.5 MM of the loan will be deemed repaid upon UEX transferring 50% of JCU to DNN. The transaction is subject to OURD shareholder approval and is set to close on August 3.
- **Deal Accretion** – Incorporating the additional 5% of Wheeler (50% of JCU’s 10% minority interest), and Denison’s pro-rata stake in Millennium, Kiggavik, and Christie Lake valued at \$1/lb U₃O₈ in-situ, our NAV estimate on DNN increases from C\$1.98 to C\$2.07/share.
- **Maintaining Buy Rating, Increasing Target** – We are maintaining our Buy rating and increasing our target price on Denison Mines to \$2.50/C\$3.00/share, up from \$2.25/C\$2.75/share previously.

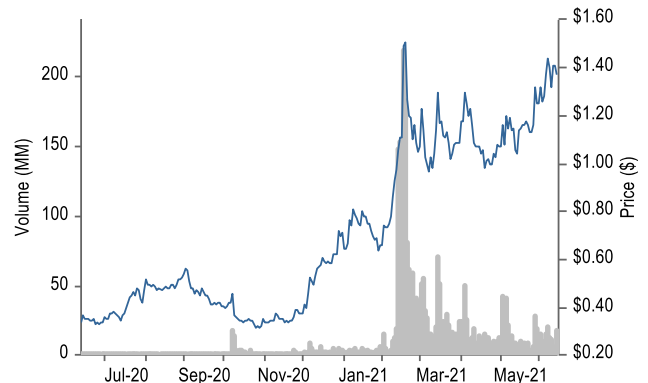
Recommendation:

BUY

Symbol/Exchange: DNN-NYSE/DML-TSX
Sector: Metals & Mining
All dollar values in US\$ unless otherwise noted.
Current price: \$1.37/C\$1.64
One-year target: \$2.50/C\$3.00↑
Return to target: 82.5%
Cash and U₃O₈ inventory*: ~C\$160 MM

Company Summary

Shares O/S (MM)	804.9	52-week range	\$0.30 - \$1.81
Market cap (MM\$)	\$1,102.7	30D avg vol. ('000)	16,669.5
Market float (MM\$)	\$1,096.8	Fiscal year-end	31-Dec
Probable Reserves	Tonnes	U₃O₈ Grade	Attrib. Resource
Wheeler River	1,398,000	3.54%	103.9 MMlb
M&I Resources	Tonnes	U₃O₈ Grade	Attrib. Resource
McClellan Lake Deposits	376,400	2.18%	4.0 MMlb
Midwest + Waterbury	1,310,000	2.20%	21.4 MMlb
JCU Interests	1,978,387	0.76%	32.9 MMlb
Wheeler River	1,809,000	3.30%	125.5 MMlb
Inferred Resources	Tonnes	U₃O₈ Grade	Attrib. Resource
McClellan Lake Deposits	510,900	0.68%	1.6 MMlb
Midwest + Waterbury	1,114,000	0.98%	8.4 MMlb
JCU Interests	283,890	1.40%	8.8 MMlb
Wheeler River	82,000	1.70%	2.9 MMlb



Company profile: Denison Mines is a uranium exploration company and development company focused on the Athabasca Basin. Its 95%-owned Wheeler River project is one of the highest-grade uranium projects globally.

Mike Kozak

mike.kozak@cantor.com
(416) 350-8152

Sales/Trading — Toronto: (416) 363-5757, (866) 442-4485

See disclosure and a description of our recommendation structure at the end of this report.

ACQUIRING 50% OF JCU (CANADA) FOR C\$20.5 MM

This morning Denison Mines announced a friendly transaction with UEX Corporation (UEX-TSX, Not Covered) to acquire 50% of JCU (Canada) Exploration Company for C\$20.5 MM in cash. While this deal was not telegraphed, it was priced-in to a degree, and is the end result of the original transaction announced by UEX on April 22 and a follow-up offer made by DNN on May 4. Under the revised and final transaction terms announced this morning, UEX will acquire JCU from Overseas Uranium Resources Development (OURD) for C\$41.0 MM in cash, funded via a term loan provided by Denison. C\$20.5 MM of the loan will be deemed repaid upon UEX transferring 50% of JCU to DNN. The transaction is subject to OURD shareholder approval and is set to close on August 3. JCU holds a portfolio of 12 uranium joint venture interests, including the 10% minority interest in Wheeler River (90% owned by Denison), three other advanced stage uranium projects located in the Athabasca Basin and Nunavut, and eight grass roots (exploration stage) uranium prospects also located in the Athabasca Basin.

Exhibit 1. Advanced Stage JCU Interests

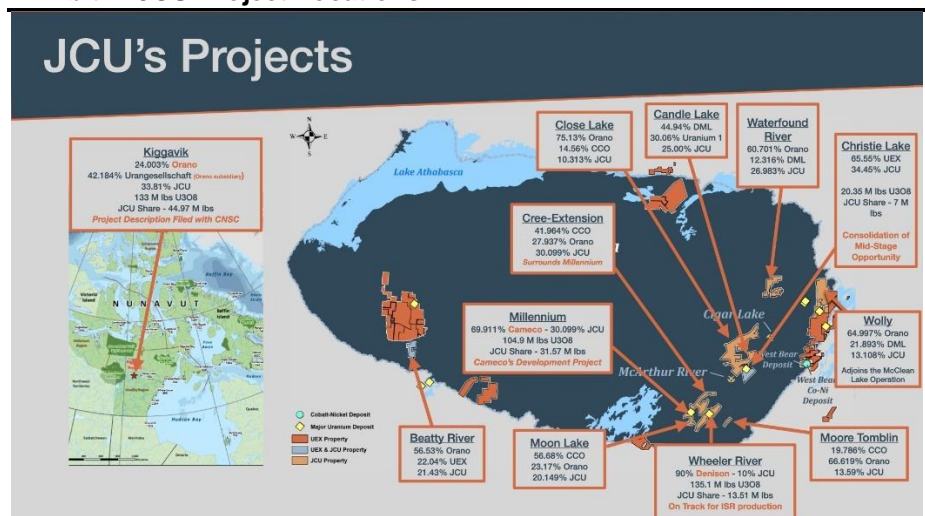
Asset	JCU interest	JV Partner	M&I + Inf. (100%)		
			Kt	%U3O8	MMlb U3O8
Wheeler River	10.000%	Denison - 90.000%	1,891.0	3.23%	135.1
Millennium	30.099%	Cameco - 69.901%	1,855.0	2.57%	104.9
Kiggavik	33.812%	Orano - 66.188%	11,131.0	0.46%	132.7
Christie Lake	34.451%	UEX - 65.549%	588.0	1.57%	20.4
Total, net to Denison:			2,356.8	0.93%	48.5
Total, excl. Wheeler:			2,262.3	0.84%	41.7

Source: Cantor Fitzgerald

JCU'S CONSOLIDATED URANIUM RESOURCES

JCU's interests in Wheeler River (10%), Millennium (30.1%), Christie Lake (34.5%) located in the Athabasca Basin and Kiggavik (33.8%) located in Nunavut, will add combined high-grade resources of 48.5 MMlb U₃O₈ net to Denison.

Exhibit 2. JCU Project Locations



Source: UEX Corp.

TRANSACTION COMMENTS

Overall, we are favorable to this transaction, and note that the C\$20.5 MM purchase price net to Denison, is more than covered by the incremental 5% interest in its Wheeler River project, which we now value at C\$1,294 MM (95%) up from C\$1,225 MM (90%) previously (Exhibit 3). Effectively, Denison is paying ~0.3x NPV for the incremental interest in its flagship asset (accretive on a standalone basis) and getting a 50%-interest in JCU's uranium portfolio, now partnered with UEX, for free. Admittedly, we regard the Millennium and Christie Lake projects in the Athabasca Basin as lower tier in terms of quality compared to Wheeler River and note that the Kiggavik project has been stalled in permitting since 2015.

Exhibit 3. Updated NAVPS on Denison Mines

Asset (C\$)		Value (\$MM)	\$ Per Share	% of NAV
Wheeler River (95%)	7.5%	\$1,293.5	\$1.51	67%
McClean Lake Mill (22.5%)	7.5%	\$316.3	\$0.37	16%
Waterbury Lake (66.9%)	7.5%	\$72.0	\$0.08	4%
Athabasca Properties (\$/lb)	\$1.00/lb	\$28.9	\$0.03	1%
JCU Properties (\$/lb)	\$1.00/lb	\$52.2	\$0.06	3%
Total Mining Assets		\$1,762.9	\$2.05	91%
Cash and S/T Investments*		\$67.4	\$0.08	4%
U3O8 in Inventory		\$92.5	\$0.11	5%
Investment in GoviEx (GXU-TSXv)		\$18.2	\$0.02	1%
Current Debt + S/T Leases		\$0.0	\$0.00	
Long Term Debt + Leases		\$0.0	\$0.00	
Future Equity Financing		\$47.5	\$0.06	
Future Debt Financing		(\$210.0)	(\$0.24)	
Net Asset Value		\$1,778.6	\$2.07	
P/NAV			0.79x	

*Adjusted for pending transactions.

Source: Cantor Fitzgerald

CHANGES TO OUR DENISON NUMBERS

We continue to value Wheeler River on a DCF-based NPV_{7.5%} and are increasing Denison's interest in the project to 95% from 90% (50% of JCU's 10% minority interest). We are also ascribing "option value" of \$1/lb U₃O₈ in-situ on Denison's pro-rata interest of contained resources (Measured & Indicated + Inferred) at Millennium, Kiggavik, and Christie Lake totalling 41.7 MMlb U₃O₈ (Exhibit 1). This results in an increase to our NAVPS estimate on Denison Mines to C\$2.07, up from C\$1.98 previously. At present, we are ascribing zero value to Denison's pro-rata interest in JCU's pre-resource stage (grass roots) prospects in the Athabasca Basin including Wolly, Close Lake, Candle Lake, Beatty River, Waterfound River, Cree Extension, Moon Lake, and Moore Tomblin (Exhibit 4).

POSITIVE SENTIMENT IN URANIUM ACCELERATING

Over the last 5-6 months, sentiment in the uranium sector has turned increasingly positive, as we originally highlighted in our recent Macro Report: *A Green Economy and Electric Vehicles Start with Metals* on January 25 (link [here](#)). More recently, over

the last 1-2 weeks, this has been confirmed by a sharp move higher in spot uranium prices. As a reminder, under the Biden Administration, the United States has rejoined the Paris Climate Agreement that calls for net-zero carbon emissions for most of the developed-world by 2050. With uranium currently generating 80% of carbon-free grid power in the United States, coupled with the aggressive nuclear power expansion plans of China (the world's second largest economy), it has become abundantly clear that nuclear power has a critically important and *growing* role to play in the energy mix of the future. As a long-standing ally of the United States, Canada and its uranium mines in Northern Saskatchewan's Athabasca Basin have always been a preferred supplier to the U.S. utilities, which operate the largest fleet of nuclear reactors in the world. Denison's now 95%-owned Wheeler River, as a Tier One project, will have an important role to play in filling the growing uranium supply-demand imbalance in the coming years (2025+) as the United States, and the developed-world, move toward net-zero carbon emissions.

MAINTAINING BUY RATING, RAISING PRICE TARGET

Based on an unchanged target multiple of 1.5x NAVPS_{7.5%} (rounded) on its projects (now including the JCU acquisition), and 1.0x NAVPS on its net financial position, we are increasing our target price on Denison Mines to \$2.50/C\$3.00/share from \$2.25/C\$2.75/share previously. Given the Tier One status of the Wheeler River project, its top spot on the list of potential takeover candidates in the uranium sector, and the Company's balance sheet which is fully cashed-up through to construction, Denison should be a core holding for any/all institutional investors with a uranium focus, energy allocation, or Environmental, Social, and Governance (ESG) criteria. We maintain our Buy rating on the Company.

Exhibit 4. JCU Earlier Stage (Grass Roots) Exploration Prospects

Project	Province	JCU Share (%)	Partners (%) * Operator
Wolly	Saskatchewan	13.1077	Orano Canada Inc.* 64.9997
			Denison Mines Corp. 21.8926
Close Lake	Saskatchewan	10.3128	Orano Canada Inc.* 75.1279
			Cameco Corporation 14.5593
Candle Lake	Saskatchewan	25.0000	Denison Mines Corp.* 44.9400
			Uranium One 30.0600
Beatty River	Saskatchewan	21.4253	Orano Canada Inc.* 56.5303
			UEX Corporation 22.0444
Waterfound River	Saskatchewan	26.9830	Orano Canada Inc.* 60.7008
			Denison Mines Corp. 12.3162
Cree Extension	Saskatchewan	30.0990	Cameco Corporation* 41.9645
			Orano Canada Inc. 27.9365
Moon Lake	Saskatchewan	20.1494	Cameco Corporation* 56.6816
			Orano Canada Inc. 23.1690
Moore Tomblin	Saskatchewan	13.5947	Orano Canada Inc.* 66.6194
			Cameco Corporation 19.7859

Source: UEX Corp.

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HOLD: The stock is fairly valued, lacks a near term catalyst, or its execution risk is such that we expect it to trade within a narrow range of the current price in the next 6 to 12 months. The longer term fundamental value of the company may be materially higher, but certain milestones/catalysts have yet to be fully realized.

SELL: The stock is overpriced relative to the company's fundamentals, and we expect it to decline from the current price over the next 6 to 12 months.

TENDER: We believe the offer price by the acquirer is fair and thus recommend investors tender their shares to the offer.

UNDER REVIEW: We are temporarily placing our recommendation under review until further information is disclosed.

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