

DENISON MINES CORP.

Increases Offer for UEX

EVENT

As of this morning, after “internal discussions” DNN is back at the table with a further premium Acquisition Proposal for UEX.

BOTTOM LINE

Neutral (Developing) – While we firmly hold the view that Denison’s new Acquisition Proposal is superior to Uranium Energy’s amended Arrangement Agreement, UEX’s Board of Directors must reach the same conclusion, after which point UEC will have up to five business days to match the offer made by DNN. We note that at the new Acquisition Proposal terms (0.320 DNN shares per UEX share), the transaction would be neutral to modestly accretive to our pro-forma Denison-UEX consolidated NAVPS estimate.

FOCUS POINTS

- **UEX-DNN and JCU** – In our view, UEX’s primary asset is its 50%-interest in JCU, the other 50% of which is already owned by DNN. Should UEX be acquired by UEC, the JCU interests remain fragmented on a 50/50 basis with DNN. Should UEX be acquired by DNN, the JCU interests are consolidated on a 100%-basis by DNN, including the flagship Wheeler River project. Given that both the UEC and DNN offers for UEX are all-share proposals, UEX shareholders in our view, will realize far more value out of the JCU interests by selling to DNN (consolidating them on a 100%-basis) rather than to UEC (where they will remain fragmented on a 50/50 basis).
- **Maintaining Buy Rating, Target** – At this stage, given the UEX-DNN/UEC transaction outcome uncertainty, we are leaving our DCF-based NAVPS and target price for Denison unchanged. We continue to rate the stock a Buy with a price target of \$4.25/C\$5.25/share.

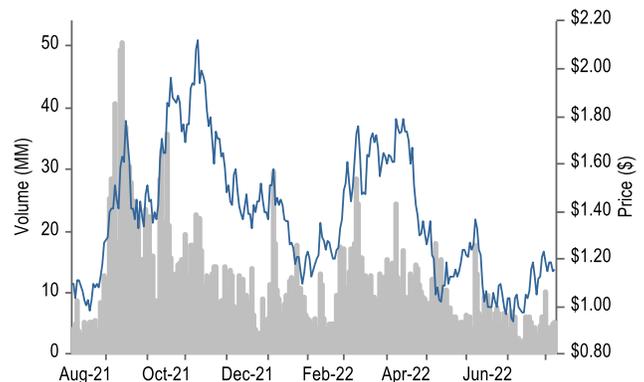
Recommendation:

BUY

Symbol/Exchange: DNN-NYSE/DML-TSX
Sector: Metals & Mining
All dollar values in US\$ unless otherwise noted.
Current price: \$1.18/C\$1.51
One-year target: \$4.25/C\$5.25
Return to target: 260.2%
Cash and U₃O₈ inventory: ~C\$210 MM

Financial Summary:

Shares O/S (MM)	818.3	52-week range	\$0.91 - \$2.14
Market cap (MM\$)	\$965.6	30D avg vol. ('000)	6,845.1
Market float (MM\$)	\$960.4	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	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
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	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 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

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 BACK AT THE TABLE FOR UEX

In our note yesterday (link [here](#)), we incorrectly asserted that DNN allowing its previous confidential offer for UEX (UEX-TSX, Not Covered) to expire should conclude the competitive bidding process with UEC (UEC-NYSE, Not Covered). This has proven to be incorrect. As of this morning, after “internal discussions” DNN is back at the table with a further premium Acquisition Proposal for UEX. Under the terms of the new Acquisition Proposal, which can now be disclosed vs. DNN’s prior non-binding confidential proposal, UEX shareholders will receive 0.320 DNN shares per UEX share, implying a purchase price of C\$0.51/UEX share as of DNN’s closing price yesterday. This equates to a 6.3% *premium* to the amended UEC Arrangement Agreement (0.089 UEC shares per UEX share) as of the market close yesterday. At DNN’s current “spot” intraday price of \$1.18/C\$1.51/share, the new Acquisition Proposal values UEX at C\$0.48/share, directly in-line with its current “spot” intraday price. Importantly, UEX has postponed its special meeting of shareholders to vote on the amended UEC Arrangement Agreement (0.089 UEC shares per UEX share), originally scheduled for today, to Monday August 15. At UEC’s current “spot” intraday price of \$4.12/share, its amended Arrangement Agreement dated August 5 values UEX at C\$0.47/share, a 1.6% *discount* to UEX’s share price as implied by Denison’s new Acquisition Proposal.

NEXT STEPS

Denison’s Acquisition Proposal is conditional on UEX terminating the amended UEC arrangement agreement. UEX’s Board of Directors must now determine if DNN’s new Acquisition Proposal (0.320 DNN shares per UEX share) is superior to UEC’s amended Arrangement Agreement (0.089 UEC shares per UEX share). Should UEX’s Board reach the conclusion that the DNN offer is superior to the UEC offer, which is our firmly held view, UEC will then have up to five business days to match. Should UEX’s Board determine the DNN offer to be superior, and UEC elects not to match, UEX will pay UEC a termination fee of \$8.8 MM.

OUR THOUGHTS ON THIS TRANSACTION

As outlined in our note yesterday (link [here](#)), in our view, UEX’s primary asset is its 50%-interest in JCU, the other 50% of which is already 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). In the event UEX is acquired by UEC, the JCU interests remain fragmented on a 50/50 basis with DNN. In the event UEX is acquired by DNN, the JCU interests are consolidated on a 100%-basis by DNN, including the flagship Wheeler River project. Given that both the UEC and DNN offers for UEX are all-share proposals, UEX shareholders in our view, will realize far more value out of the JCU interests by selling to DNN (consolidating them on a 100%-basis) rather than to UEC (where they will remain fragmented on a 50/50 basis).

A LOOK AT PRO-FORMA NUMBERS

While we firmly hold the view that Denison’s Acquisition Proposal is superior to Uranium Energy’s amended Arrangement Agreement, UEX’s Board of Directors must reach the same conclusion, after which point UEC will have up to five business days to match the offer made by DNN. As such, at this stage, given the UEX-DNN/UEC transaction outcome uncertainty, we are leaving our DCF-

based NAVPS and target price for Denison unchanged. We note that at the new Acquisition Proposal terms (0.320 DNN shares per UEX share), UEX's current "spot" intraday price values the company at C\$262 MM (\$203 MM), a level that would be neutral to modestly accretive to our pro-forma Denison-UEX consolidated NAVPS estimate.

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_{7.5%} multiple on the Company's Athabasca Basin uranium projects and 1.0x NPV on its net financial position (cash, investments, and U₃O₈ 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 9, 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.