



# Denison Mines Corp.

{DML-T, DNN-US}

SECTOR: Mining

STOCK PRICE	\$1.94
RATING	<b>BUY</b>
TARGET PRICE	\$2.90
RISK	Very High

## WINTER DRILL RESULTS AT WATERFOUND RIVER PROPERTY JV

### High-Grade Uranium Found at Waterfound in Final Holes of Winter Drilling

**OUR TAKE:** This morning, Denison announced results from the winter drill program at its 24.7% owned Waterfound River Property (DML effective 24.7% interest, 11.8% direct + 50% of JCU, Orano 62.4%/operator, JCU 25.8%). The Property is located approximately 40 kilometres northwest of Denison's 22.5% owned McClean Lake mill. The Waterfound winter drill program consisted of six diamond drill holes, totalling 3,175.4 metres, that were designed to test for the potential expansion of previously discovered mineralization in the Alligator Zone, as well as to test for new mineralization in the surrounding area along the La Rocque conductive corridor (well known for hosting Cameco's La Rocque Lake deposit (CCO-T, not rated) and IsoEnergy's Hurricane deposit (ISO-V, Buy, \$7.00 Target) (see Figures 1 and 2). The final three holes of the winter program (WF-67, WF-68, and WF-68-1) successfully identified new high-grade intercepts of unconformity-hosted uranium mineralization. The drill holes are located ~800 metres along strike to the west of the Alligator Zone (see Figure 2), all drilled on the 4000E line and were intended to "test the potential for uranium mineralization along the up-dip projection of a graphitic structure intersected at depth in historical drill hole WF-50." Notably, all three drill holes identified high-grade uranium mineralization, with the headline results coming from hole WF-68, which returned a broad zone of uranium mineralization of 9.4m composited over 17.9m from 459.7m depth, including a continuous interval averaging 5.91% eU<sub>3</sub>O<sub>8</sub> over 3.9 metres, including a sub interval of 25.30% eU<sub>3</sub>O<sub>8</sub> over 0.7 metres (see Table 1). The newly identified mineralized zone remains open along strike in both directions in this highly prospective area. We expect drilling at Waterfound to resume this summer as the JV plans to complete a further 6 drill holes for ~4,200 metres to round out its anticipated 7,400 metres of diamond drilling in an estimated 12 drill holes as part of its 2022 exploration program at the Property. We believe that the follow-up drilling to test the extents of mineralization has high potential for further stock catalyzing news flow.

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>](#). Specifically, the Company has remained a top pick for the past couple of years owing to its ultra high-grade, large Phoenix deposit at its flagship Wheeler River Project, where Denison is continuing technical work in support of a low cost profile ISR operation in a world-class jurisdiction. Denison 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 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 maintain our \$2.90 target and a Buy rating.**

#### Key Highlights

- ◆ **WF-68:** Intersected 3.9 metres averaging 5.91% eU<sub>3</sub>O<sub>8</sub> from 473.70 metres depth, including 0.70 metres averaging 25.30% eU<sub>3</sub>O<sub>8</sub>;
- ◆ **WF-68-1:** Intersected 8.0 metres averaging 0.87% eU<sub>3</sub>O<sub>8</sub> from 464.20 metres depth, and 2.4 metres averaging 2.20% eU<sub>3</sub>O<sub>8</sub> from 480.30 metres depth;
- ◆ **WF-67:** Intersected 14.2 metres averaging 0.73% eU<sub>3</sub>O<sub>8</sub> from 474.10 metres depth.

#### 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. Denison 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. We recommend buying Denison to gain leverage to the uranium sector and potentially ultra low cost future production from Wheeler River while Denison works to uncover additional value in its extensive portfolio of other projects. Notably, Waterfound is within close proximity to the McClean Lake mill and has the potential to translate into another source of future mill feed for the McClean Lake Mill JV. Today's results serve as a good reminder of the the significant discovery potential associated with DML's exploration property portfolio.

KEY STATISTICS AND METRICS		HAYWOOD ESTIMATES (CAD)			VALUATION
		2021A	2022E	2023E	
52-Week High/Low	\$2.64/\$1.17				
YTD Performance	11.5%	Revenue (\$M)	\$20.0	\$13.5	\$13.5
Dividend Yield	N/A	U <sub>3</sub> O <sub>8</sub> Production	-	-	-
Shares O/S	807.4M	EBITDA (\$M)	(\$16.8)	(\$15.6)	(\$15.6)
Market Capitalization	\$1,566M	CFPS (\$/share)	(\$0.03)	(\$0.01)	(\$0.01)
Cash	\$64M				
Debt	NIL				
Enterprise Value	\$1,502M				
Daily Volume (3 mos.)	4,022,410				
Currency	C\$ unless noted				

**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.

Table 1 – 2022 Waterfound River Winter Exploration Drilling Highlights

Drill Hole	From (m)	To (m)	Length (m) <sup>(1)</sup>	eU <sub>3</sub> O <sub>8</sub> (%) <sup>(2)</sup>
WF-67 <sup>(3,4)</sup>	474.10	488.30	14.20	0.73
WF-68 <sup>(3,4)</sup>	459.70	462.00	2.30	0.66
WF-68 <sup>(3,4)</sup>	467.10	470.30	3.20	0.97
WF-68 <sup>(3,4)</sup>	473.70	477.60	3.90	5.91
including <sup>(5)</sup>	476.20	476.90	0.70	25.30
WF-68-1 <sup>(3,4)</sup>	464.20	472.20	8.00	0.87
WF-68-1 <sup>(3,4)</sup>	474.00	476.40	2.40	0.31
WF-68-1 <sup>(3,4)</sup>	480.30	482.70	2.40	2.20

Notes:

(1) Lengths indicated represent the down-hole length of mineralized intersections.

(2) Radiometric equivalent U<sub>3</sub>O<sub>8</sub> ("eU<sub>3</sub>O<sub>8</sub>") derived from a calibrated gamma downhole probe

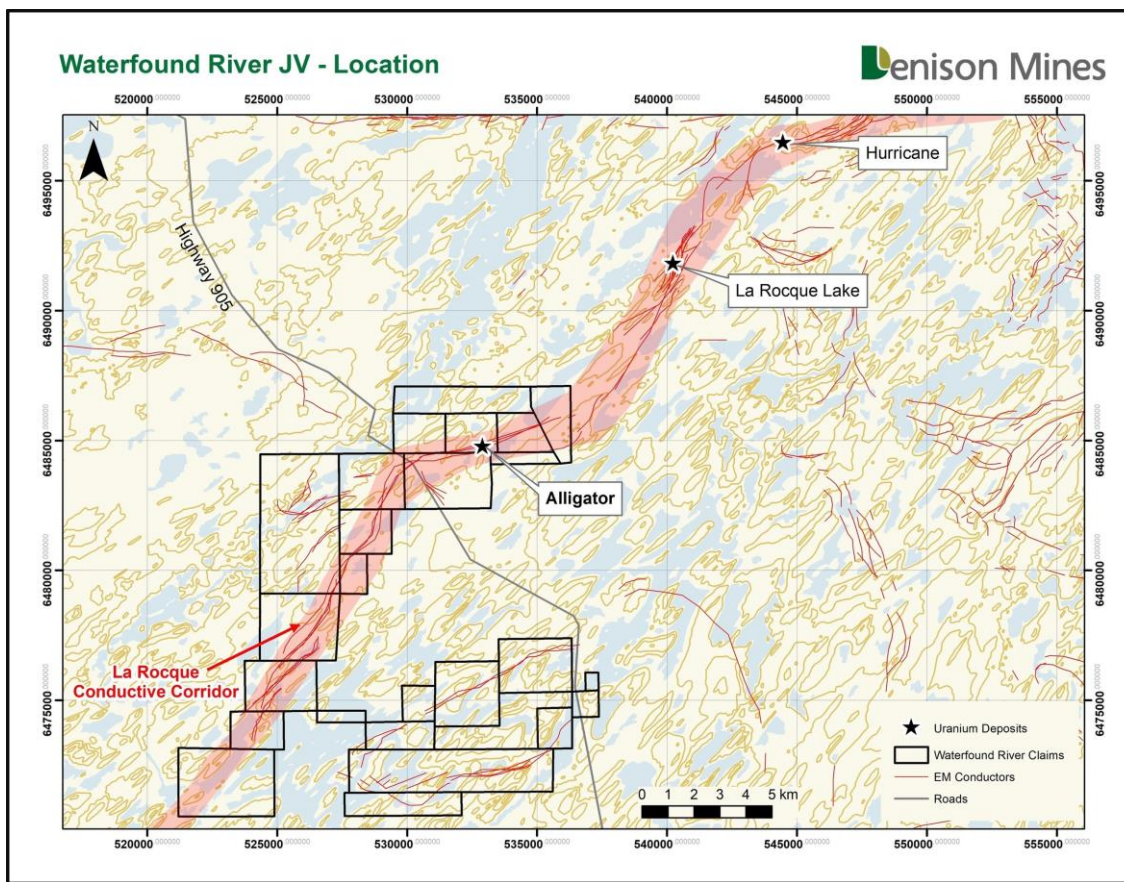
(3) WF-67 was drilled at an azimuth of 154° and a dip of -70.0°, WF-68, was drilled at an azimuth of 154° and a dip of -71.5°, and WF-68-1 was drilled at an azimuth of 154° and a dip of -73.5°.

(4) Mineralized interval is composited above a cut-off grade of 0.05% eU<sub>3</sub>O<sub>8</sub>

(5) Mineralized interval is composited above a cut-off grade of 10.0% eU<sub>3</sub>O<sub>8</sub>

Source: Denison Mines

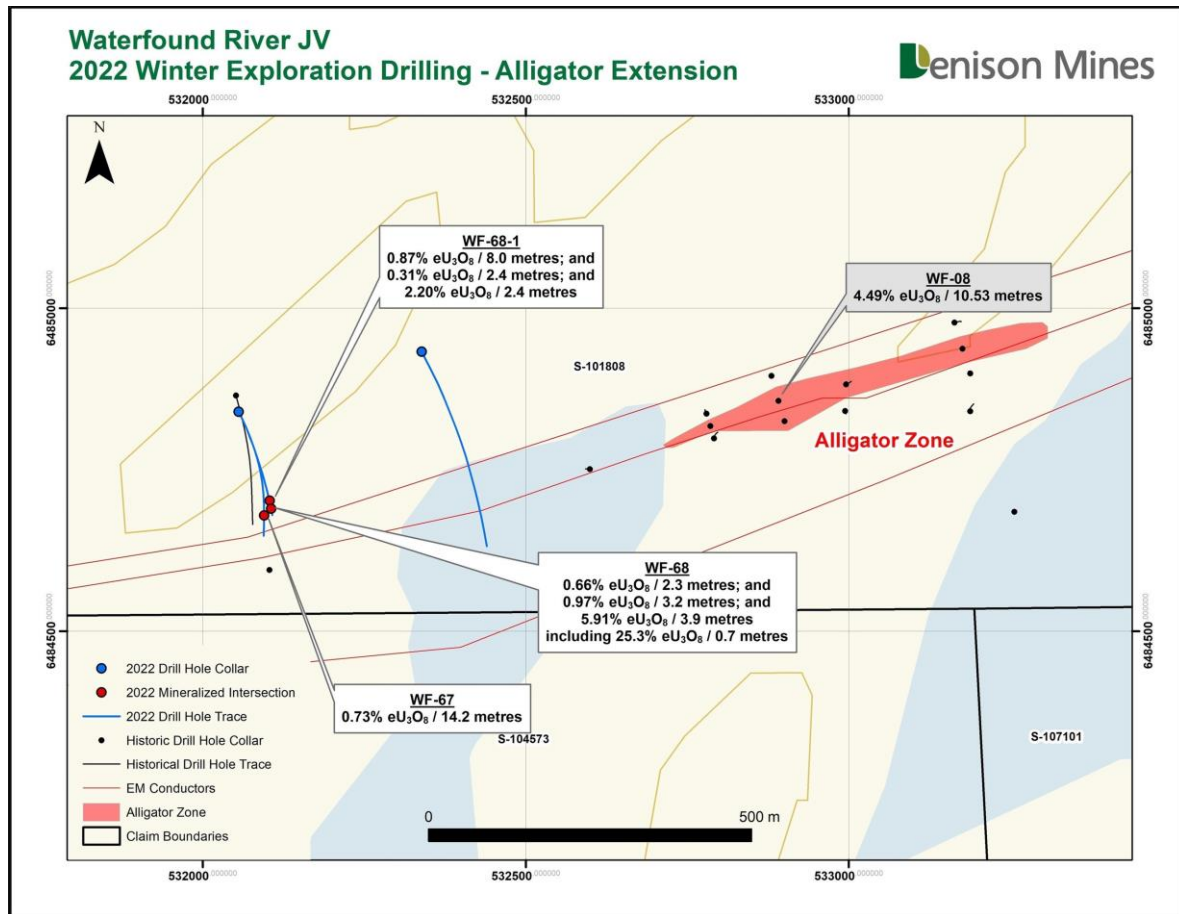
Figure 1 –Waterfound River JV Project Location



Source: Denison Mines



Figure 2 – 2022 Winter Exploration Drilling – Alligator Extension



Source: Denison Mines



## Important Information and Legal Disclosures

This report is intended for institutional investors and may only be distributed to non-institutional US clients in the following states: Alaska, Alabama, Arkansas, Arizona, California, Colorado, Connecticut, District of Columbia, Delaware, Florida, Georgia, Guam, Hawaii, Iowa, Idaho, Illinois, Indiana, Kansas, Kentucky, Louisiana, Massachusetts, Maryland, Maine, Michigan, Minnesota, Missouri, Mississippi, Montana, North Carolina, North Dakota, Nebraska, New Hampshire, New Jersey, New Mexico, Nevada, New York, Ohio, Oklahoma, Oregon, Pennsylvania, Puerto Rico, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Virgin Islands, Vermont, Washington, Wisconsin, West Virginia, and Wyoming. Otherwise, this report may only be distributed into those states with an institutional buyer state securities registration exemption.

### 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

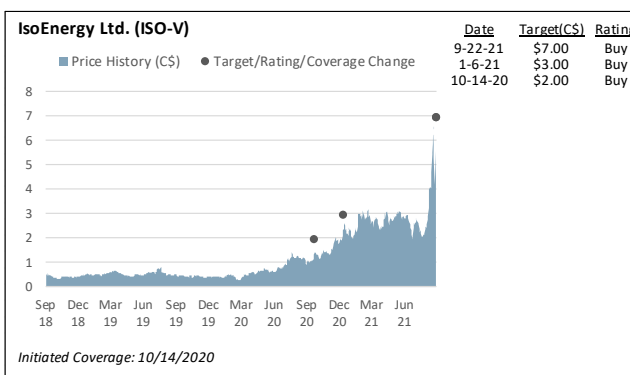
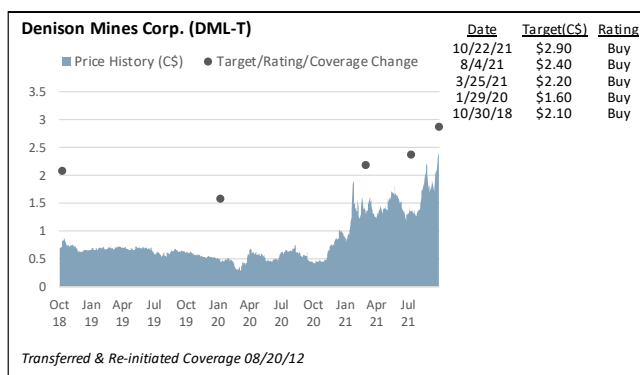
Of the companies included in the report the following Important Disclosures apply:

- ◆ Haywood Securities, Inc. has reviewed lead projects of Denison Mines Corp. (DML-T), IsoEnergy Ltd. (ISO-V) and a portion of the expenses for this travel have been reimbursed by the issuer.
- ◆ Haywood Securities, Inc. or one of its subsidiaries has received compensation for investment banking services from Denison Mines Corp. (DML-T) in the past 12 months.
- ◆ Haywood Securities, Inc. or one of its subsidiaries has received compensation for investment banking services from IsoEnergy Ltd. (ISO-V) in the past 24 months.

### Distribution of Ratings (as of March 29, 2022)

	%	#	IB Clients (TTM)
<b>Buy</b>	80.6%	79	85.7%
<b>Hold</b>	6.1%	6	7.1%
<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>	12.2%	12	7.1%

### Price Chart, Rating and Target Price History (as of March 29, 2022)



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

**Link to Research Policy:** <http://haywood.com/what-we-offer/research/research-policy>

**Member of the Canadian Investor Protection Fund**

