CAPITAL MARKETS

HAYWOOD SECURITIES INC.

Research Report

Denison Mines Corp. (DML-T, C$1.55; DNN-AMEX, $1.56)

March 9, 2012

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Rating:	**SECTOR OUTPERFORM**
Revised Target Price:	**(-C$0.10) C$2.00**
Return:	**29%**
YTD Performance:	**+22%**
Risk Profile:	**SPECULATIVE**

Denison Mines is in the exclusive group of active uranium producers from their US Based Assets, feeding their 100%-owned White Mesa mill, as well as Canadian based production potential from their share in the McClean Lake mill JV & the Midwest Project.

F2011: High Costs and Writedown Headlines Results

Event: Denison releases F2011 results

Impact – Negative: Denison produced ~1.0 Mlb U_3O_8 and 1.3 Mlb V_2O_5 in the year-ended December 31st, 2011, and sold ~1.1 Mlb U_3O_8 at an average realized price of \$58 lb^{-1} and 1.8 Mlb V_2O_5 at an average realized price of ~\$6 lb^{-1}. Those data are in-line with our expectations. Production costs, excluding depreciation/amortization were \$51 lb^{-1} U_3O_8 (↑30% YoY) for FQ4`11, and \$48 $lb^{-1}$ $U_3O_8$ (↑24% YoY) for the full year ended 12/31/2011. The Company generated a net loss of \$65.5 M or \$0.17/share for Q4`11, and \$70.9 M or \$0.19/share for the full year. Financial Q4 results were negatively impacted by a \$32.6 M (~\$0.085/share) impairment charge taken against Goodwill, said to be related to the U.S. mining segment, resulting from an impairment test that implements the UxCo pricing strip as a price assumption. The higher than expected production costs, and unanticipated writedown combine for a disappointing F2011, falling significantly below our expectations.

- **Forecasts** – We had previously revised our 2012 sales and production profile downward, in-line with guidance, and continue to forecast sales of 1.6 Mlb U_3O_8 and 0.6 V_2O_5, with production of 1.4 Mlb U_3O_8 and 0.5 V_2O_5. We project cash costs for `12 of \$35 lb^{-1} versus company guidance of \$33.50 lb^{-1}.
- **Target Price, Ratings** – The adjustments to our model have a slightly negative impact on our valuation, with higher costs projected in 2012, and a reduced working capital base as a result of higher costs in F2011, our formal target falls to C\$2.00 from C\$2.10, now carrying an implied return of ~29% to the current share price. Given the 29% implied return in our new target to the current share price, we maintain our Sector Outperform rating and Speculative risk Rating.
- **2012 Outlook** – Sales of ~1.6 Mlb U_3O_8 and 0.5 Mlb V_2O_5, and production of ~1.4 Mlb U_3O_8 and 0.6 Mlb V_2O_5 from U.S. operations. Expected cash costs are \$35 lb^{-1} U_3O_8, with the McClean Lake Mill in Canada not expected to return to production until at least 2013, depending on feed from the Cigar Lake JV (operator: Cameco). Denison also plans an aggressive exploration and development program in 2012, budgeted at >\$25 million spread across Canada, the U.S., Zambia, and Mongolia, providing an array of potential catalysts this year.
- **2011 Production & Sales** – All 2011 production was from U.S. operations at its White Mesa. As noted above, Denison produced ~1.0 Mlb U_3O_8 and 1.3 Mlb V_2O_5, and sold ~1.1 Mlb U_3O_8 (\$58 lb^{-1}) and 1.3 Mlb V_2O_5 (~\$6 lb^{-1}). We estimate 2011 cash costs were \$48 lb^{-1} U_3O_8, net of vanadium credit, and excluding DD&A.

Valuation: Our DCF 10.0% analysis of DML's operations, less net corporate charges, produces a NAV of C\$312 million. Strategic resources & company investments provide a credit of C\$363 million (C\$0.93/share) to the total corporate NAV of C\$765 million. Applying a 1.0x P/NAV multiple imparts a 12-month target price of C\$2.00.

Forecast Risk	**High**
Financial Risk	**Moderate**
Valuation Risk	**High**
Political Risk	**Moderate**

52-Week High/Low	\$4.16 / \$0.87
Dividend Yield	N/A
Shares O/S	385M (basic)/ 392M (F/D)
Market Capitalization	\$600M
Cash	\$54M
Debt	\$0.22M
Working Capital	\$94M
Daily Volume	1,548,415
Currency	US\$ unless noted

Company Profile

Website – www.denisonmines.com

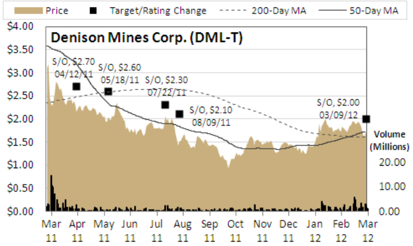
CEO – Ron Hochstein

Denison is a North American uranium producer from conventional mining and processing operations.

Estimates

	2010A	2011A	2012E
Shares (O/S),million	340.8	380.8	384.7
U_3O_8 Prod. (Mlb)	1.4	1.1	1.4
Op. Costs: U_3O_8 lb^{-1}	\$34.2	\$47.6	\$35.0
Revenue, US\$M	\$128.3	\$96.8	\$119.5
EBITDA, US\$M	\$46.2	(\$32.0)	\$39.7
Op. CFPS, US\$	\$0.10	(\$0.08)	\$0.09
Current Price / CF	14.4x	-	17.2x
Target Price / CF	18.6x	-	22.2x

Price Performance



Source: Capital IQ and Haywood Securities

Denison Mines Corp.	TSX:DML Price:	CDN $1.55	Shares O/S (M)	384.7	Rating:	Sector Outperform		
	US:DNN Price:	US $1.56	MCap (CDN$ M)	$596.2	Target (CDN $):	$2.00	Return:	29%

Alpha: Denison Mines is in the exclusive group of active uranium producers, expected to produce uranium from their US Based Assets in Colorado, Arizona, and Utah, feeding their 100% owned White Mesa mill, as well as Canadian based production potential from their 22.5% share in the McClean Lake mill JV given the Company's 25.2% stake in the Midwest Project.

Investment Highlights

► As a higher cost producer, Denison Mines is leveraged for capacity expansion at existing conventional plants in Canada and the USA. Our outlook on the uranium supply-demand fundamentals provides a positive environment for commodity prices.

► Denison has a clear North American production growth strategy that is supported by low-cost production from alternative feed reprocessing in the USA. The Company's growth strategy is not only derived from North America, but also Zambia and Mongolia where longer term production is expected to bolster Denison's status as a Tier 2 producer.

► Denison is planning an agressive exploration program on projects within the Athabasca Basin, with particular emphasis on the Phoenix Zone, Wheeler River. The Company is budgeting ~$25.4 for exploration + development work in 2012:

Canada: $7.8 M + $0.6 M; incl. $4.1 for DML's share of a 28 km drill program at Wheeler

U.S.: $1.2 M + $4.8 M; The $4.8 M in development is for the Canyon mine + permitting of mines in Arizona and Utah.

Zambia: $7.1M; for a 15 km drill program at Mutanga set to commence in April 2012

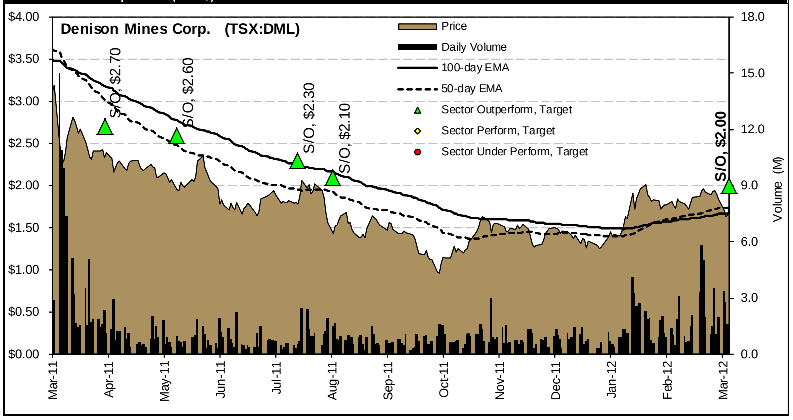
Mongolia: $4.1 M; (pending licenses) incl. a 17.5 km drill program + development work

Catalysts:

H2/2012: Resource estimates, Redd Block area and La Sal Complex, and Daneros, Utah

throughout 2012: Exploration results, particularly from the Wheeler River JV project

Denison Mines Corp. Chart (CDN$)



Financials

(Year End 12/31)	2009	2010	2011	2012	2013
Forecast U3O8 Spot Price, US$/lb	$55	$45	$60	$70	$80
Forecast U3O8 LT Contract Price, US$/lb	$70	$65	$69	$75	$80
C$/US$ FX Rate	1.14	1.03	0.97	0.98	1.00
A$/US$ FX Rate	1.26	1.07	0.96	0.99	1.05
Shares O/S, millions	339.7	340.8	380.8	384.7	384.7
Revenue, US$M	**$79.2**	**$128.3**	**$96.8**	**$119.5**	**$216.0**
Mine Site Expense	$100.4	$122.5	$103.2	$53.4	$88.8
Corporate G&A	$27.2	$18.5	$19.1	$8.1	$7.9
EBITDA	**($12.2)**	**$46.2**	**($32.0)**	**$39.7**	**$102.4**
EV / EBITDA	-41.5x	10.9x	-15.8x	12.7x	4.9x
DD&A	$36.3	$60.6	$40.0	$4.9	$15.3
Earnings	**($147.0)**	**($14.2)**	**($70.9)**	**$15.7**	**$75.2**
Adjusted EPS, US$	($0.51)	($0.04)	($0.19)	$0.04	$0.20
Current Price / EPS	-	-	-	38.8x	7.9x
Target Price / EPS	-	-	-	50.1x	10.2x
Cash Flow Before W/C Changes	**($15.4)**	**$43.6**	**$2.8**	**$20.6**	**$90.6**
CFPS, US$	($0.12)	$0.10	($0.08)	$0.09	$0.24
Current Price / CFPS	-	14.4x	-	17.2x	6.5x
Target Price / CFPS	-	18.6x	-	22.2x	8.3x
Operating Cash Flow, US$M	($42.4)	$35.6	($30.6)	$35.4	$92.0
Financing Cash Flow	$85.4	$60.6	$62.3	$0.0	$0.0
Investing Cash Flow	($27.1)	($19.5)	($85.7)	($24.4)	($32.5)
Change in Cash	$15.9	$77.8	($54.1)	$11.0	$59.5
Working Capital	**$75.6**	**$137.1**	**$93.5**	**$92**	**$151**
Current Ratio	7.4x	10.1x	9.3x	9.2x	14.5x
LT Debt, US$M	$0.2	$0.2	$0.1	$0.0	$0.0
Debt as % of Capitalization	0.0%	0.0%	0.0%	0.0%	0.0%
Bloomberg Consensus Data (excluding Haywood estimates)			**2011**	**2012**	**2013**
OCFPS			($0.00)	$0.08	$0.07
EPS			($0.09)	($0.08)	($0.02)

52 Week High/Low	$4.16 / $0.87		Average Daily Volume (90 day)	1,548,415
Ownership	Management / Institutional		Major Shareholders	
Shares (million)	2.75	45.78	Global X Management Company, LLC	1.5%
% O/S	0.7%	11.9%	BlackRock, Inc.	1.0%

Last Financing

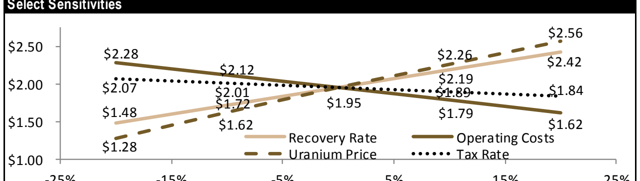
20-Dec-10 C$65.45 million - underwritten private placement - 25 million special warrants and 1.4 million flow through special warrants

Shares O/S - Basic, F.D.	384.7	392.05		
(C$M)	Av Strike (C$)	Units (M)	ITM Units (M)	Proceeds (C$)
Working Capital				$94
Options	$2.84	7.39	0.00	$0
Convertible Bonds				
Total NWC & ITM		7.39	0.00	$94
Market Cap (C$)				$604

NAV Summary, Target Generation and Sensitivity

			-20%	-10%	+10%	+20%
Average Realized U3O8 (US$/lb)		$72	$58	$65	$79	$86
White Mesa DCF (CDN$M)	(@10.0%)	$386.0				
Midwest DCF (CDN$M)	(@10.0%)	$114.9				
NPV of Corporate CF	(@10.0%)	-$189.4				
Total Project NAV - Net of Corporate CFs		$311.5	$47.2	$182.8	$431.7	$551.7
Other Projects (CDN$M)		$362.6	$362.6	$362.6	$362.6	$362.6
Project NAV (CDN$)		**$674.1**	**$409.9**	**$545.4**	**$794.3**	**$914.4**
Working Capital		$91.0	$91.0	$91.0	$91.0	$91.0
Dilutive Capital		$0.0	$0.0	$0.0	$0.0	$0.0
LT Debt		$0.0	$0.0	$0.0	$0.0	$0.0
Corporate NAV (CDN$)		**$765.1**	**$500.9**	**$636.4**	**$885.3**	**$1,005.4**
Corporate NAVPS		$1.95	$1.30	$1.65	$2.30	$2.61
Current P/NAV		0.8x	1.2x	0.9x	0.7x	0.6x
Target P/NAV		1.0x	1.0x	1.0x	1.0x	1.0x
Target (CDN$)		**$2.00**	**$1.30**	**$1.70**	**$2.30**	**$2.60**

Select Sensitivities



Peer Group Comparables (Haywood Securities estimates)

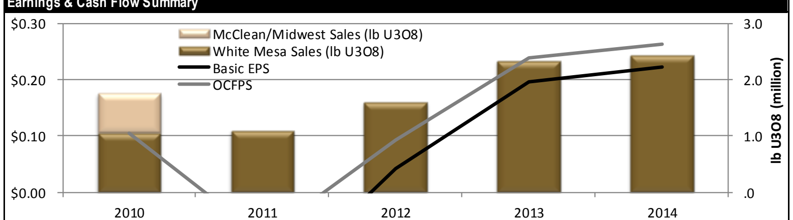
	Symbol	Price (C$)	M.CAP C$	EV C$	EV / lb Res(1)	EV/EBITDA(2)	EV/lb Prod (3)
Denison Mines Corp.	**TSX:DML**	**$1.75**	**$673**	**$572.4**	**$5.29**	**14.1x**	**-**
Energy Resources of Australia Ltd.	ASX:ERA	$1.28	$662	-$12.0	-$0.02	-0.1x	-1.0x
Uranium One Inc.	TSX:UUU	$3.16	$3,025	$2,991.5	$12.90	8.1x	854.7x
Paladin Energy, Ltd.	ASX:PDN	$1.88	$1,570	$2,311.9	$4.26	14.2x	535.6x
Average			**$1,482**	**$1,466.0**	**$5.61**	**9.1x**	**463.1x**

(1) Reported or Haywood estimate of resource, (2) Bloomberg Consensus except PDN(Haywood), and (3) 2012 estimated production

Sales & Production Profile

	2010	2011	2012	2013
Production Attrib. White Mesa U_3O_8/V_2O_5 (Mlb)	1.0 / 2.1	1.1 / 1.3	1.4 / 0.6	2.3 / 3.0
Sales Attrib. White Mesa U_3O_8/V_2O_5 (Mlb)	1.0 / 2.3	1.1 / 1.8	1.6 / 0.5	2.3 / 3.0
Operating Cost, US$/tonne milled	$232.7	$349.4	$376.2	$230.9
U_3O_8 Realized Price, US$/lb	$45.0	$58.0	$72.2	$78.9
U_3O_8 Cash Cost, US$/lb	$36.2	$39.7	$35.0	$40.0
U_3O_8 Production Cost, US$/lb	$43.5	$48.6	$49.2	$58.4
Production Attrib. McClean Lake / Midwest U_3O_8 (Mlb)	0.6	-	-	-
Sales Attrib. McClean Lake / Midwest U_3O_8 (Mlb)	0.7	-	-	-
Operating Cost, US$/tonne milled	$525.0	$0.0	$0.0	$0.0
U_3O_8 Realized Price, US$/lb	$46.6	$0.0	$0.0	$0.0
U_3O_8 Cash Cost, US$/lb	$30.8	$0.0	$0.0	$0.0
U_3O_8 Production Cost, US$/lb	$47.5	$0.0	$0.0	$0.0
Production Corporate Average (Mlb)	1.4	1.1	1.4	2.3
Sales Corporate Average (Mlb)	1.8	1.1	1.4	2.3
U_3O_8 Realized Price, US$/lb	$45.6	$58.0	$72.2	$78.9
U_3O_8 Cash Cost, US$/lb	$34.2	$47.6	$35.0	$40.0
U_3O_8 Production Cost, US$/lb	$44.9	$48.6	$49.2	$58.4

Earnings & Cash Flow Summary



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Source: Haywood Securities, Capital IQ, Bloomberg, Denison Mines

2011 Production, Sales & Costs, plus 2012 Preview

Denison produced ~1.0 Mlb U_3O_8 and 1.3 Mlb V_2O_5 in the year-ended December 31st, 2011, and sold ~1.1 Mlb U_3O_8 at an average realized price of \$58 lb^{-1} and 1.8 Mlb V_2O_5 at an average realized price of \$6.21 lb^{-1}. Those numbers are in-line with our sales and production estimates, which were revised slightly in our January report on DML, following the release of an operations update. Production costs, excluding depreciation/amortization were \$51 lb^{-1} U_3O_8 (↑30% YoY) for FQ4`11, and \$48 $lb^{-1}$ $U_3O_8$ (↑24% YoY) for the full year ended 12/31/2011. The Company generated a net loss of \$65.5 M or \$0.17/share for Q4`11, and \$70.9 M or \$0.19/share for the full year. Financial Q4 results were negatively impacted by a \$32.6 M (~\$0.085/share) impairment charge taken against Goodwill, said to be related to the U.S. mining segment, resulting from an impairment test which implements the UxCo pricing strip as a price assumption. The higher than expected production costs, and unanticipated write down combine for a disappointing F2011, falling significantly below our expectations.

Having recently downward-revised our 2012 sales and production profile, in-line with the latest guidance, we continue to forecast sales of 1.6 Mlb U_3O_8 and 0.6 V_2O_5, with production of 1.4 Mlb U_3O_8 and 0.5 V_2O_5. Our expectations of 2012 cash costs of production are \$35.0 lb^{-1}. We are taking a conservative view of DML's 2012 operations and realized costs on the basis of the disappointing 2011 performance at the U.S. operations. All 2011 production was from U.S. operations, where Denison processed ore at its White Mesa mill near Blanding, Utah. As noted above, Denison produced ~1.0 Mlb U_3O_8 and 1.3 Mlb V_2O_5, and sold ~1.1 Mlb U_3O_8 (\$58 lb^{-1}) and 1.3 Mlb V_2O_5 (~\$6 lb^{-1}). We estimate 2011 cash costs of \$40 lb^{-1} U_3O_8, net of vanadium credit, and excluding depreciation & amortization.

2012 Plan & Forecast

Guiding for sales of ~1.6 Mlb U_3O_8 and 0.5 Mlb V_2O_5, and production of ~1.4 Mlb U_3O_8 and 0.6 Mlb V_2O_5, born entirely from U.S. operations, at expected cash costs of \$35 lb^{-1} U_3O_8, with the McClean Lake Mill in Canada not expected to return to production until at least 2013, depending on feed from the Cigar Lake JV. Denison also plans an aggressive exploration and development program in 2012, budgeted at >\$25 million spread across Canada, the U.S., Zambia, and Mongolia, providing an array of potential catalysts this year. As outlined on page 1, we do not account for any production from Canadian-based operations at the McClean Lake Mill JV and Midwest project in the near term. The 2012 exploration and development plan includes:

- **Canada: \$7.8 M Exploration + \$0.6 M Development**; includes \$4.1 million for DML's share of a 28,000 m drill program at the Wheeler River Project, and \$3.7 million for DML's share of exploration work at the Moore Lake, Hatchet Lake, Murphy Lake, Bell Lake, Ahenakew Lake, South Dufferin, McClean Lake and Wolly projects;
- **U.S.: \$1.2 M Exploration + \$4.8 M Development**; DML is budgeting \$1.2 million for exploration work at the La Sal Complex where DML is targeting resource expansion focusing on Beaver and Pandora. The \$4.8 M in development at the Canyon mine is in preparation for initial shaft sinking in late 2012, as well as permitting of the EZ1 & EZ2 deposits in Arizona, and the Redd Block mine near the Beaver mine in Utah;
- **Zambia: \$7.1M**; firstly, DML intends to publish an NI 43-101 resource estimate for the Mutanga project in Q1/2012, followed by a 15 km drill program set to commence in April 2012;
- **Mongolia: \$4.1 M**; including \$1.6 million for a 17.5 km drill program (pending licenses) focused on the Ulziit and Urt Tsav discoveries, with development work planned to include a design of a pilot plant.

2012 Catalysts

- **H2/2012:** Resource estimates, Redd Block area and La Sal Complex, and Daneros, Utah
- **2012:** Exploration results, particularly from the Wheeler River JV project

Valuation

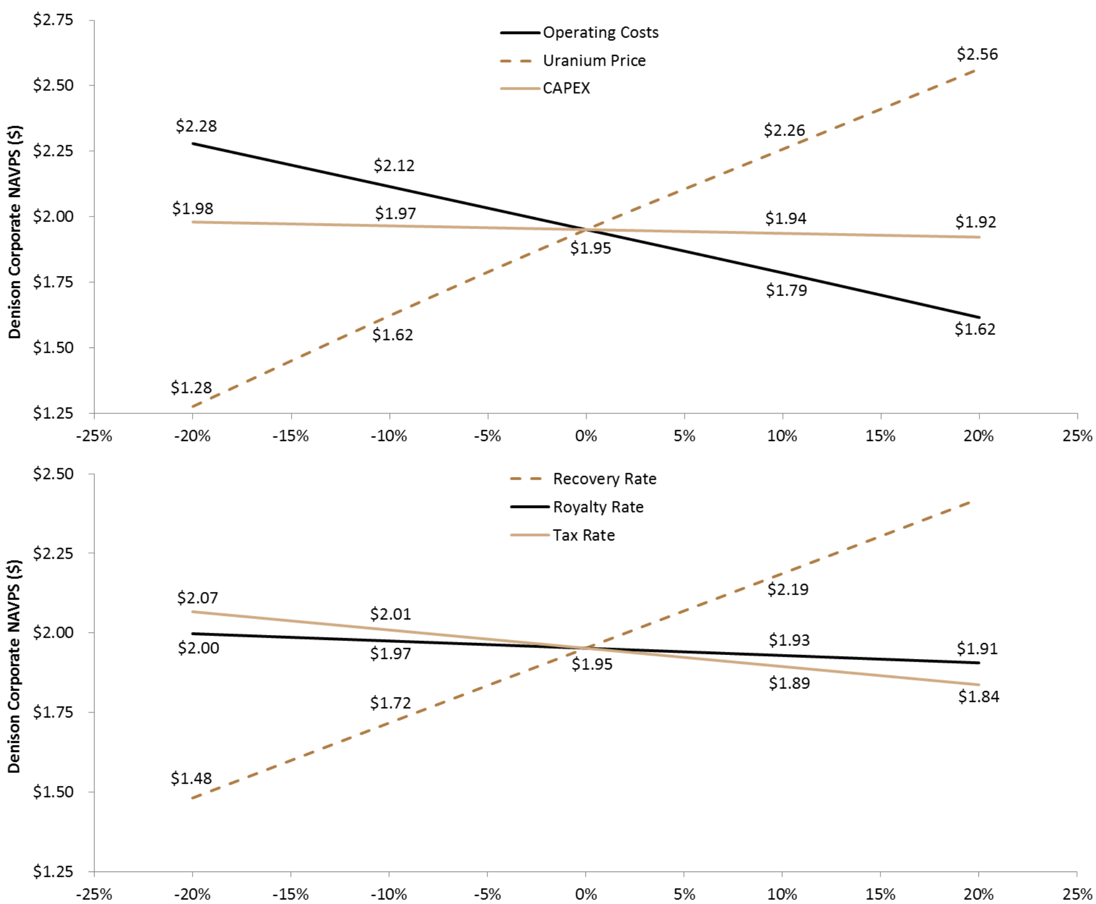
The adjustments to our model have a slightly negative impact on our valuation, with higher costs projected in 2012, and a reduced working capital base as a result of higher costs in F2011, our formal target falls to C$2.00 from C$2.10, now carrying an implied return of ~29% to the current share price. Denison shares have rallied significantly since the end of December when they closed the year at C$1.27. DML is up ~22% year-to-date in 2012, and as a result, there is reduced upside suggested in our revised target. Given the 29% implied return in our new target, we maintain our Sector Outperform rating and Speculative Risk rating.

Our DCF 10.0% analysis of Denison Mines' McClean Lake operation (C$115 million) and USA mining operations (C$386 million), less net corporate charges, produces a NPV of C$312 million. Consideration of strategic resources and company investments provides a credit of C$363 million (C$0.93 per share) to the total corporate NAV of C$765 million. Applying a 1.0x P/NAV multiple imparts a formal 12-month target price of C$2.00.

Sensitivities

The sensitivity graphs below highlight our contention that Denison provides investor with good leverage to an increasing (recovering) commodity price environment where a 20% increase in uranium prices generates a ~31% increase in our corporate NAV.

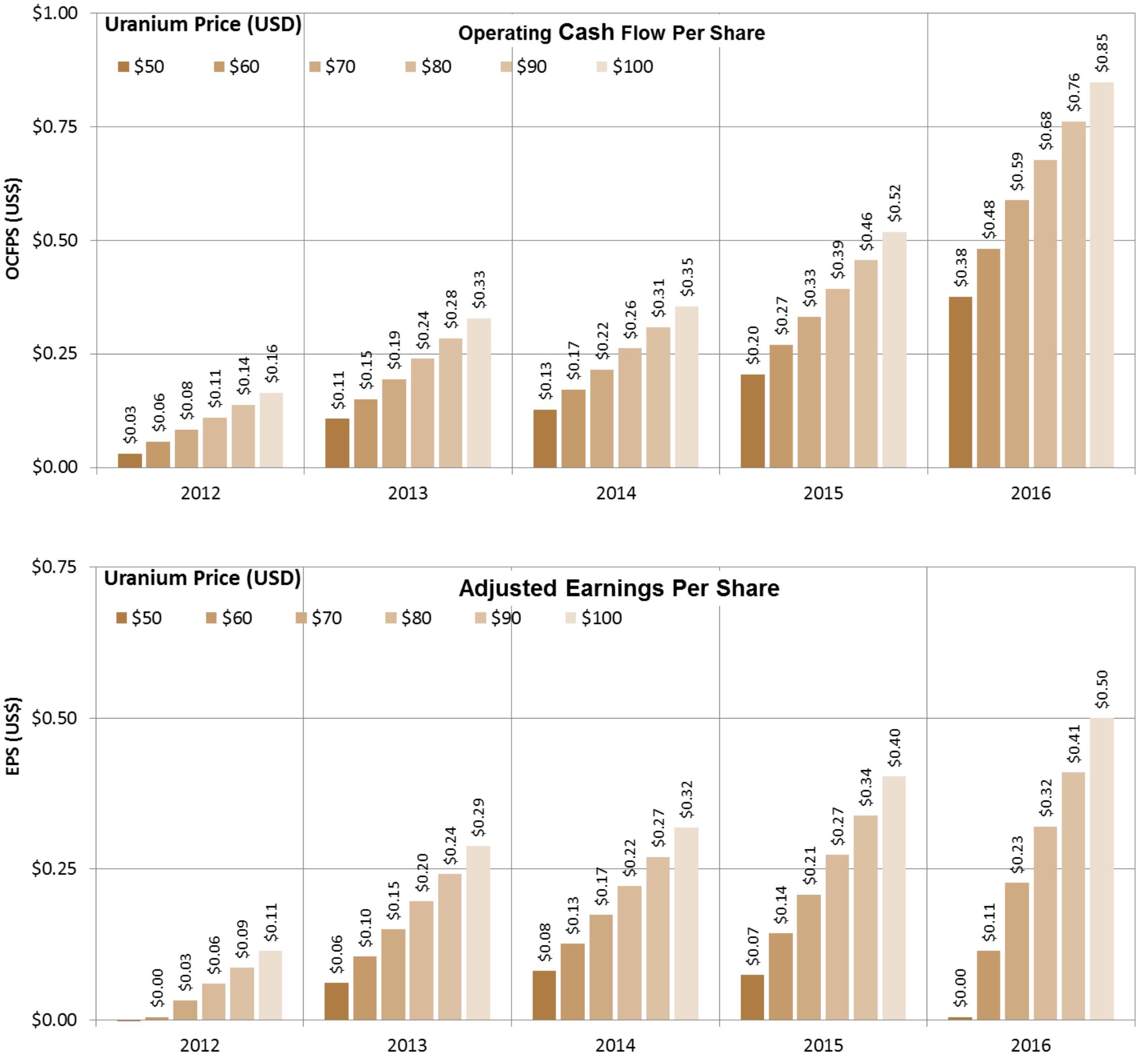
Figure 1: NAVPS Sensitivity to Key Variables



Source: Haywood Securities

Sensitivities (continued)

Figure 2: OCFPS and EPS Sensitivity to Uranium Price



Source: Haywood Securities

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Risk Profile Parameters – Mining and Minerals Sector

Forecast Risk: High – Haywood forecasts are below guidance. The Company has a history of missing targets and/or Haywood expects guidance to be lowered. Limited hedging increases commodity leverage. Forecasts reflect higher commodity prices or production relative to guidance. Moderate – Haywood forecasts are generally in line with guidance. The Company has a history of meeting or exceeding guidance. Forecasts are consistent with current commodity pricing and production guidance. Hedging is in line with peers. Low – Haywood forecasts exceed guidance. The Company has a history of meeting or exceeding guidance. Forecasts allow for modestly lower commodity pricing or production levels. Commodity hedging lowers volatility relative to peers.

Financial Risk: High – The business plan is not fully funded, but requires debt and/or equity financing. The exploration program is funded for two years or less. This categorization does not predict whether the additional funds will be raised. Moderate – The development plan is fully funded, with the exploration program funded for three years or more. The Company's debt is rated below investment grade. Low – The Company is fully funded. Its debt is rated investment grade and/or the Company has a history of profitability or dividend payments in each of the last three years.

Valuation Risk: High – The current valuation is at the high end of historic levels and/or at a premium to peers. The valuation reflects considerable exploration success and/or commodity appreciation. Where applicable, the current capitalization exceeds the DCF evaluation by more than 50%. Moderate – The current valuation is within historic ranges and generally consistent with peers. The valuation reflects reasonable exploration success and/or commodity appreciation. Where applicable, the current capitalization exceeds the DCF valuation by 15% to 50%. Low – The current valuation is at the low end of historic ranges and at a discount to peer valuations. The valuation reflects limited new exploration success and no commodity appreciation. Where applicable, the current capitalization exceeds the DCF valuation by less than 15% or falls below the current market value.

Political Risk: High – Currently no industry activity or infrastructure exists. Government opposition is significant. Obtaining permits is challenging. Moderate – Industry activity or infrastructure is minimal. Government at national, regional, and local levels is indifferent. Obtaining permits is relatively straightforward. Low – Industry activity and infrastructure exist. Government is supportive. Obtaining permits is facilitated.

Distribution of Ratings (as of March 9, 2012)

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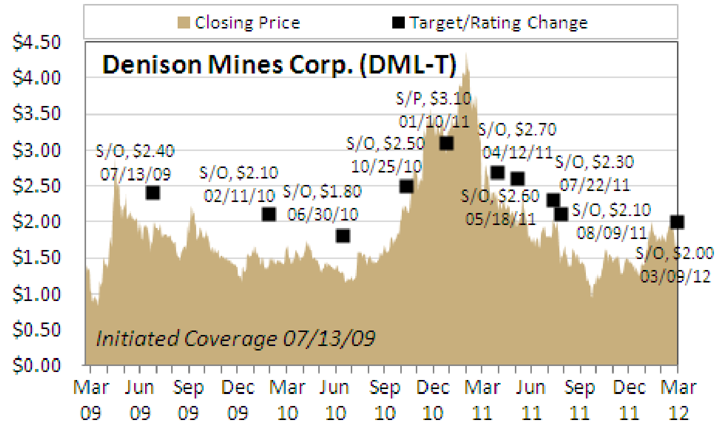
	Distribution of Ratings %	#	IB Clients (TTM)
S/O	80.5%	103	100.0%
S/P	1.6%	2	0.0%
S/U	3.9%	5	0.0%
T	3.1%	4	0.0%
UR (S/O)	0.8%	1	0.0%
UR (S/P)	0.0%	0	0.0%
UR (S/U)	0.0%	0	0.0%
dropped (TTM)	10.2%	13	0.0%

Price Chart, Rating and Price Target History (as of March 9, 2012)



S/O: Sector Outperform; S/P: Sector Perform; S/U: Sector Underperform; T: Tender; U/R: Under Review
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