

Recommendation: Buy
Target Price: C\$3.75

◆ Denison Mines Corp. (DML-TSX; DNN-AMEX) *Q4 Hit By Goodwill Impairment*

Current Price	C\$1.52	Shares Outstanding (MM)	
52 Wk High	C\$3.38	Basic	384.7
52 Wk Low	C\$0.87	Diluted	384.7
Cash (MM)	\$53.5	Mngt. & Dir.	2.7
Debt (MM)	\$0.0	Market Cap.	C\$584.7
NAVPS	C\$3.64	Float	C\$580.6
Price/NAV	0.4x	EV	\$501.9
Dividend	\$0.00	Reserves	13 MMlb
Dividend Yield	0%	P&P+M&I+Inf.	133 MMlb

Fiscal YE Dec. 31		2011A	2012E	2013E
Production (MM Lbs U3O8)	Q1	0.34	0.20	0.96
	Q2	0.34	0.29	0.96
	Q3	0.09	0.39	1.13
	Q4	0.24	0.52	1.13
MM lbs U3O8	FY	1.01	1.40	4.17
Cash Cost (/lb)	FY	\$43.40	\$33.51	\$47.61
Diluted CFPS, adj.	Q1	\$0.01	\$0.02	\$0.09
	Q2	\$(0.01)	\$0.03	\$0.09
	Q3	\$(0.01)	\$0.04	\$0.08
	Q4	\$0.03	\$0.05	\$0.08
	FY	\$0.02	\$0.13	\$0.33
Prod. y/y chg		-29%	38%	198%
EV/Resource		\$3.76	-	-
P/CF		86.5x	10.9x	4.4x

Unless otherwise denoted, all figures shown in US\$

Investment Thesis:

Denison Mines is the only intermediate uranium producer with operating assets located solely within North America. The miner has production at its Utah-based White Mesa Mill. DML boasts one of the largest diversified global exploration portfolios, and its Phoenix prospect in the Athabasca Basin is among the most exciting uranium discoveries in recent years.

Highlights:

- Q4/11 Financial Results Impacted By Impairment Charge**
 Last week, DML reported Q4/11 and full year financial results. Headline Q4 EPS came in at \$(0.17). After adjusting for one-time items, adjusted EPS was \$(0.06) versus our estimate of \$(0.04) and consensus of \$(0.03). CFPS came in at \$0.03, ahead of both our estimate of \$(0.01) and consensus of \$0.02. Production of 244,000 lb missed our estimate of 277,000 lb while sales of 550,000 lb beat our expectations of 426,000 lb. Cash costs in the quarter of \$51/lb were ahead of our \$43/lb expectation.
- Reiterates 2012 Guidance**
 Denison reiterated its 2012 operating plan which envisages 1.4 MMlb of U3O8 production at cash costs of \$33.50/lb. Sales are expected to be 1.6 MMlb U3O8. The Company is budgeting \$25.4 MM for development and exploration in 2012.
- Lowering Target To C\$3.75 & Maintaining Buy Recommendation**
 We have incorporated actual results, company guidance and moved our NAVPS calculation ahead by one year resulting in a decrease to our target to C\$3.75 from C\$4.00. Our target is based on a target multiple of 1.0x NAVPS which has fallen from C\$4.02 to C\$3.64. We continue to rate the stock a Buy.

Company Description:

Denison is a uranium exploration, development and production company whose principal assets are the McClean Lake Facility (22.5%) and the White Mesa Mill and Mining operations within the four corners region of the US. Denison also acts as the manager for Uranium Participation Corp, a company created to invest in, hold and sell uranium in concentrates.



Source: BigCharts.com, March 9, 2012 (Chart C\$)

◆ During the past twenty-four months, Cormark Securities Inc., either on its own or as a syndicate member, participated in the underwriting of securities for Denison Mines Corp.

Our disclosure statements are located at the end of this report

Q4/11 Financial Results Impacted By Impairment Charge: Last week, DML reported Q4/11 and full year 2011 financial results. The Company produced 244,000 lbs of yellowcake at a net cash cost of \$51/lb from its operations compared to our estimates of 277,000 lbs at \$43/lb. The increased production Q/Q owes itself to the resumption of processing conventional ore at White Mesa in November as expected. Uranium sales for the quarter were approximately 555,000 lbs versus our estimate of 426,000 lbs. Denison reported headline EPS of \$(0.17) for the quarter. After adjusting for one-time items, namely a \$32.6 MM impairment charge, adjusted EPS was \$(0.06) versus our estimate of \$(0.04) and consensus of \$(0.03). The impairment charge stems from the Company's annual evaluation of goodwill. Much of the adjusted EPS miss can be explained by a higher than expected depreciation expense of \$20.9 MM versus \$12.7 MM (CSI est.). CFPS before working capital came in at \$0.03, ahead of both our estimate of \$(0.01) and consensus of \$0.02. In Figure 1, we highlight DML's quarterly results compared to the previous quarter and our prior estimates. Denison exited the year with \$53.5 MM in cash, effectively no debt and a working capital position of \$93.5 MM.

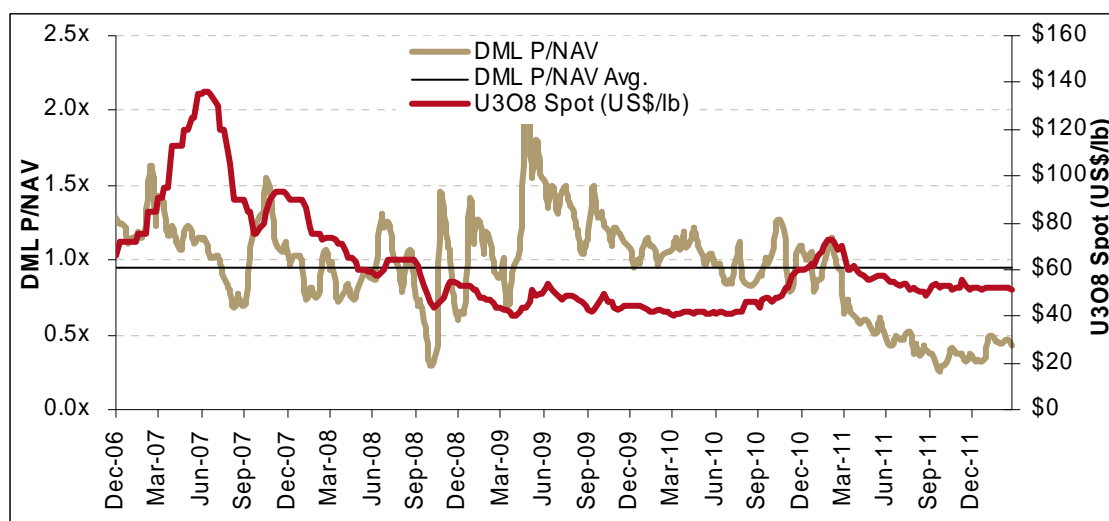
Figure 1: Quarterly Analysis

(US\$)	Q2 2011A	Q3 2011A	Q4 2011A	% Q/Q Diff.	Q4 2011 CSI Est.
Production					
Production, 000s lb U3O8	339	88	244	177%	277
Sales, 000s lb U3O8	116	167	550	229%	426
Realized Price, \$/lb U3O8	\$65.94	\$62.04	\$52.61	-15%	\$57.89
Cash costs, \$/lb (Net of V205)	\$48.83	\$23.64	\$50.93	115%	\$42.73
Income Statement, \$MM					
Revenues	\$17.0	\$17.0	\$36.0	111%	\$24.7
Operating Costs	\$13.6	\$10.5	\$18.4	75%	\$18.5
Gross Margin (%)	20.2%	38.5%	48.9%	27%	25.3%
Depreciation	\$4.1	\$2.6	\$20.9	701%	\$12.7
G & A (incl. stock opt.)	\$5.2	\$4.1	\$3.8	-7%	\$3.5
Exploration	\$2.5	\$6.9	\$1.3	-82%	\$6.1
Tax expense (benefit)	\$(1.1)	\$13.0	\$(12.8)	-198%	\$2.1
Adj. EPS, \$ diluted	\$(0.04)	\$0.04	\$(0.06)	-249%	\$(0.04)
CFPS (bef. WC adj.), \$	\$(0.01)	\$(0.01)	\$0.03	-315%	\$(0.01)
Cash, \$ MM	\$137.7	\$52.8	\$53.5	1%	\$35.9
Debt, \$ MM	\$0.3	\$0.2	\$0.2	N/A	\$0.1

Source: Cormark Securities

Reiterates 2012 Guidance: The Company reiterated its 2012 operating plan which envisages 1.4 MMlb of U3O8 production at net cash costs of \$33.50/lb. Sales are expected to be 1.6 MMlb this year with 810,000 lbs expected to be at LT prices and 790,000 lbs at spot. Vanadium production is expected to total 0.6 MMlb V2O5 with sales of 0.5 MMlb. DML will be spending \$25.4 MM in development and exploration. The Wheeler River program will be the primary focus and is budgeted at C\$11.7 MM (C\$7.8 MM being DML's share). 28,000 m will be drilled through the winter and summer programs. US exploration is budgeted at \$1.2 MM to prepare a resource estimate for the Redd Block area in the La Sal complex and the Daneros operation.

Figure 2: DML Historical P/NAV Multiple



Sources: Cormark Securities, Bloomberg

Mutanga Resources Grew By 28.2 MMlb: DML announced an updated resource estimate on its 100% owned Mutanga project in Zambia on February 27, 2012. The update is based on Denison's 2011 drill program and the increase to the resource is driven by a maiden resource at the Dibwe East deposit between the main Mutanga and Dibwe deposits. The resource at Dibwe East contains inferred resources of 39.8 MMt @ 0.0322% (28.2 MMlbs). This deposit extends from surface to 130 m. Mutanga now contains M&I resources of 7.8 MMlbs @ 0.0345% and inferred resources of 42.1 MMlbs @ 0.0279%. The resource estimate is based on 237 holes over 21,729 m. A new exploration program here is planned to begin in April and drill 15,000 m at a cost of \$7.1 MM.

Changes To Estimates: Incorporating DML's Q4/11 results, guidance provided in late January and bringing our NAVPS calculation ahead one year, our NAVPS estimate for the Company decreases to C\$3.64 from C\$4.02, while our 2012 CFPS decreases from \$0.30 to \$0.13. We are introducing our 2013 CFPS estimate of \$0.33.

Figure 3: Valuation Breakdown

	Valuation Method	(\$MM)	(\$/shr)
Operating Assets			
McClellan Lake JV	DCF - 10%	\$74	\$0.19
White Mesa	DCF - 10%	\$406	\$1.06
Ore Purchase Program	DCF - 5%	\$0	\$0.00
Omega - Mutanga	DCF - 10%	\$114	\$0.30
UPC Admin, Enviro Services	DCF - 5%	\$52	\$0.14
Mongolia	US\$3.00/lb in-situ	\$55	\$0.14
Wheeler	US\$10.00/lb in-situ	\$510	\$1.33
Daneros	DCF - 10%	\$110	\$0.29
Total Operating Assets		\$1,321	\$3.43
Financial Assets			
End of Year Cash		\$8	\$0.02
End of Year L.T. Debt		\$0	\$0.00
Total Financial Assets		\$8	\$0.02
NAVPS, Diluted, (\$)			\$3.46
NAVPS, Diluted, (C\$)			\$3.64
Diluted Shares Outstanding (MM)			384.7

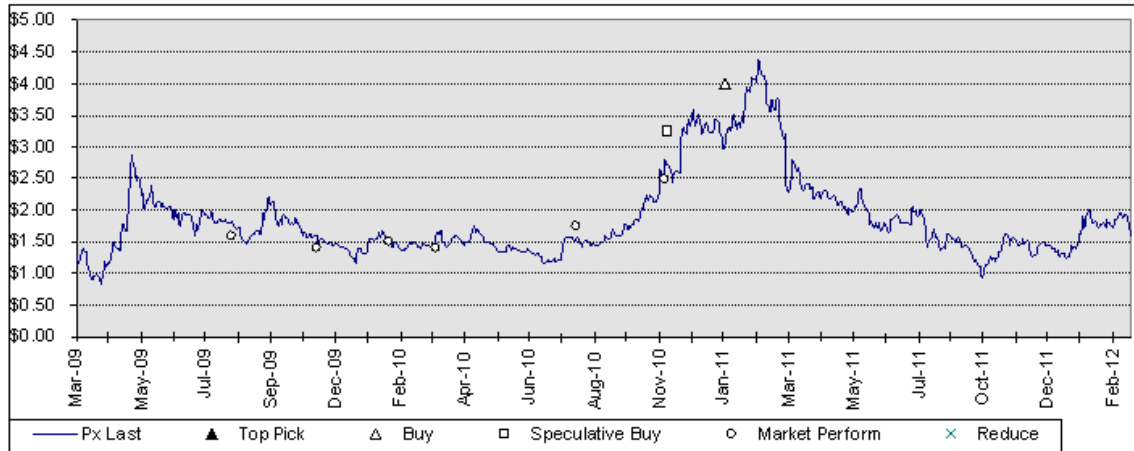
Source: Cormark Securities

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We, Mike Kozak and Joshua Perelman, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject company(ies) and its (their) securities. We also certify that we have not been, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

Denison Mines Corp.

*Source: Cormark Securities Inc.



Disclosure Statement

Recommendation / Target Chg

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Date	C\$
10-Jan-11	4.00 (B)
10-Nov-10	3.25 (B-S)
08-Nov-10	2.50 (MP)
09-Aug-10	1.75 (MP)
15-Mar-10	1.40 (MP)
26-Jan-10	1.50 (MP)
12-Nov-09	1.40 (MP)
14-Aug-09	1.60 (MP)

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 2) What type of security is it?

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Market Perform	23%
Reduce	1%
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Updated March 09, 2012

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Buy	expected to outperform its peer group
Market Perform	expected to perform with its peer group
Reduce	expected to underperform its peer group

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