



# Denison Mines Corp.

{DML-T, DNN-US}

SECTOR: Mining

STOCK PRICE	\$1.59
RATING	BUY
TARGET PRICE	\$2.90
RISK	Very High

## MCCLEAN LAKE OPERATION GRANTED APPROVAL TO EXPAND TAILINGS MANAGEMENT FACILITY

### De-Risking Impact of McClean TMF Expansion Not to be Underestimated

**OUR TAKE:** Yesterday after close, Denison announced that the McClean Lake mill (22.5% DML, 77.5% Orano (AREVA) Canada) has been granted approval of an amendment to the mill's licence by the Canadian Nuclear Safety Commission (CNSC) to expand its Tailings Management Facility (known as the JEB TMF). The public hearing regarding the application for amendment was held on October 4, 2021, and with the approval, the amended licence will remain valid until June 30, 2027 (a full record of the decision can be found on the CNSC website [[see link to CNSC announcement](#)]).

**We see this news as positive in that it allows the McClean Lake mill, which processes 100% of the ore from Cigar Lake Mine\*, to expand the associated JEB tailings management facility.** Although we believe the application for amendment was widely expected to succeed, and as such its approval might not come as catalysing news for DML stock, **we do see the amendment as an important de-risking event as it allows for future potential expanded use of the facility beyond Cigar Lake Mine ore and probable future feed from DML's 22.5%-owned McClean Lake deposits.**

We continue to highlight Denison as one of our top picks in the uranium mining sector in 2022 [<Link to Haywood 2022 Top-Picks report. DML details on p.31>](#). We note that the Company continues to do 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. Denison has made significant positive technical progress in the field in 2021 along with very positive drill results that we expect will ultimately mean more uranium actually recovered from Phoenix. We believe that work-to-date is highly encouraging and sets the stage for a very important live lixiviant test in 2022, which will be a major milestone and we expect results of this technical work to further support our thesis that DML will be successful in mining Phoenix by the ISR technique resulting in an extremely low production cost profile and is therefore a 'must own' for uranium sector investors.

#### Key Highlights

- ◆ **Increased Tailings Capacity De-Risks DML's Future:** While this news may not translate to an immediate response in DML shares today, it is important to Denison to have the mill authorized to expand tailings capacity in support of future project plans. **Whether or not the news gains quick recognition in the market is independent of the fact that it represents an important de-risking event in the context of DML's current and future economic studies for projects that might leverage use of the mill.**
- ◆ **McClean Already Integrated in Economic Studies:** DML has formal economic studies on two projects which leverage use of the McClean Lake mill.
  - 1) **Wheeler River:** the Gryphon component of the Wheeler River Project includes an ore trucking plan to the McClean Lake mill – the Wheeler River project is comprised of an ISR plan for the Phoenix deposit, which is independent of the mill, and conventional mining operation for the Gryphon deposit.
  - 2) **Waterbury:** the "THT" deposit at the Waterbury project is an ISR operating model scoped to produce a uranium bearing solution that would be sent to the McClean Lake mill for processing (unlike the Phoenix ISR plan which is self-sufficient).

#### RECOMMENDED ACTION

*We recommend adding exposure as Denison continues to de-risk the Wheeler River project and sector fundamentals improve...*

- ◆ **Denison continues to be rated a top-pick 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. **Incremental positive steps like the above have real world de-risking implications for Denison's most advanced projects, and any lack of market recognition of success events like these present an opportunity for investors to add to positions at current prices while underlying risk is diminishing.** The importance of DML having visibility and access to a licensed, operating mill, capable of processing uranium produced from its projects cannot be understated. The process of licensing, financing, and constructing an equivalent facility would be a much higher risk proposition. This provides Denison a material strategic advantage along its development path.

*\*The Cigar Lake Mine is owned by Cameco (50.025%, operator), AREVA (Orano) Canada (37.1%), Idemitsu (7.875%), and TEPCO (5%).*

#### KEY STATISTICS AND METRICS

52-Week High/Low	\$2.64/\$0.79
YTD Performance	-8.6%
Dividend Yield	N/A
Shares O/S	807.4M
Market Capitalization	\$1,284M
Cash	\$115M
Debt	NIL
Enterprise Value	\$1,169M
Daily Volume (3 mos.)	3,928,230
Currency	C\$ unless noted

#### HAYWOOD ESTIMATES (CAD)

	2019A	2020A	2021E
Revenue (\$M)	\$15.5	\$14.4	\$13.5
U <sub>3</sub> O <sub>8</sub> Production	-	-	-
EBITDA (\$M)	(\$14.9)	(\$7.3)	(\$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<sub>6%</sub> assessment of future production from the Wheeler River project and other credits.

Net of corporate adjustments, our NAV is \$2.45 billion, or \$2.85 per fully diluted share.

## 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

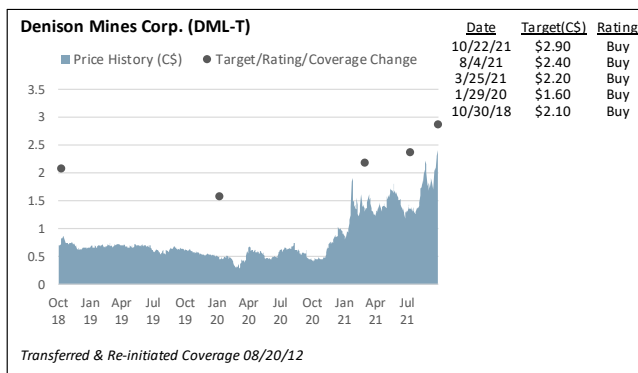
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### Distribution of Ratings (as of January 20, 2022)

	%	#	IB Clients (TTM)
<b>Buy</b>	82.5%	80	90.6%
<b>Hold</b>	6.2%	6	6.3%
<b>Sell</b>	0.0%	0	0.0%
<b>Tender</b>	1.0%	1	0.0%
<b>UR (Buy)</b>	0.0%	0	0.0%
<b>UR (Hold)</b>	0.0%	0	0.0%
<b>UR (Sell)</b>	0.0%	0	0.0%
<b>Dropped (TTM)</b>	10.3%	10	3.1%

### Price Chart, Rating and Target Price History (as of January 20, 2022)



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

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