

# DENISON MINES CORP.

## UEX Offer Expires, Phoenix Feasibility Field Test (FFT) Fully Permitted

### EVENT

Two press releases out of Denison this morning, 1) its confidential offer to acquire UEX (UEX-TSX, Not Covered) has expired, and 2) the FFT planned at the Phoenix deposit is now fully permitted.

### BOTTOM LINE

**Positive** – Merger/arbitrage investors are presumably unwinding their DNN short positions this morning (DNN shares are currently trading +8.2%) as Uranium Energy Corp. (UEC-NYSE, Not Covered) at the close on Friday exercised its right to “match” Denison’s confidential offer and acquire UEX in an all-share proposal. Note UEC shares are currently trading -2.1%.

### FOCUS POINTS

- **UEC/UEX and JCU** – At the Friday close, UEC increased its bid for UEX to 0.0890 UEC shares per UEX share, valuing UEX at an implied price of \$207 MM (C\$267 MM). UEX’s primary asset is its 50%-interest in JCU, the other 50% of which is owned by DNN. JCU holds minority interests in the Wheeler River, Millennium, Christie Lake (Athabasca Basin) and Kiggavik (Nunavut) uranium projects. As a reminder, DNN acquired its 50%-interest in JCU for \$15.9 MM (C\$20.5 MM) in June/21 (note [here](#)), equating to 0.08x the purchase price now being paid by UEC (excluding UEX’s Shea Creek and Horseshoe-Raven projects).
- **Phoenix FFT Fully Permitted** – Denison has received a License to Process, Use, Store and Transfer a Nuclear Substance from the Canadian Nuclear Safety Commission (CNSC) for the in-situ recovery (ISR) FFT that will take place later this year at the Phoenix deposit.
- **Maintaining Buy Rating and Price Target** – We are maintaining our Buy rating and target price of \$4.25/C\$5.25/share on Denison Mines.

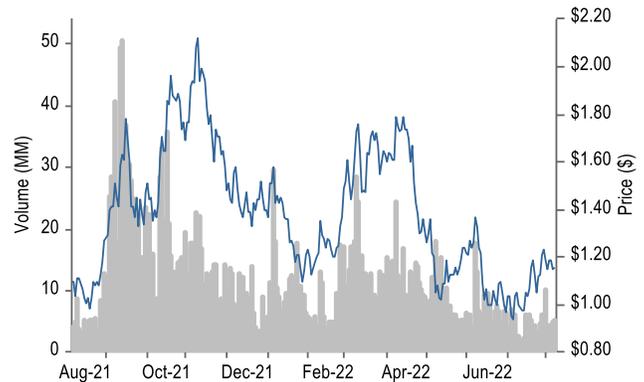
### Recommendation:

**BUY**

Symbol/Exchange: DNN-NYSE/DML-TSX  
Sector: Metals & Mining  
*All dollar values in US\$ unless otherwise noted.*  
Current price: \$1.16/C\$1.50  
One-year target: \$4.25/C\$5.25  
Return to target: 266.4%  
Cash and U<sub>3</sub>O<sub>8</sub> inventory: ~C\$210 MM

### Financial Summary:

Shares O/S (MM)	818.3	52-week range	\$0.91 - \$2.14
Market cap (MM\$)	\$949.3	30D avg vol. ('000)	6,845.1
Market float (MM\$)	\$944.2	Fiscal year-end	31-Dec
<b>Probable Reserves</b>	<b>Tonnes</b>	<b>U<sub>3</sub>O<sub>8</sub> Grade</b>	<b>Attrib. Resource</b>
Wheeler River	1,398,000	3.54%	103.9 MMlb
<b>M&amp;I Resources</b>	<b>Tonnes</b>	<b>U<sub>3</sub>O<sub>8</sub> Grade</b>	<b>Attrib. Resource</b>
McClellan Lake Deposits	374,900	2.22%	3.9 MMlb
Midwest + Waterbury	1,310,000	2.20%	21.4 MMlb
JCU Interests	11,860,600	0.70%	32.9 MMlb
Wheeler River	1,809,000	3.30%	125.5 MMlb
<b>Inferred Resources</b>	<b>Tonnes</b>	<b>U<sub>3</sub>O<sub>8</sub> Grade</b>	<b>Attrib. Resource</b>
McClellan Lake Deposits	510,900	0.68%	1.6 MMlb
Midwest + Waterbury	1,114,000	0.98%	8.4 MMlb
JCU Interests	1,731,400	1.41%	8.8 MMlb
Wheeler River	82,000	1.70%	2.9 MMlb



**Company profile:** Denison Mines is a uranium exploration 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

**Associate: Kate Nakagawa**  
kate.nakagawa@cantor.com  
(416) 849-5001

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

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

## DNN'S OFFER FOR UEX EXPIRES

At the close on Friday, UEC increased its bid for UEX to 0.0890 UEC shares per UEX share, implying a value of C\$0.49/UEX share. At the open this morning, DNN announced that its rival confidential offer to acquire UEX has expired. This should conclude the competitive bidding for UEX, that will now go to UEC at an implied value of \$207 MM (C\$267 MM) based on UEC's closing price on Friday. The UEC-UEX transaction is subject to the approval of 66 2/3% of votes cast by UEX shareholders at a special meeting to be held August 9 (tomorrow). Merger/arbitrage investors are presumably unwinding their DNN short positions this morning as DNN shares are currently trading +8.2% and UEC shares are currently trading -2.1%.

## IMPLIED JCU PURCHASE PRICE VALUATION

In our view, UEX's primary asset is its 50%-interest in JCU, the other 50% of which is owned by DNN. JCU holds minority interests in the Wheeler River, Millennium, Christie Lake (Athabasca Basin) and Kiggavik (Nunavut) uranium projects, among several others that are earlier stage in development (pre-resource). As a reminder, DNN acquired its 50%-interest in JCU for \$15.9 MM (C\$20.5 MM) in June/21 (note [here](#)), equating to 0.08x the purchase price now being paid by UEC (excluding UEX's Shea Creek and Horseshoe-Raven projects, which we do not consider Tier One in quality).

## DE-RISKING PHOENIX AND WHEELER RIVER

In a separate press release this morning, Denison announced that it has received a License to Process, Use, Store and Transfer a Nuclear Substance from the CNSC for the ISR FFT that will take place later this year at the Phoenix deposit, the most important part of the Company's 95%-owned Wheeler River uranium project. This comes as expected and means the FFT is now fully permitted to proceed as planned by Denison. When completed successfully, as is our expectation, the FFT will mark a major de-risking event for the Wheeler River project. Refer to our August 3 note ([here](#)) on the recent positive metallurgical results from Phoenix and our July 12 note ([here](#)) on the Province of Saskatchewan's environmental approval of the Phoenix FFT. Denison notes that since receiving the Approval to Operate Pollutant Control Facilities from Saskatchewan's Minister of Environment on July 12, early-stage construction has commenced on site including earthworks, preparation for the FFT facilities, and procurement for delivery of materials to Phoenix. In Saskatoon, construction of the recovered solution management modules has also commenced.

## MAINTAINING BUY RATING AND PRICE TARGET

We are maintaining our Buy rating and target price of \$4.25/C\$5.25/share on Denison Mines, based on a 1.5x NPV<sub>7.5%</sub> multiple on the Company's Athabasca Basin uranium projects and 1.0x NPV on its net financial position (cash, investments, and U<sub>3</sub>O<sub>8</sub> in inventory). 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. The Company remains our preferred uranium developer.

## DISCLAIMERS AND DISCLOSURES

### *Disclaimers*

The opinions, estimates and projections contained in this report are those of Cantor Fitzgerald Canada Corporation. ("CFCC") as of the date hereof and are subject to change without notice. CFCC makes every effort to ensure that the contents have been compiled or derived from sources believed to be reliable and that contain information and opinions that are accurate and complete; however, CFCC makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions which may be contained herein and accepts no liability whatsoever for any loss arising from any use of or reliance on this report or its contents. Information may be available to CFCC that is not herein.

This report is provided, for informational purposes only, to institutional investor clients of CFCC, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such offer or solicitation would be prohibited. This report is issued and approved for distribution in Canada, CFCC, a member of the Investment Industry Regulatory Organization of Canada ("IIROC"), the Toronto Stock Exchange, the TSX Venture Exchange and the CIPF. This report is has not been reviewed or approved by Cantor Fitzgerald USA., a member of FINRA. This report is intended for distribution in the United States only to Major Institutional Investors (as such term is defined in SEC 15a-6 and Section 15 of the Securities Exchange Act of 1934, as amended) and is not intended for the use of any person or entity that is not a major institutional investor. Major Institutional Investors receiving this report should effect transactions in securities discussed in the report through Cantor Fitzgerald USA.

**Non US Broker Dealer 15a-6 disclosure:** This report is being distributed by (CF Canada/CF Europe/CF Hong Kong) in the United States and is intended for distribution in the United States solely to "major U.S. institutional investors" (as such term is defined in Rule 15a-6 of the U.S. Securities Exchange Act of 1934 and applicable interpretations relating thereto) and is not intended for the use of any person or entity that is not a major institutional investor. This material is intended solely for institutional investors and investors who CFCC reasonably believes are institutional investors. It is prohibited for distribution to non-institutional clients including retail clients, private clients and individual investors. Major Institutional Investors receiving this report should effect transactions in securities discussed in this report through CFCC. This report has been prepared in whole or in part by research analysts employed by non-US affiliates of Cantor Fitzgerald & Co that are not registered as broker-dealers in the United States. These non-US research analysts are not registered as associated persons of Cantor Fitzgerald & Co. and are not licensed or qualified as research analysts with FINRA or any other US regulatory authority and, accordingly, may not be subject (among other things) to FINRA's restrictions regarding communications by a research analyst with a subject company, public appearances by research analysts, and trading securities held by a research analyst account.

### *Potential conflicts of interest*

The author of this report is compensated based in part on the overall revenues of CFCC, a portion of which are generated by investment banking activities. CFCC may have had, or seek to have, an investment banking relationship with companies mentioned in this report. CFCC and/or its officers, directors and employees may from time to time acquire, hold or sell securities mentioned herein as principal or agent. Although CFCC makes every effort possible to avoid conflicts of interest, readers should assume that a conflict might exist, and therefore not rely solely on this report when evaluating whether or not to buy or sell the securities of subject companies.

### *Disclosures as of August 8, 2022*

CFCC *has* provided investment banking services or received investment banking related compensation from Denison within the past 12 months.

The analysts responsible for this research report *do not have*, either directly or indirectly, a long or short position in the shares or options of Denison.

The analyst responsible for this report *has* visited the material operations of Denison. No payment or reimbursement was received for the related travel costs.

### *Analyst certification*

The research analyst whose name appears on this report hereby certifies that the opinions and recommendations expressed herein accurately reflect his personal views about the securities, issuers or industries discussed herein.

### *Definitions of recommendations*

**BUY:** The stock is attractively priced relative to the company's fundamentals and we expect it to appreciate significantly from the current price over the next 6 to 12 months.

**BUY (Speculative):** The stock is attractively priced relative to the company's fundamentals, however investment in the security carries a higher degree of risk.

**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.

### **Member-Canadian Investor Protection Fund.**

Customers' accounts are protected by the Canadian Investor Protection Fund within specified limits. A brochure describing the nature and limits of coverage is available upon request.