# Denison Mines

POWERING PEOPLE, PARTNERSHIPS AND PASSION

# 2021 Third Quarter Report

# 2021 THIRD QUARTER REPORT

# FOR THE THREE AND NINE MONTHS ENDED

# SEPTEMBER 30, 2021

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This Management's Discussion and Analysis ('MD&A') of Denison Mines Corp. and its subsidiary companies and joint arrangements (collectively, 'Denison' or the 'Company') provides a detailed analysis of the Company's business and compares its financial results with those of the previous year. This MD&A is dated as of November 4, 2021 and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and related notes for the three and nine months ended September 30, 2021. The unaudited interim condensed consolidated financial statements are prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'). Readers are also encouraged to consult the audited consolidated financial statements and MD&A for the year ended December 31, 2020. All dollar amounts in this MD&A are expressed in Canadian dollars, unless otherwise noted.

Additional information about Denison, including the Company's press releases, quarterly and annual reports, Annual Information Form and Form 40-F is available through the Company's filings with the securities regulatory authorities in Canada at www.sedar.com ('SEDAR') and the United States at www.sec.gov/edgar.shtml ('EDGAR').

## 2021 THIRD QUARTER PERFORMANCE HIGHLIGHTS

- **Successful completion of In-Situ Recovery ('ISR') field test activities at Phoenix**

  The initial results of the 2021 ISR field test program ('2021 ISR Field Test') completed at the Phoenix uranium deposit ('Phoenix') include (1) the achievement of commercial-scale production flow rates consistent with those assumed in the pre-feasibility study ('PFS') prepared for the Wheeler River Project ('Wheeler River' or the 'Project') in 2018; (2) the demonstration of hydraulic control of injected solution during the ion tracer test; and (3) the establishment of breakthrough times between injection and recovery wells, spaced 5 to 10 metres apart, that are consistent with [the hydrogeological model prepared by Petrotek Corporation ('Petrotek') in 2020 demonstrating "proof of concept". In addition, the Company completed the clean-up phase following the tracer test, demonstrating the ability to remediate the commercial scale well ('CSW') test pattern, reducing tracer concentrations to as low as 4% of peak test levels, with eight days of remediation.

- **Advancement of Phoenix to feasibility study ('FS') stage and selection of Wood PLC as independent lead author**

  In September 2021, the Wheeler River Joint Venture ('WRJV') approved the initiation of an independent FS for the ISR mining operation proposed for Phoenix. The completion of the FS is a critical step in the progression of the project and is intended to advance de-risking efforts to the point where the Company and the WRJV will be able to make a definitive development decision. The Company also selected leading global consulting and engineering firm Wood PLC ('Wood') to lead and author the FS in accordance with Canadian Securities National Instrument 43-101 ('NI 43-101').

- **Initiated exploration drilling programs at Wheeler River and Moon Lake South**

  In early September, Denison's exploration team initiated diamond drilling exploration programs at Wheeler River, and the Moon Lake South Project ('Moon Lake South'). Approximately 6,500 m of diamond drilling is planned for Wheeler River, with regional exploration drilling expected to be focused on expanding mineralization encountered in 2020 at K West and M Zone, plus additional exploration drilling at Phoenix Zone A to test the extents of high-grade mineralization encountered in drill hole GWR-045. Moon Lake South is a Denison-operated joint venture with CanAlaska Uranium Ltd., in which Denison holds a 75% interest. Drilling planned for Moon Lake South is expected to consist of 2,400 metres focused on testing geophysical targets.

- **Completed acquisition of 50% of JCU (Canada) Exploration Company, Limited ('JCU') for $20,500,000**

  In August 2021, Denison completed the acquisition of 50% of JCU from UEX Corporation ('UEX') for cash consideration of $20,500,000, following UEX's acquisition of 100% of JCU from Overseas Uranium Resources Development Co., Ltd. ('OURD') for $41,000,000. JCU holds a portfolio of 12 uranium project joint venture interests in Canada, including a 10% interest in Wheeler River, a 30.099% interest in the Millennium project (Cameco

Corporation 69.901%), a 33.8123% interest in the Kiggavik project (Orano Canada Inc. ('Orano Canada') 66.1877%), and a 34.4508% interest in the Christie Lake project (UEX 65.5492%).

- **Completed the sale of shares and warrants in GoviEx Uranium Limited ('GoviEx') for proceeds of up to $41,600,000**

  In October, the Company sold, by private agreement, 32,500,000 common shares of GoviEx, held by Denison for investment purposes, and 32,500,000 common share purchase warrants, entitling the holder of the warrants to acquire one additional common share of GoviEx owned by Denison at an exercise price of $0.80 for a term of up to 18 months. Denison received gross proceeds of $15,600,000 on the sale of the shares and warrants and continues to hold 32,644,000 common shares of GoviEx. If the GoviEx warrants are exercised in full, Denison will receive further gross proceeds of $26,000,000 and will transfer a further 32,500,000 GoviEx common shares to the warrant holders.

- **Recorded significant mark-to-market fair value gains on the Company's long-term investments in uranium**

  During the nine months ending September 30, 2021, the Company acquired 2,400,000 pounds of uranium at a weighted average cost of $36.59 (US$29.62) per pound $U_3O_8$ to be held as a long-term investment. Due to significant activity in the uranium spot market in the third quarter, the spot price appreciated from US$32.10 per pound $U_3O_8$ to US$43.00 per pound $U_3O_8$ resulting in mark-to-market gains for the three and nine months ended September 30, 2021 of $36,138,000 and $43,672,000, respectively, on these uranium investments.

## ABOUT DENISON

Denison Mines Corp. was formed under the laws of Ontario and is a reporting issuer in all Canadian provinces and territories. Denison's common shares are listed on the Toronto Stock Exchange (the 'TSX') under the symbol 'DML' and on the NYSE American exchange under the symbol 'DNN'.

Denison is a uranium exploration and development company with interests focused in the Athabasca Basin region of northern Saskatchewan, Canada. The Company has an effective 95% interest in its flagship Wheeler River Uranium Project, which is the largest undeveloped uranium project in the infrastructure rich eastern portion of the Athabasca Basin region of northern Saskatchewan. A PFS was completed for Wheeler River in late 2018, considering the potential economic merit of developing Phoenix as an ISR operation and the Gryphon deposit as a conventional underground mining operation. Denison's interests in Saskatchewan also include a 22.5% ownership interest in the McClean Lake Joint Venture ('MLJV'), which includes several uranium deposits and the McClean Lake uranium mill, which is contracted to process the ore from the Cigar Lake mine under a toll milling agreement (see RESULTS OF OPERATIONS below for more details), plus a 25.17% interest in the Midwest Main and Midwest A deposits and a 66.90% interest in the Tthe Heldeth Túé ('THT,' formerly J Zone) and Huskie deposits on the Waterbury Lake property. The Midwest Main, Midwest A, THT and Huskie deposits are located within 20 kilometres of the McClean Lake mill.

Through its 50% ownership of JCU, Denison holds additional interests in various uranium project joint ventures in Canada, including the Millennium project (JCU 30.099%), the Kiggavik project (JCU 33.8123%) and Christie Lake (JCU 34.4508%). Denison's exploration portfolio includes further interests in properties covering approximately 280,000 hectares in the Athabasca Basin region.

Denison is also engaged in mine decommissioning and environmental services through its Closed Mines group, which manages Denison's Elliot Lake reclamation projects and provides post-closure mine and maintenance services to a variety of industry and government clients.

Until July 19, 2021, Denison also served as the manager of UPC. UPC was a publicly traded company listed on the TSX, which invested in uranium oxide in concentrates ('$U_3O_8$') and uranium hexafluoride ('$UF_6$'). In April, 2021, UPC announced that it had entered into an agreement with Sprott Asset Management LP. ('Sprott') to convert UPC into the Sprott Physical Uranium Trust. This transaction closed on July 19, 2021, and the management services agreement ('MSA') between Denison and UPC was terminated.

## SELECTED QUARTERLY FINANCIAL INFORMATION

| (in thousands) | | As at September 30, 2021 | | As at December 31, 2020 |
|---|---|---|---|---|
| **Financial Position:** | | | | |
| Cash and cash equivalents | $ | 50,877 | $ | 24,992 |
| Working capital(1) | $ | 70,784 | $ | 37,571 |
| Investments in uranium | $ | 131,483 | $ | - |
| Property, plant and equipment | $ | 255,689 | $ | 256,870 |
| Total assets | $ | 509,692 | $ | 320,690 |
| Total long-term liabilities(2) | $ | 104,591 | $ | 81,565 |

(1) At September 30, 2021, the Company's working capital includes $25,958,000 in portfolio investments and a non-cash $4,656,000 deferred revenue liability (December 31, 2020 – $16,657,000 in portfolio investments, and $3,478,000 of non-cash deferred revenue).
(2) Predominantly comprised of the non-current portion of deferred revenue, non-current reclamation obligations, share purchase warrant liabilities and deferred income tax liabilities.

| (in thousands, except for per share amounts) | | 2021 Q3 | | 2021 Q2 | | 2021 Q1 | | 2020 Q4 |
|---|---|---|---|---|---|---|---|---|
| **Results of Operations:** | | | | | | | | |
| Total revenues | $ | 9,541 | $ | 4,626 | $ | 2,496 | $ | 4,094 |
| Net earnings (loss) | $ | 32,866 | $ | (2,357) | $ | (8,884) | $ | (3,095) |
| Basic and diluted earnings (loss) per share | $ | 0.04 | $ | (0.00) | $ | (0.01) | $ | (0.00) |

| (in thousands, except for per share amounts) | | 2020 Q3 | | 2020 Q2 | | 2020 Q1 | | 2019 Q4 |
|---|---|---|---|---|---|---|---|---|
| **Results of Operations:** | | | | | | | | |
| Total revenues | $ | 2,743 | $ | 2,926 | $ | 4,660 | $ | 3,956 |
| Net loss | $ | (5,482) | $ | (1,043) | $ | (6,663) | $ | (1,498) |
| Basic and diluted loss per share | $ | (0.01) | $ | (0.00) | $ | (0.01) | $ | (0.00) |

**Significant items causing variations in quarterly results**

- The Company's toll milling revenues fluctuate due to the timing of uranium processing at the McClean Lake mill, as well as changes to the estimated mineral resources of the Cigar Lake mine. Toll milling at McClean Lake was suspended during Q2 and Q3 of 2020 and again during Q1 and the beginning of Q2 of 2021, due to the suspension of mining at the Cigar Lake mine as a result of the COVID-19 pandemic ('COVID-19'). See RESULTS OF OPERATIONS below for further details.
- Revenues from the Closed Mines group fluctuate due to the timing of projects, which vary throughout the year in the normal course of business.
- Operating expenses fluctuate due to the timing of projects at both the MLJV and the Closed Mines group, which vary throughout the year in the normal course of business.
- Exploration expenses are generally largest in the first and third quarters, due to the timing of the winter and summer exploration seasons in northern Saskatchewan. As a result of COVID-19, the 2020 summer exploration program was deferred to the fourth quarter of 2020. The 2021 summer exploration program commenced in mid-September due to the timing of the 2021 ISR Field Test.
- Other income and expense fluctuate due to changes in the fair value of the Company's portfolio investments, share purchase warrants, and uranium investments, all of which are recorded at fair value through profit or loss and are subject to fluctuations in the underlying share / commodity price. The Company's share purchase warrants and uranium investments are also subject to fluctuations in the US dollar to Canadian dollar exchange rate.
- The Company's results are also impacted, from time to time, by other non-recurring events arising from its ongoing activities, as discussed below where applicable.

## RESULTS OF OPERATIONS

### REVENUES

#### McClean Lake Uranium Mill

McClean Lake is located on the eastern edge of the Athabasca Basin in northern Saskatchewan, approximately 750 kilometres north of Saskatoon. Denison holds a 22.5% ownership interest in the MLJV and its McClean Lake uranium mill, one of the world's largest uranium processing facilities, which is contracted to process ore from the Cigar Lake mine under a toll milling agreement. The MLJV is a joint venture between Orano Canada with a 77.5% interest and Denison with a 22.5% interest.

In February 2017, Denison closed an arrangement with Anglo Pacific Group PLC and one of its wholly owned subsidiaries (the 'APG Arrangement') under which Denison received an upfront payment of $43,500,000 in exchange for its right to receive future toll milling cash receipts from the MLJV under the current toll milling agreement with the Cigar Lake Joint Venture ('CLJV') from July 1, 2016 onwards. The APG Arrangement consists of certain contractual obligations of Denison to forward to APG the cash proceeds of future toll milling revenue earned by the Company related to the processing of the specified Cigar Lake ore through the McClean Lake mill, and as such, the upfront payment was accounted for as deferred revenue.

In response to the COVID-19 pandemic, the CLJV temporarily suspended production at the Cigar Lake mine from the end of March 2020 until September 2020, and then again from the end of December 2020 until April 2021. The MLJV temporarily suspended operations at the mill for the duration of the CLJV shutdowns, allowing for approximately 12 and 18 weeks of operations during the three and nine months ended September 30, 2021, respectively (September 30, 2020 – approximately two and 14 weeks). As noted above, Denison sold the toll milling revenue to be earned from the processing of the Cigar Lake ore pursuant to the APG Arrangement. While the temporary suspension of operations at the McClean Lake mill resulted in a decrease in revenue recognized by Denison, the impact is non-cash and is limited to a reduction in the drawdown of the Company's deferred revenue balance.

During the three and nine months ended September 30, 2021, the McClean Lake mill processed 4.0 million and 6.5 million pounds $U_3O_8$ for the CLJV, respectively (September 30, 2020 – 0.4 and 4.6 million pounds $U_3O_8$) and recorded toll milling revenue of $1,037,000 and $1,756,000, respectively (September 30, 2020 – $95,000 and $1,210,000). The increase in toll milling revenue during the three and nine months ended September 30, 2021, as compared to the prior year, is predominantly due to an increase in mill production due in the current periods.

During the three and nine months ended September 30, 2021, the Company also recorded accretion expense of $777,000 and $2,321,000, respectively, on the toll milling deferred revenue balance (September 30, 2020 – $772,000 and $2,309,000). While the annual accretion expense will decrease over the life of the agreement, as the deferred revenue liability decreases over time, accretion expense increased in the current three and nine month periods in 2021 due to the impact of the McClean Lake mill shutdown. With the mill shut down, the deferred revenue balance increased, as accretion expense exceeded the drawdown of deferred revenue.

#### Closed Mine Services

Mine decommissioning and environmental services are provided through Denison's Closed Mines group, which has provided long-term care and maintenance for closed mine sites since 1997. With offices in Ontario and Quebec, the Closed Mines group manages Denison's Elliot Lake reclamation projects and provides post-closure mine care and maintenance services to various customers.

Revenue from Closed Mines services during the three and nine months ended September 30, 2021 was $2,633,000 and $6,943,000 (September 30, 2020 - $2,065,000 and $6,197,000). The increase in revenue in the three and nine months ended September 30, 2021, as compared to the prior period, was due to an increase in activity at certain care and maintenance sites, slightly offset by a decrease in revenue related to one customer contract that was not renewed for 2021.

#### Management Services Agreement with UPC

As discussed in ABOUT DENISON above, up until July 19, 2021, Denison provided general administrative and management services to UPC, and the Management fees and commissions earned by Denison provided a source of cash flow to partly offset corporate administrative expenditures incurred by the Company.

During the three and nine months ended September 30, 2021, revenue from the Company's management contract with UPC was $5,871,000 and $7,964,000 (September 2020 - $583,000 and $2,070,000). The increase in revenues during the three months ended September 30, 2021, was predominantly due to $5,848,000 in termination fee revenue earned upon the termination of the MSA between Denison and UPC, offset by a decrease in NAV-based management fees and commission-based fees due to the termination of the MSA on July 19, 2021. The increase in revenues during the nine months ended September 30, 2021, was due to the contract termination fee noted above as well as an increase in commission based fees, offset by a decrease in NAV-based fees due to contract termination. Denison earned a 1% commission on the gross value of UPC's uranium purchases and sales. The increase in commission-based fees in the nine months ended September 30, 2021, as compared to the prior year, was due to an increase in uranium transactions completed for UPC during second quarter of 2021.

## OPERATING EXPENSES

### Mining

Operating expenses of the mining segment include depreciation and development costs, as well as, when applicable, cost of sales related to the sale of uranium.

Operating expenses in the three and nine months ended September 30, 2021 were $2,025,000 and $3,673,000, respectively (September 30, 2020 – $585,000 and $2,579,000), including depreciation expense relating to the McClean Lake mill of $678,000 and $1,107,000 (September 30, 2020 - $62,000 and $798,000), as a result of processing approximately 4.0 million and 6.5 million pounds $U_3O_8$, respectively, for the CLJV (September 30, 2020 – 0.4 and 4.6 million pounds).

In the three and nine months ended September 30, 2021, operating expenses also included development and other operating costs related to the MLJV of $1,347,000 and $2,566,000 (September 30, 2020 – $523,000 and $1,781,000). The development and other operating costs for the three and nine months ended September 30, 2021, predominantly related to the advancement of the Surface Access Borehole Resource Extraction ('SABRE') mining technology, including a test mining program of the SABRE technology at McClean North, as part of a multi-year test mining program operated by Orano Canada within the MLJV.

The SABRE field test ran safely from May to September 2021 with four cavities mined and the recovery of approximately 1,500 tonnes of high-value ore ranging in grade from 4% to 11% $U_3O_8$. The program was concluded successfully with no safety, environmental or radiological incidents. Importantly, key operating objectives associated with the test program – including targets for cavity diameter, rates of recovery, and mine production rates – were all achieved during the field test.

The majority of the ore recovered from the test mining program ore has now been transferred to the McClean Lake mill and is expected to be processed for the MLJV by the end of the year.

This test represents the achievement of an important milestone for the SABRE technology. Based on the success of the 2021 program, Orano Canada and Denison plan to evaluate the potential use of this innovative method for future mining operations at their jointly owned McClean Lake and Midwest properties.

### Closed Mines Services

Operating expenses during the three and nine months ended September 30, 2021 totaled $2,294,000 and $6,225,000 respectively (September 30, 2020 - $1,770,000 and $5,144,000). The expenses relate primarily to care and maintenance services provided to clients, and include labour and other costs. The increase in operating expenses in the current periods, as compared to the prior year, is predominantly due to an increase in activity at certain care and maintenance sites.

## MINERAL PROPERTY EVALUATION

During the three and nine months ended September 30, 2021, Denison's share of evaluation expenditures was $3,839,000 and $12,981,000 (September 30, 2020 - $790,000 and $2,647,000). The increase in evaluation expenditures, compared to the prior period, was due to an increase in Wheeler River evaluation activities, including the 2021 ISR Field Test. The following table summarizes the evaluation activities completed during the nine months ended September 30, 2021.

| PROJECT EVALUATION ACTIVITIES | | | |
|---|---|---|---|
| **Property** | **Denison's ownership[(1)]** | **Evaluation drilling** | **Other activities** |
| Wheeler River | 95% | 2,092 metres (5 large diameter CSWs[(2)]) 4,392 metres (10 small diameter MWs[(3)]) | ISR field testing, engineering, metallurgical testing, environmental and sustainability activities |
| | | **6,484 m (15 holes)** | |

Notes:
(1) The Company's effective ownership interest as at September 30, 2021, including the indirect 5% ownership interest that Denison acquired on August 3, 2021 with its acquisition of 50% of JCU. See SIGNIFICANT ACCOUNTING POLICIES below for further details regarding the accounting treatment for Denison's investment in JCU.
(2) CSW drilling relates to the drilling and installation of new CSWs from surface for the purposes of ISR field testing at Phoenix. Figures include total evaluation meters drilled and total number of holes completed.
(3) Small diameter evaluation drilling includes HQ/PQ sized diamond drilling either as the widening (reaming) of existing exploration drill holes, or the drilling of new holes, for the purposes of installing monitoring wells ('MW') for ISR field testing at Phoenix. Figures include total evaluation metres drilled and total number of holes completed.

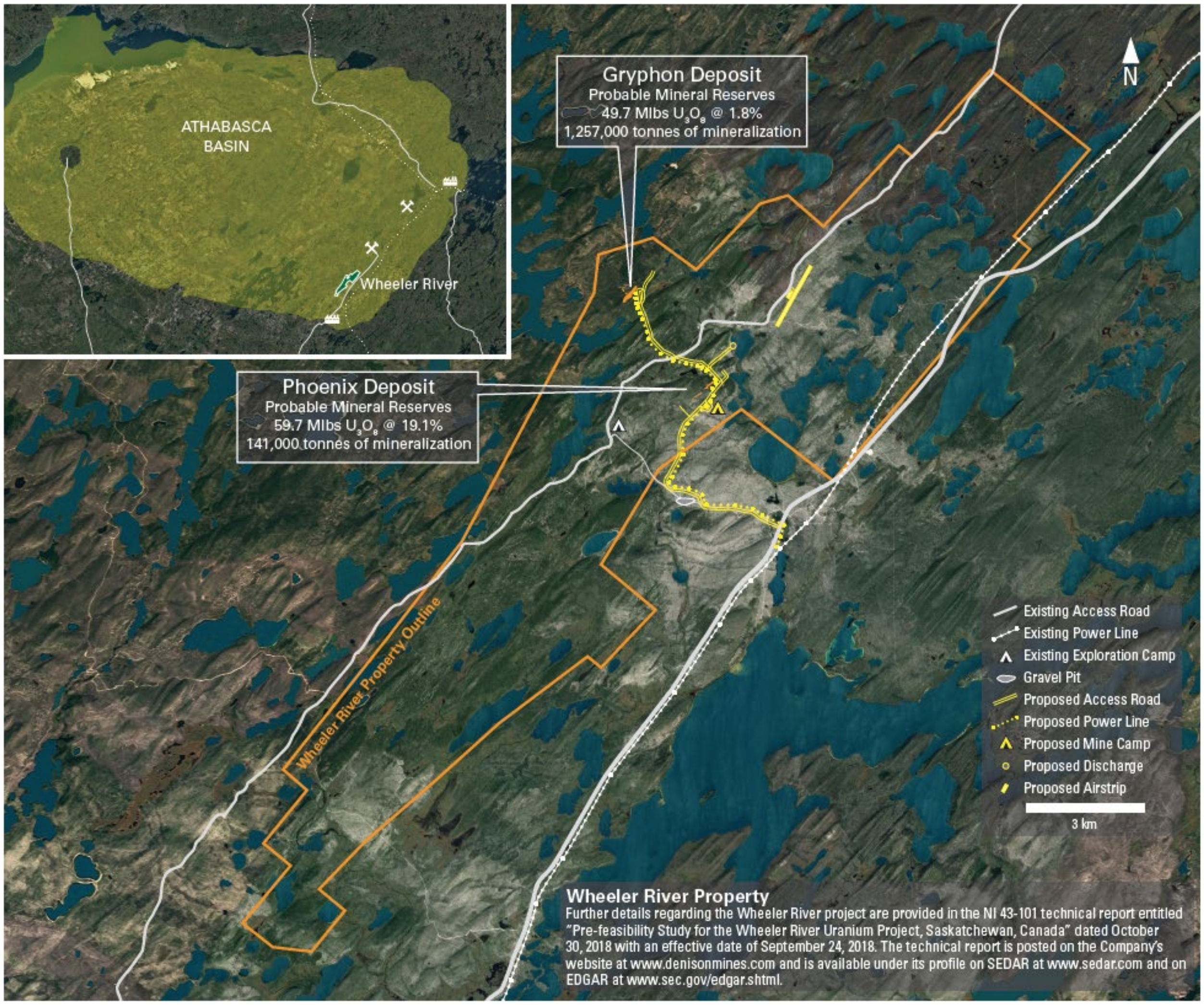
## Wheeler River Project

A PFS was completed for Wheeler River in late 2018, considering the potential economic merit of developing the Phoenix deposit as an ISR operation and the Gryphon deposit as a conventional underground mining operation.

Further details regarding Wheeler River, including the PFS and estimated mineral reserves and resources, are provided in the Technical Report for the Wheeler River project titled 'Pre-feasibility Study Report for the Wheeler River Uranium Project, Saskatchewan, Canada' with an effective date of September 24, 2018 ('PFS Technical Report'). A copy of the PFS Technical Report is available on Denison's website and under its profile on each of SEDAR and EDGAR.

Given the social, financial and market disruptions from the COVID-19 pandemic experienced in early 2020, Denison suspended certain activities at Wheeler River, including the Environmental Assessment ('EA') program, which is on the critical path to achieving the project development schedule outlined in the PFS. While the EA process was formally resumed in 2021, the Company is not currently able to estimate the impact of the delay to the project development schedule outlined in the PFS, and users are cautioned that the estimates provided therein regarding the start of pre-production activities in 2021 and first production in 2024 should not be relied upon.

The location of the Wheeler River property, as well as the Phoenix and Gryphon deposits, and existing and proposed infrastructure, is shown on the map provided below.




***Engineering Activities***

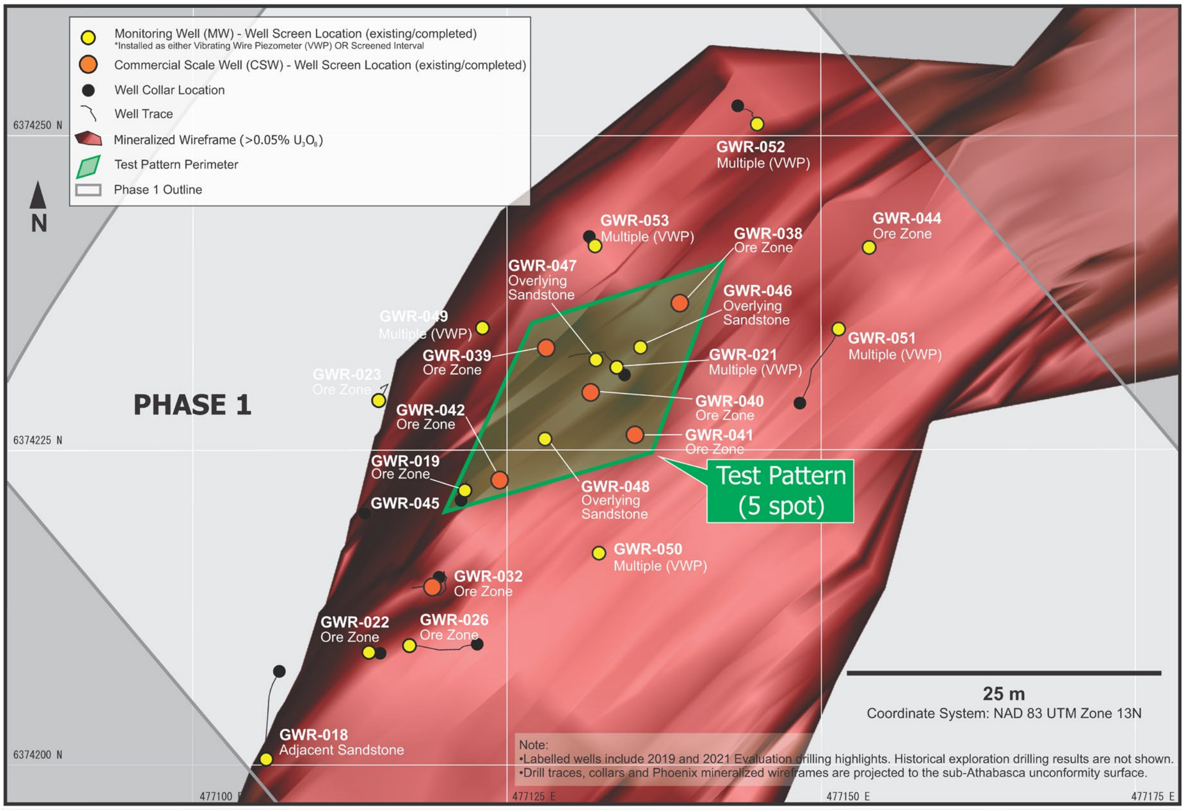
*2021 ISR Field Test*

The 2021 ISR Field Test represents the most significant engineering related activity for the project in 2021. The program was designed to further increase confidence and reduce risk in the application of the ISR mining method at Phoenix – with the detailed results providing the necessary datasets for the permitting and preparation of a planned lixiviant test in 2022, which is expected to support the completion of the recently announced FS for the Project.

- *Test Pattern Installation*

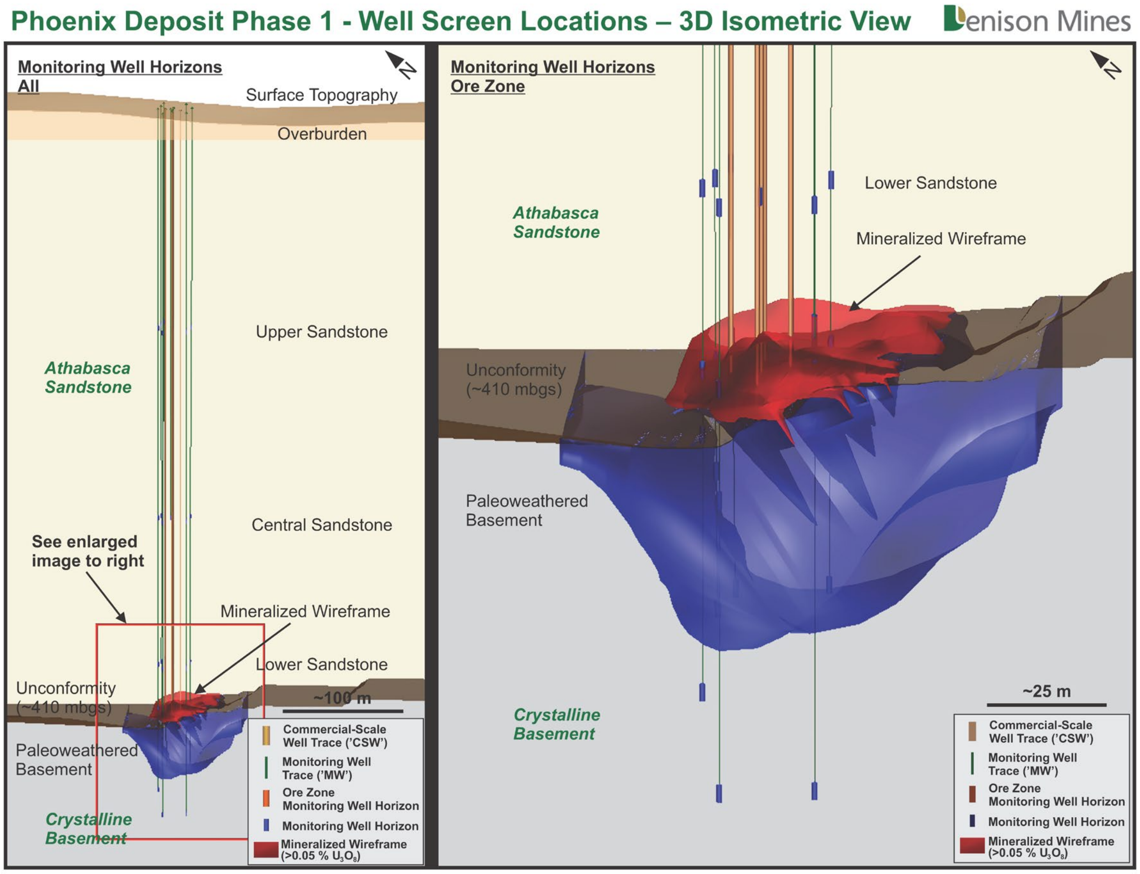
  A test pattern consisting of five CSWs, and 10 additional small diameter MWs (together described as the 'Test Pattern'), was successfully installed within the Phase 1 area of the Phoenix deposit (see the map below for the placement of the CSWs and MWs) during the summer months (see press release dated July 29, 2021).

**Phoenix Deposit Phase 1 - Well Screen Location - Plan View**




Three methods of permeability enhancement were successfully evaluated on the five CSWs, with post permeability enhancement testing resulting in observed improvement in hydraulic responses and inter-well connectivity within the Test Pattern. These results exhibit and confirm the ability to engineer additional access to the natural permeability within the deposit. Permeability enhancement methods included the use of the MaxPERF drilling tool as well as wireline-conveyed tools designed to perforate and stimulate well production using a controlled propellant. The wireline tools can effectively "clean out" restricted pathways within the well screen, well bore, and the geological formation and provide increased flow rates in the wells by intersecting and connecting to the naturally occurring fractures within the ore zone.

Twenty single-well injection tests were completed on the Test Pattern to evaluate natural permeability and the efficacy of permeability enhancement methods deployed in the CSWs. Nine single-well pump tests were completed amongst the five CSWs and four of the MWs to evaluate permeability, sustainable pumping rates, hydraulic connectivity, and baseline groundwater conditions. Importantly, testing showed good hydraulic connection between the CSWs in the ore zone horizon and no significant responses in any of the MWs in overlying or underlying horizons (See the figure below). One step-rate injection test was conducted on the center CSW GWR-040 to evaluate hydraulic connectivity, maximum injection rates and injection pressures.




- *Full-Scale Well Pattern Pump and Injection Test*

A full-scale well pattern injection and pumping test was conducted to determine hydraulic connectivity for the Test Pattern as a whole, and to evaluate potential production rates for the pattern. The test was run as a modified 4-spot pattern as there was an unanticipated failure of the submersible pump in GWR-042. During the test, injection rates were matched to pumping extraction rates for balanced flow in the Test Pattern. Pumped groundwater from each of the outer wells (GWR-038, GWR-039, and GWR-041) was recycled for injection in the center well (GWR-040) to create a closed system. Production rates for the Test Pattern achieved a sustainable rate of 45.3 litres per minute ('L/min') injection in GWR-040 with minimal pressure on surface (less than 180 psi) balanced with 15.1 L/min extraction at each GWR-038, GWR-039 and GWR-041. This test fundamentally achieved the 50 L/min flow rate assumed in the PFS for an operating well pattern. Hydraulic control of the Test Pattern was confirmed by no significant hydrologic responses observed in any of the overlying or underlying MWs.

- *Ion Tracer Test*

Following the full-scale injection and pumping test, an ion tracer test was completed using the 4 functional CSWs in the Test Pattern. Flow rates were run at the same levels as the full-scale well pattern test with 45.3 L/min injection at the center well and a balanced extraction flow of 15.1 L/min at each of the three outer wells. The ion tracer, consisting of a 15% concentration of potassium chloride ('KCl') by weight, was injected as an initial slug into the Test Pattern at GWR-040, followed by a chase phase involving the recirculation of water extracted from the three outer wells (closed system). The chase phase continued until peak concentrations of the ion tracer, measured in total dissolved solids ('TDS'), were observed at the three extraction wells (GWR-038, GWR-039 and GWR-041), followed by a decline in TDS prior to commencement of a remediation test.

Breakthrough of the ion tracer, as observed by an increase in the TDS occurred at the three extraction wells within 9 hours (GWR-039), 12 hours (GWR-041), and 14 hours (GWR-038).

These breakthrough times observed during the field test are consistent with previous hydrogeological modelling conducted by Petrotek (see press release dated June 4, 2020).

- *Remediation Test*

  After completion of the ion tracer test, a "clean-up" remediation test was conducted to simulate the ability to remove injected fluid from the test pattern. For this test, injection was halted at the center well (GWR-040) and the three extraction wells were pumped to remove the remaining injected ion tracer. Tracer concentrations measured during the eight-day clean-up simulation, as observed by field TDS measurements, declined to as low as 13% of the peak TDS value in GWR-038, 11% of the peak TDS value in GWR-041, and 4% of the peak TDS value in GWR-039.

- *Hydrogeological Monitoring*

  Monitoring during the ion tracer test and subsequent cleanup test included: 376 field measurements of TDS from the CSW extraction wells to identify tracer concentrations; logging of water levels in each of the CSWs along with all of the surrounding MWs at five minute intervals; logging of TDS values at 5 minute intervals in the three overlying MWs to confirm the absence of any tracer concentrations in the overlying horizons; and daily groundwater sampling to send for lab analysis to confirm TDS values measured in the field and the exact concentration of the KCl tracer.

  The ability to maintain hydraulic control was established by sampling the three overlying MWs for TDS values before and after the ion tracer test. No elevated values in TDS were observed during the test, thus confirming there was no migration of the tracer to overlying horizons.

  Data collected as part of the 2021 field program will be utilized to update the hydrogeological model for Phoenix, and to provide the necessary datasets for the permitting and preparation of a lixiviant test planned for the Test Pattern in 2022.

- *Ongoing Permeameter Analysis*

  In addition to the hydrogeological tests described above, over 1,000 drill core samples were collected from historic holes, re-logged for hydrogeologic characteristics, and analyzed for permeability utilizing the permeameter on-site. Samples were selected to ensure the database of on-core permeability results included representative samples from all of the planned mining phases at Phoenix.

- *COVID-19*

  The Company is committed to ensuring that the Wheeler River site is a safe operating environment for its staff and contractors and that the Company's field activities do not compromise the health and safety of the residents of northern Saskatchewan. In 2020, the Company's Occupational Health and Safety Committee in Saskatoon developed a comprehensive guide for the safe resumption of work at Wheeler River. The protocols consider the unique health and safety risks associated with operating a remote work camp amidst the ongoing COVID-19 pandemic. Public health guidelines and best practices (including testing) have been incorporated into the Company's protocols.

  The 2021 ISR Field Test was completed over an eight-month period and involved the on-site support of over 100 different staff and contractors. COVID-19 rapid testing was completed regularly at site with no positive cases reported during the entire program. These results helped to ensure the extensive scope of the 2021 ISR Field Test was able to be completed on schedule and demonstrates the effectiveness of the Company's COVID-19 protocols, as well as the Company's focus on ensuring the safety of its employees and communities.

For further information regarding the 2021 field program results, see the press release dated October 28, 2021.

<u>*Metallurgical Testing*</u>

Metallurgical test work continued in the third quarter of 2021 with multiple tests carried out at the SRC Laboratories in Saskatoon ('SRC').

- *Core Leach Tests:*

  The core leach tests are specialized leach tests involving the testing of intact mineralized core samples, representative of the in-situ conditions at Phoenix, designed to evaluate uranium recovery specifically for the ISR mining method.

  During the nine months ending September 30, 2021, five core leach samples were tested at SRC.

  Four cores representing the high grade/low clay characteristics of the majority of the mineralization in the Phase 1 mining area have been tested to date with results showing steady-state and average uranium bearing solution ('UBS') head grades significantly above the 10g/L level used in the PFS. Given this result, the Company decided to adapt its plans for the remaining metallurgical test work, including the bench-scale tests of the unit operations for the processing plant, to reflect an assumed UBS head-grade recovered from the wellfield of 15g/L.

  In addition to the high-grade/low clay characteristics of Phase 1, the Phoenix ISR operation is also expected to encounter comparatively rare and isolated areas with lower uranium grades and high clay content. These areas may result in a limited number of zones of reduced permeability. In order to understand the ISR leach dynamics in these areas, test work was also initiated on a sample representing high clay characteristics (above 25% clay). Results obtained from these tests confirm that high clay content can impact the natural permeability of the ore body and lead to lower UBS head-grades. Importantly, these tests also confirmed that permeability enhancement techniques have the potential to normalize these areas and significantly improve UBS head-grade concentrations to levels that align with core leach tests carried out using samples with higher grades and lower clay content.

  In the third quarter, a further high grade/low clay core underwent reclamation test work to define the preliminary reclamation procedures for Phoenix.

- *Column Leach Tests:*

  The column leach test program was completed in the second quarter of 2021. The primary purpose of the column leach tests was to recover sufficient volumes of UBS to facilitate bench-scale tests of the unit operations outlined in the flowsheet for the Phoenix processing plant. Over 900 litres of UBS was produced from 64 Kilograms ('kg') of Phoenix core samples. Combined results from the four column leach tests were highly positive, with calculated UBS head-grade from the four columns averaging 19g/L, which further supports the decision to increase the overall UBS head-grade assumption for Phoenix.

  While not the primary purpose of the column leach tests, average reagent addition rates from the column leach tests (1.3 kg acid / kg $U_3O_8$ and 1.2 kg oxidant / kg $U_3O_8$) have also provided useful information that is supportive of the values published in the PFS.

- *Bench Scale Tests:*

  Some of the 900 litres of UBS generated during the columns leach tests has been utilized for several batch tests intended to confirm the anticipated primary unit processes for the Phoenix operation, including: iron/radium precipitation, uranium precipitation and water treatment.

  The iron and radium precipitation process was tested with 20 different conditions using 2 litre UBS batches for each test to define optimal precipitation parameters. Using the optimized parameters defined during the iron and radium precipitation tests, four 5 litre batches of UBS were tested to confirm uranium precipitation parameters.

  Testing efforts continue and are currently focused on water treatment optimization and characterization of the water effluent quality and associated waste streams. Once completed, a high UBS volume will be processed with optimized test conditions for the three unit processes to obtain confirmation of the plant flow sheet, compile mass balance and initiate process equipment selection.

*Feasibility Study*

In September 2021, Denison announced the decision of the WRJV to advance the ISR mining operation proposed for Phoenix to the FS stage and the selection of Wood as independent Lead Author.

The completion of the FS is a critical step in the progression of the Project and is intended to advance de-risking efforts to the point where the Company and the WRJV will be able to make a definitive development decision. Key objectives of the Study are expected to include:

- *Environmental Stewardship:*

Extensive planning and technical work undertaken as part of the ongoing EA, including applicable feedback from consultation efforts with various interested parties, is expected to be incorporated into the FS project designs to support our aspiration of achieving a superior standard of environmental stewardship that meets and exceeds the anticipated environmental expectations of regulators and aligns with the interests of local Indigenous communities;

- *Updated Estimate of Mineral Resources:*

Mineral resources for Phoenix were last estimated in 2018. Since then, additional drilling has been completed in and around the Phoenix deposit as part of various ISR field tests, including drill hole GWR-045 (22.0% $eU_3O_8$ over 8.6 metres, see news release dated July 29, 2021), and exploration drilling. The updated mineral resource estimate will form the basis for mine planning in the FS;

- *Mine Design Optimization:*

FS mine design is expected to reflect the decision to adopt a freeze wall configuration for containment of the ISR well field (see news release dated December 1, 2020), as well as the results from multiple field test programs and extensive hydrogeological modelling exercises, which have provided various opportunities to optimize other elements of the Project – including well pattern designs, permeability enhancement strategies, and both construction and production schedules;

- *Processing Plant Optimization:*

FS process plant design is expected to reflect the decision to increase the ISR mining uranium head-grade to 15 g/L (see news release dated August 4, 2021), as well as the results from extensive metallurgical laboratory studies designed to optimize the mineral processing aspects of the Project; and

- *Class 3 Capital Cost Estimate:*

The FS is also intended to provide the level of engineering design necessary to support a Class 3 capital cost estimate (AACE international standard with an accuracy of -15% /+25%), which is expected to provide a basis to confirm the economic potential of the Project highlighted in the PFS completed in 2018 (see news release dated September 24, 2018).

***Environmental and Sustainability Activities***

*EA Activities*

Technical studies related to the EA continued in the third quarter of 2021. Denison's technical team remained focused on the hydrogeological modelling that will inform the after-mining remediation objectives for the Project. In addition, the Company's consultants completed assessments on air quality, the terrestrial environment, hydrology and worker health and safety.

In addition to the technical studies, significant efforts were focused on engagement with interested parties in accordance with the requirements and guidelines associated with a Federal and Provincial EA. Land use studies are underway with English River First Nation ('ERFN') and Ya'thi Néné Lands and Resources Office ('YNLRO'). The results of these studies are expected to be incorporated in the draft Environmental Impact Statement planned for submission in 2022.

*Community Engagement Activities*

At the end of the first quarter of 2021, Denison executed two agreements with the ERFN: a Participation and Funding Agreement, which outlines a framework and funding agreement to facilitate the ERFN's participation and engagement in the Wheeler EA process, and an Exploration Agreement, whereby the ERFN consents to the Company's exploration and evaluation activities, provided Denison meets the commitments made therein. In the Exploration Agreement, Denison has committed to providing support for ERFN's interests in relation to community development and benefits, environmental protection and monitoring, as well as a sustainable and predictable consultation and engagement process.

During the second quarter, a Letter Agreement was completed between Denison and the YNLRO, allowing the parties to undertake engagement activities in the communities in the northernmost portion of the Athabasca Basin region (Black Lake First Nation, Fond du Lac First Nation, Hatchet Lake First Nation, Camsell Portage, Uranium City, Stony Rapids and Wollaston Lake).

In addition, during the third quarter, a Letter Agreement was completed between Denison and the YNLRO regarding the YNLRO's potential participation in the EA process as a subject matter expert related to any applicable land and water use activities near Wheeler River.

## MINERAL PROPERTY EXPLORATION

During the three and nine months ended September 30, 2021, Denison's share of exploration expenditures was $842,000 and $2,718,000 (September 30, 2020 – $954,000 and $3,133,000). The decrease in exploration expenditures in the three and nine months ended September 30, 2021, compared to the prior year was due to a decrease in winter exploration activities from the first and second quarter.

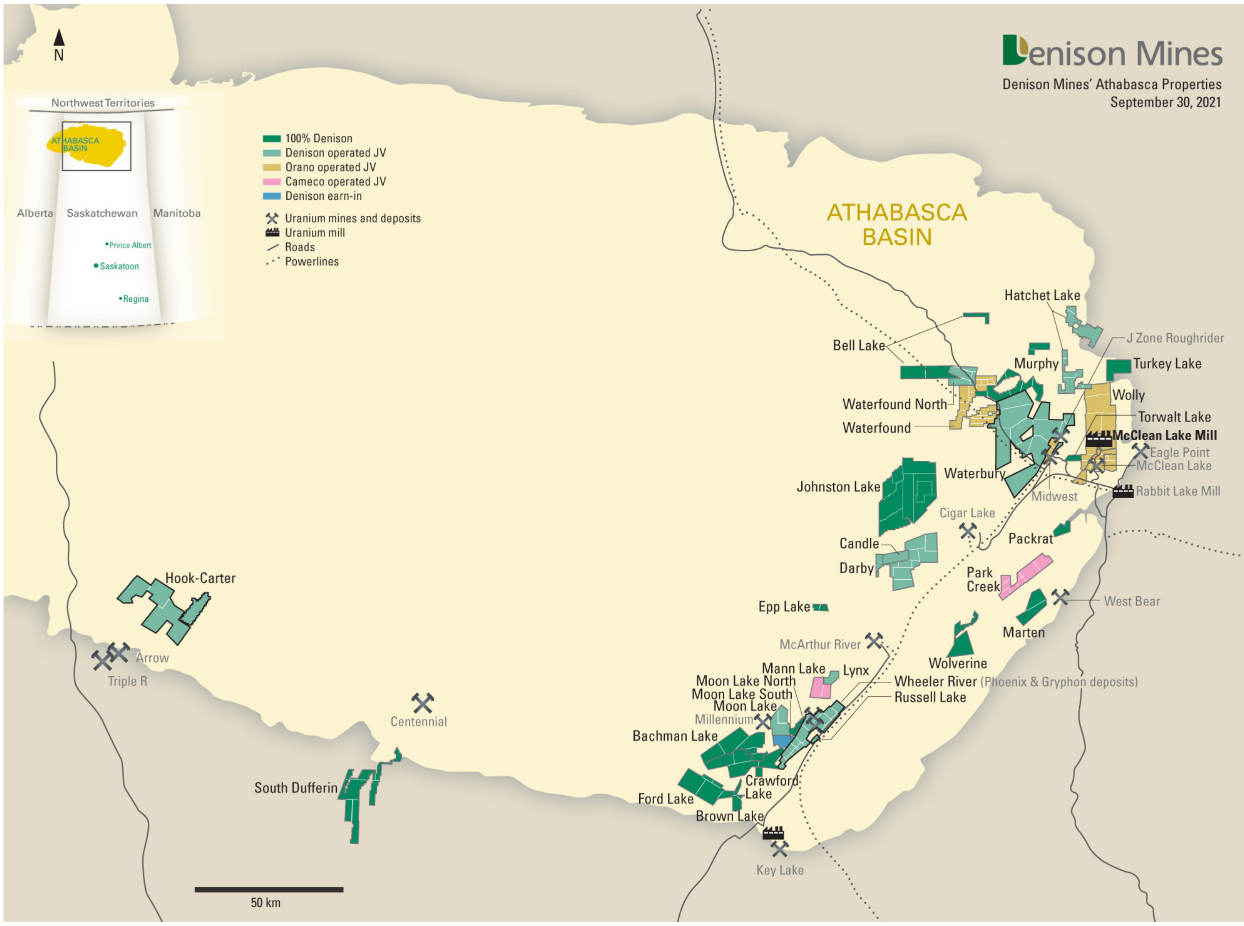
Exploration spending in the Athabasca Basin is generally seasonal in nature, reflecting increased field activity during the winter exploration season (January to mid-April) and summer exploration season (June to mid-October).

The following table summarize the exploration activities completed during the nine months ended September 30, 2021. The exploration drilling at Wheeler River and Moon Lake South relates to the commencement of the 2021 drilling programs during the third quarter, whereas the winter drilling programs at three Company's non-operated properties were completed during the first quarter of 2021.

| EXPLORATION ACTIVITIES | | | |
|---|---|---|---|
| **Property** | **Denison's ownership** | **Drilling in metres (m)(1)** | **Other activities** |
| Ford Lake | 100.00% | - | Geophysical Survey |
| McClean Lake | 22.50% | 4,101.0 (15 holes) | - |
| Midwest | 25.17% | 2,669.0 (8 holes) | Geophysical Survey |
| Moon Lake South | 75.00% | 1,618.0 (3 holes) | - |
| Waterfound | 12.32%(2) | - | Geophysical Survey |
| Wheeler River | 95%(3) | 1,231.0 (3 holes) | - |
| Wolly | 21.89%(4) | 2,118.5 (11 holes) | - |
| **Total** | | **11,737.5 (40 holes)** | |

(1) The Company reports total exploration metres drilled and the number of holes that were successfully completed to their target depth.
(2) Represents Denison's ownership position at December 31, 2020. Denison has elected not to funds its 12.32% share of the 2021 exploration program implemented by the operator, Orano Canada. Accordingly, Denison's ownership share will decrease.
(3) The Company's effective ownership interest as at September 30, 2021, including the indirect 5% ownership Denison acquired on August 3, 2021, with its acquisition of 50% of JCU. See SIGNIFICANT ACCOUNTING POLICIES below for further details regarding the accounting for Denison's investment in JCU.
(4) Represents Denison's ownership position at December 31, 2020. Denison has elected not to funds its 21.89% share of the 2021 exploration program implemented by the operator, Orano Canada. Accordingly, Denison's ownership share will decrease.

The Company's land position in the Athabasca Basin, as of September 30, 2021, is illustrated in the figure below. The size of the Company's Athabasca land package did not change during the third quarter of 2021, remaining at 280,107 hectares (207 claims). The land position reported by the Company excludes the land positions held by JCU.




### *Wheeler River Exploration*

Denison's share of exploration costs at Wheeler River was $553,000 and $999,000 during the three and nine months ended September 30, 2021, respectively (September 30, 2020 – $801,000 and $1,195,000), which includes a portion of camp support and stand-by costs.

Wheeler River exploration work during 2021 includes desktop analysis and interpretation of the results of the 2020 exploration program and the detailed planning for the 2021 exploration drilling program, as well as initial drilling activities, which commenced in early September.

During the third quarter, a total of 1,231.0 metres of diamond drilling was completed in three holes at K West. Results to date have returned indicative structure, alteration, and elevated radioactivity in all three completed holes. Assay results are pending.

An additional 10 holes totalling approximately 5,270 metres is planned to be completed at Wheeler River in the fourth quarter, including follow-up drilling at Phoenix to follow up on the recent intersection of a thick interval of high-grade unconformity-associated uranium mineralization outside of the boundary of the Phoenix Zone A high-grade resource domain in GWR-045, which returned 22.0% $eU_3O_8$ over 8.6 metres (see Denison press release dated July 29, 2021).

### *Exploration Pipeline Properties*

#### <u>Ford Lake</u>

The final data sets for the 2021 Ford Lake SML-EM survey were received during the second quarter and Denison's exploration team is currently analyzing the data to develop a conductivity model for the survey area, and to identify targets for future drilling programs.

*Moon Lake South*

The 2021 Moon Lake South exploration drilling program was initiated in early September 2021. The program is designed to evaluate the CR-3 conductive corridor by drill testing conductive anomalies identified from the 2020 SML EM survey coincident with resistivity anomalies identified during the 2017 resistivity survey. As of September 30, 2021, three drill holes were completed for a total of 1,618 m drilled out of a total plan of 4 holes totalling approximately 2,400 metres. Anomalous radioactivity was observed in two of the three completed holes, along with graphitic semi brittle faults interpreted to represent the conductive response outlined in the 2020 SML EM survey. Assay results for the 2021 program are pending.

## GENERAL AND ADMINISTRATIVE EXPENSES

During the three and nine months ended September 30, 2021, total general and administrative expenses were $2,089,000 and $7,076,000, respectively (September 30, 2020 - $2,110,000 and $5,719,000). These costs are principally comprised of head office salaries and benefits, office costs in multiple regions, audit and regulatory costs, legal fees, investor relations expenses, project costs, and all other costs related to operating a public company with listings in Canada and the United States. The increase in general and administrative expenses during the nine months ended September 30, 2021 was predominantly due to an increase in employee costs, as well as an increase in compliance costs driven by an increase in retail investor ownership in Denison shares and the costs related to their participation in Denison's annual general meeting, offset by a decrease in legal costs. In the three and nine months ended September 30, 2020, the Company incurred legal cost related to arbitration proceedings with a third party, which did not recur in the current year.

The increase in employee costs in the nine months ended September 30, 2021, is due to an increase in non-cash stock-based compensation expense driven by the impact of the Company's increased share price and share price volatility on the valuation of stock-based compensation awarded in late March 2021 as well as an increase in bonus expense. In order to preserve cash in early 2020, the Company settled 2019 bonuses for the executive team and the majority of staff with a grant of restricted share units ('RSUs'). The cost of RSUs is expensed over the three-year vesting period of the units, whereas cash bonuses, by comparison, are fully expensed at the time of approval. During 2021, the 2020 bonuses awarded to staff and executives were paid in cash resulting in a change in the timing of the recognition of the expense.

## OTHER INCOME AND EXPENSES

During the three and nine months ended September 30, 2021, the Company recognized gains of $34,999,000 and $39,306,000 in other income/expense, respectively (September 30, 2020 – losses of $1,318,000 and $2,347,000).

The main drivers of other income/expense are as follows:

***Fair value gains or losses on uranium investments***

The majority of the proceeds from the Company's March 2021 unit offering (see below for further details) were used to fund the purchase of 2,500,000 pounds of $U_3O_8$ to be held as a long-term investment to strengthen the Company's balance sheet and potentially enhance its ability to access future project financing in support of the future advancement and/or construction of Wheeler River. Given that this material is held for long-term capital appreciation, the Company's position in physical uranium holdings have been accounted for by analogy to IAS 40 investment property and are measured at fair value with changes in fair value between reporting dates recorded through profit and loss. During the nine months ended September 30, 2021, the Company completed the purchase of 2,400,000 pounds $U_3O_8$ at a weighted average cost of $36.59 (US$29.62) per pound $U_3O_8$ (including purchase commissions of $0.05 (US$0.04) per pound $U_3O_8$). As at September 30, 2021, the spot price of $U_3O_8$ was $54.78 (US$43.00) per pound $U_3O_8$, resulting in mark-to-market gains for the three and nine months ended September 30, 2021, of $36,138,000 and $43,672,000, respectively on these uranium investments (September 30, 2020 - $nil and $nil). A further 100,000 pounds of $U_3O_8$ was acquired in October 2021 at a cost of $38.63 (US$30.70) per pound $U_3O_8$.

***Fair value gains or losses on share purchase warrants***

In February and March 2021, Denison completed two equity offerings involving the issuance of units, which were comprised of one common share and one half of a common share purchase warrant. Each full warrant entitles the holder to acquire one common share of the Company at a pre-determined exercise price for 24 months after issuance. The exercise prices for the share purchase warrants are denominated in US dollars, which differs from Company's

Canadian dollar functional currency, and therefore the warrants are classified as a non-cash derivative liability, rather than equity, on the Company's statement of financial position.

At the date of issuance of the units, the gross proceeds of each offering were allocated between the common shares and the common share purchase warrants issued using the relative fair value basis approach, and the amount related to the warrants was recorded as a non-current derivative liability. At each period end until the common share purchase warrants are exercised or expire, the warrants are revalued, with the revaluation gains or losses recorded in other income and expense.

During the three and nine months ended September 30, 2021, the Company recorded fair value losses of $5,735,000 and $11,567,000, respectively (September 30, 2020 - $nil and $nil). Fair value gains and losses on the share purchase warrants are predominantly driven by the Company's share price at period end, changes in the volatility of the Company's share price, and the US dollar to Canadian dollar exchange rate.

***Fair value gains or losses on portfolio investments***

During the three and nine months ended September 30, 2021, the Company recognized gains on portfolio investments carried at fair value of $4,334,000 and $9,476,000 (September 30, 2020 – losses of $1,133,000 and $2,094,000). Gains and losses on investments carried at fair value are driven by the closing share price of the related investee at the end of the quarter.

***Foreign exchange gains or losses***

During the three and nine months ended September 30, 2021, the Company recognized an FX gain of $398,000 and a loss of $1,219,000, respectively (September 30, 2020 – FX losses of $81,000 and $159,000). The FX gain in the three months ended September 30, 2021 is predominantly due the impact of the increase in the US dollar to Canadian dollar exchange rate on US dollar cash balances and US dollar payables. The increase in FX loss in the nine months ended September 30, 2021, is predominantly driven by the impact of the decrease in the US dollar to Canadian dollar exchange rate during the second quarter on US dollar cash balances and US dollar payables.

**EQUITY SHARE OF INCOME FROM JOINT VENTURES**

On August 3, 2021, Denison completed the acquisition of 50% of JCU from UEX for cash consideration of $20,500,000 plus transaction costs of $1,355,000. Denison's acquisition of its 50% interest in JCU occurred immediately following UEX's acquisition of all of the outstanding shares of JCU from OURD for cash consideration of $41,000,000.

Pursuant to Denison's agreement with UEX, Denison provided UEX with an interest-free 90-day term loan of $40,950,000 million (the 'Term Loan') to facilitate UEX's purchase of JCU from OURD. On the transfer of 50% of the shares in JCU from UEX to Denison, $20,500,000 of the amount drawn under the Term Loan was deemed repaid by UEX. UEX repaid the remainder of the Term Loan in September 2021.

JCU is a private company that holds a portfolio of twelve uranium project joint venture interests in Canada, including a 10% interest in Denison's 90% owned Wheeler River project, a 30.099% interest in the Millennium project (Cameco Corporation 69.901%), a 33.8123% interest in the Kiggavik project (Orano Canada Inc. 66.1877%), and a 34.4508% interest in the Christie Lake Project (UEX 65.5492%). At September 30, 2021, Denison holds a 50% interest in JCU and shares joint control. Accordingly, this joint venture is accounted for using the equity method.

During the three and nine months ended September 30, 2021, the Company recorded its equity share of loss from JCU, of $84,000 and $84,000, respectively (September 30, 2020, $nil and $nil). The Company records its share of income or loss from joint ventures a month in arrears, based on the most available financial information, adjusted for any subsequent material transactions that have occurred.

## LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were $50,877,000 at September 30, 2021 (December 31, 2020 – $24,992,000).

The increase in cash and cash equivalents of $25,885,000 was predominantly due to net cash provided by financing activities of $151,688,000, offset by net cash used in operations of $14,841,000, and net cash used in investing activities of $110,429,000.

Net cash used in operating activities of $14,841,000 was predominantly due to the net loss for the period, adjusted for non-cash items and changes in working capital items.

Net cash used in investing activities of $110,429,000 consists primarily of expenditures to fund the purchase of uranium investments, the acquisition of 50% of JCU, the acquisition of property, plant and equipment, as well as an increase in restricted cash related to the Company's funding the Elliot Lake reclamation trust fund.

Net cash provided by financing activities of $151,688,000 was due to the net proceeds from the Company's 2020 at-the-market ('ATM') equity offering program, February 2021 unit offering, March flow-through share offering, March 2021 unit offering, as well as stock option exercises. See below for further details regarding these transactions.

On June 2, 2020, the Company filed a short form base shelf prospectus ('2020 Base Shelf Prospectus') with the securities regulatory authorities in each of the provinces and territories in Canada and in the United States. Under the 2020 Base Shelf Prospectus, the Company was allowed to issue securities, in amounts, at prices, and on terms to be determined based on market conditions at the time of sale and as set forth in the 2020 Base Shelf Prospectus, for an aggregate offering amount of up to $175,000,000 during the 25-month period beginning on June 2, 2020.

In November 2020, Denison entered into an equity distribution agreement providing for an ATM equity offering program, qualified by a prospectus supplement to the 2020 Base Shelf Prospectus ('2020 ATM Program). The 2020 ATM Program was to allow Denison, through its agents, to, from time to time, offer and sell, in Canada and the United States, such number of common shares as would have an aggregate offering price of up to USD$20,000,000. In January and February 2021, Denison issued 4,230,186 common shares under the 2020 ATM program, at an average price of $0.93 per share, for aggregate gross proceeds of $3,914,000, and incurred issue expenses of $466,000, including commissions of $78,000. The 2020 ATM program was terminated in connection with the March 2021 unit offering (described below).

In February 2021, Denison issued 31,593,950 units, pursuant to a public offering of units qualified by a prospectus supplement to the 2020 Base Shelf Prospectus. The units were issued at a price of US$0.91 for gross proceeds of $36,265,000 (US$28,750,000) and consisted of one common share and one-half warrant. Each full warrant entitles the holder to acquire one common share of the Company at an exercise price of US$2.00 over a 24 month period.

In March 2021, Denison issued 78,430,000 units of the Company pursuant to a public offering of units qualified by a prospectus supplement to the 2020 Base Shelf Prospectus. The units were issued at a price of US$1.10 for gross proceeds of $107,949,000 (US$86,273,000) and consisted of one common share and one half warrant. Each full warrant entitles the holder to acquire one common share of the Company at an exercise price of US$2.25 over a 24 month period. In connection with this offering, the Company neared the aggregate offering amount qualified by the 2020 Base Shelf Prospectus, as a result of which it terminated the 2020 ATM Program.

In March 2021, Denison issued 5,926,000 common shares on a flow-through basis at a price of $1.35 for gross proceeds of $8,000,000.

Also during the nine months ended September 30, 2021, the Company received share issue proceeds of $5,349,000 related to the issuance of 7,280,548 shares upon the exercise of employee stock options.

On September 16, 2021, the Company filed a short form base shelf prospectus ('2021 Base Shelf Prospectus') with the securities regulatory authorities in each of the provinces and territories in Canada and in the United States. Under the 2021 Base Shelf Prospectus, the Company may issue securities, in amounts, at prices, and on terms to be determined based on market conditions at the time of sale and as set forth in the 2021 Shelf Prospectus, for an aggregate offering amount of up to $250,000,000 during the 25 month period beginning on September 16, 2021. To date, the Company has not issued any securities pursuant to the 2021 Base Shelf Prospectus.

In September 2021, Denison entered into an equity distribution agreement providing for an ATM equity offering program ('2021 ATM Program'), qualified by a prospectus supplement to the 2021 Base Shelf Prospectus. The 2021 ATM Program will allow Denison, through its agents, to, from time to time, offer and sell, in Canada and the United States, such number of common shares as would have an aggregate offering price of up to USD$50,000,000. To date, the Company has not issued any shares under the 2021 ATM program.

**Use of Proceeds**

2020 Flow Through Financing

As at September 30, 2021, the Company has fulfilled its obligation to spend $930,000 on eligible Canadian exploration expenditures as a result of the issuance of common shares on a flow-through basis in December 2020.

2020 ATM Program Financing

As disclosed in the Company's prospectus supplement to the 2020 Base Shelf Prospectus dated November 13, 2020 ('November 2020 Prospectus Supplement'), the net proceeds raised under the 2020 ATM Program were expected to be utilized to fund Wheeler River evaluation and detailed project engineering as well as general, corporate and administrative expenses. During the period from the closing of the financing in November 2020 and September 30, 2021, the Company's use of proceeds from this offering was in line with that disclosed in the November 2020 Prospectus Supplement. The 2020 ATM Program was terminated prior to raising the maximum net proceeds qualified by the November 2020 Prospectus Supplement, and therefore it is anticipated that the majority of the net proceeds of this financing will be allocated to general, corporate and administrative expenses.

October 2020 Equity Financing

As disclosed in the Company's prospectus supplement to the 2020 Base Shelf Prospectus dated October 8, 2020 ('October 2020 Prospectus Supplement'), the net proceeds of the equity financing from October 2020 were expected to be utilized to fund Wheeler River evaluation and EA activities as well as general, corporate and administrative expenses. During the period from the closing of the financing in October 2020 and September 30, 2021, the Company's use of proceeds from this offering was in line with that disclosed in the October 2020 Prospectus Supplement.

February 2021 Unit Financing

As disclosed in the Company's prospectus supplement to the 2020 Base Shelf Prospectus dated February 16, 2021 ('February 2021 Prospectus Supplement'), the net proceeds of the equity financing from February 2021 were expected to be utilized to fund Wheeler River evaluation and detailed project engineering activities as well as general, corporate and administrative expenses. During the period between the close of the financing in February 2021 and September 30, 2021, a portion of the proceeds of this financing were utilized to fund Denison's acquisition of 50% of JCU.

March 2021 Unit Financing

As disclosed in the Company's prospectus supplement to the 2020 Base Shelf Prospectus dated March 17, 2021 ('March 2021 Prospectus Supplement'), the majority of the net proceeds of the equity financing from March 2021 were expected to be utilized to purchase physical uranium as well as general, corporate and administrative expenses, including storage costs for the purchased uranium. During the period between the close of the financing in March 2021 and September 30, 2021, the Company's use of proceeds has been in line with that disclosed in the March 2021 Prospectus Supplement. As at September 30. 2021, the Company completed the purchase of 2,400,000 pounds of $U_3O_8$ at a weighted average price of $36.59 (US$29.62 per pound $U_3O_8$) per pound $U_3O_8$. In October 2021, the Company completed a final purchase of an additional 100,000 pounds of $U_3O_8$ at a weighted average price of $38.63 (US$30.70) per pound $U_3O_8$.

2021 Flow Through Financing

As at September 30, 2021, the Company has spent $946,000 towards its obligation to spend $8,000,000 on eligible Canadian exploration expenditures as a result of the issuance of common shares on a flow-through basis in March 2021.

**Revolving Term Credit Facility**

On January 14, 2021, the Company entered into an agreement with the Bank of Nova Scotia ('BNS') to extend the maturity date of the Company's credit facility to January 31, 2022 ('2021 Credit Facility'). Under the 2021 Credit Facility, the Company continues to have access to letters of credit of up to $24,000,000, which is fully utilized for non-financial letters of credit in support of reclamation obligations. All other terms of the 2021 Credit Facility (tangible net worth covenant, pledged cash, investments amount and security for the facility) remain unchanged by the amendment – including a requirement to provide $9,000,000 in cash collateral on deposit with BNS to maintain the 2021 Credit Facility.

## TRANSACTIONS WITH RELATED PARTIES

**Uranium Participation Corporation**

UPC was a publicly listed investment holding company which invested substantially all of its assets in $U_3O_8$ and $UF_6$. The Company had no ownership interest in UPC but received fees for management services it provided and commissions from the purchase and sale of $U_3O_8$ and $UF_6$ by UPC.

The MSA between the Company and UPC entitled Denison to receive the following management fees from UPC: a) a base fee of $400,000 per annum, payable in equal quarterly installments; b) a variable fee equal to (i) 0.3% per annum of UPC's total assets in excess of $100 million and up to and including $500 million, and (ii) 0.2% per annum of UPC's total assets in excess of $500 million; c) a fee, at the discretion of the Board, for on-going monitoring or work associated with a transaction or arrangement (other than a financing, or the acquisition of or sale of $U_3O_8$ or $UF_6$); and d) a commission of 1.0% of the gross value of any purchases or sales of $U_3O_8$ or $UF_6$ or gross interest fees payable to UPC in connection with any uranium loan arrangements.

On July 19, 2021, UPC and Sprott completed a plan of arrangement whereby UPC shareholders became unitholders of the Sprott Physical Uranium Trust, a newly formed entity managed by Sprott (the "UPC Transaction"). In conjunction with the completion of the UPC Transaction, the MSA between Denison and UPC was terminated in accordance with the termination provisions therein and Denison received a termination payment from UPC of $5,848,000.

The following amounts were earned from UPC for the periods ended:

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| (in thousands) | September 30, 2021 | September 30, 2020 | September 30, 2021 | September 30, 2020 |
| Management Fee Revenue | | | | |
| Base and variable fees | $ 23 | $ 509 | $ 1,069 | $ 1,523 |
| Termination fee | 5,848 | - | 5,848 | - |
| Commission fees | - | 74 | 697 | 247 |
| Discretionary fees | - | - | 350 | 300 |
| | $ 5,871 | $ 583 | $ 7,964 | $ 2,070 |

At September 30, 2021, accounts receivable includes $nil (December 31, 2020 – $265,000) due from UPC with respect to the fees and transactions discussed above.

**Korea Electric Power Corporation ('KEPCO')**

As at September 30, 2021, KEPCO, through its subsidiaries including KHNP Canada Energy Ltd., holds 58,284,000 shares of Denison representing a share interest of approximately 7.23% and is also the largest member of the consortium of investors that make up the Korea Waterbury Lake Uranium Limited Partnership ('KWULP'). The Waterbury Lake property is owned by Denison and KWULP through their respective interests in Waterbury Lake Uranium Corporation ('WLUC') and Waterbury Lake Uranium Limited Partnership ('WLULP'), entities whose key asset is the Waterbury Lake Property.

**Other**

During the nine months ended September 30, 2021, the Company incurred investor relations, administrative service fees and certain pass-through expenses of $164,000 (September 30, 2020 – $191,000) with Namdo Management Services Ltd ('Namdo'), a company of which a former director of Denison is a shareholder. These services were incurred in the normal course of operating a public company. All services and transactions with Namdo were made on terms equivalent to those that prevail with arm's length transactions. As at September 30, 2021, Namdo is no longer a related party of Denison and there are no amounts due to Namdo at period end owing to any related party transactions.

## COMPENSATION OF KEY MANAGEMENT PERSONNEL

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers, vice-presidents and members of its Board of Directors.

The following compensation was awarded to key management personnel:

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| (in thousands) | September 30, 2021 | September 30, 2020 | September 30, 2021 | September 30, 2020 |
| Salaries and short-term employee benefits | $ (518) | $ (465) | $ (2,055) | $ (1,420) |
| Share-based compensation | (526) | (383) | (1,583) | (1,133) |
| | $ (1,044) | $ (848) | $ (3,638) | $ (2,553) |

## OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

## SUBSEQUENT EVENTS

On October 26, Denison sold, by private agreement, 32,500,000 common shares of GoviEx Uranium Inc. ('GoviEx') and 32,500,000 common share purchase warrants, entitling the holder the option to acquire one (1) additional common share of GoviEx owned by Denison at an exercise price of $0.80 for a term of up to 18 months ('GoviEx Warrants') for gross proceeds to Denison of $15,600,000. Denison continues to hold 32,644,000 common shares of GoviEx. If the warrants are exercised in full, Denison will receive further gross proceeds of $26,000,000 and will transfer a further 32,500,000 GoviEx common shares to the warrant holders.

## OUTSTANDING SHARE DATA

**Common Shares**

At November 4, 2021, there were 807,362,479 common shares issued and outstanding and a total of 880,262,406 common shares on a fully diluted basis.

**Stock Options and Share Units**

At November 4, 2021, the Company had 10,588,695 Denison stock options, and 7,329,757 share units outstanding.

**Share Purchase Warrants**

At November 4, 2021, the Company had outstanding 15,796,475 share purchase warrants with a US$2.00 strike price and a February 2023 expiry, and 39,215,000 share purchase warrants with a US$2.25 strike price and a March 2023 expiry.

## OUTLOOK FOR 2021

Refer to the Company's annual MD&A for the year ended December 31, 2020, and the MD&A for the three and six months ended June 30, 2021 for a detailed discussion of the previously disclosed 2021 budget and outlook.

During the third quarter of 2021, the Company decreased the outlook for evaluation by $1,646,000 due to a net reduction in costs of $746,000 in 2021 and a deferral of $900,000 in costs to the 2022 evaluation budget. The Company increased its outlook for exploration expenditure by $590,000, predominantly due to an increase in costs related to exploration programs at the Company's Ford Lake and Wheeler River properties. The Company also increased its outlook for corporate administration and other expenses by $248,000. Finally, Denison reduced its outlook for UPC by $70,000 to reflect the actual revenues earned under the UPC MSA, which was terminated in Q3 2021.

| (in thousands) | | PREVIOUS 2021 OUTLOOK[1] | | CURRENT 2021 OUTLOOK | | Actual to September 30, 2021[3] |
|---|---|---|---|---|---|---|
| **Canada Mining Segment** | | | | | | |
| Mineral Sales | | 3,709 | | 3,709 | | - |
| Development & Operations | | (4,972) | | (4,972) | | (3,071) |
| Exploration | | (4,178) | | (4,768) | | (2,930) |
| Evaluation | | (19,413) | | (17,767) | | (12,994) |
| | | (24,854) | | (23,798) | | (18,995) |
| **Closed Mines Segment** | | | | | | |
| Closed Mines Environmental Services | | 964 | | 964 | | 806 |
| | | 964 | | 964 | | 806 |
| **Corporate and Other Segment** | | | | | | |
| UPC Management Services | | 8,034 | | 7,964 | | 7,964 |
| Corporate Administration & Other | | (6,854) | | (7,102) | | (5,684) |
| | | 1,180 | | 862 | | 2,280 |
| **Total[2]** | **$** | **(22,710)** | **$** | **(21,972)** | **$** | **(15,909)** |

Notes:
1. Previous Outlook as reported in the Company's June 30, 2021 MD&A,
2. Only material operations shown.
3. The budget is prepared on a cash basis. As a result, actual amounts represent a non-GAAP measure. Compared to segment loss as presented in the Company's unaudited interim consolidated financial statements for the six months ended June 30, 2021, actual amounts reported above excludes $101,000 net impact of non-cash items and other adjustments.

# ADDITIONAL INFORMATION

## SIGNIFICANT ACCOUNTING POLICIES

The Company has not changed its accounting policies from those applied in its audited annual consolidated financial statements for the year ended December 31, 2020, except as noted below.

During the nine months ended September 30, 2021, the Company acquired physical uranium to be held as a long-term investment. As physical uranium is not a financial asset, the provisions of IFRS 9 "Financial Instruments" do not apply to the Company's investment in uranium. In addition, during the nine months ended September 30, 2021, the Company acquired an interest in a joint venture through its acquisition of 50% of JCU. As a result of these changes, the Company has added the following accounting policies:

(a) Investments-uranium

Investments in uranium are initially recorded at cost, on the date that control of the uranium passes to the Company. Cost is calculated as the purchase price and any directly attributable expenditure. Subsequent to initial recognition, investments in uranium are measured at fair value at each reporting period end. Fair value is determined based on the most recent month-end spot prices for uranium published by UxC LLC ('UxC') and converted to Canadian dollars using the foreign exchange rate at the date of the consolidated statement of financial position. Related fair value gains and losses subsequent to initial recognition are recorded in the consolidated statement of income (loss) as a component of Other Income (Expense) in the period in which they arise.

The Company is presenting its uranium investments at fair value based on the application of IAS 40 "Investment Property" which allows for the use of a fair value model for assets held for long-term capital appreciation.

(b) Investments-joint venture

A joint venture is an arrangement over which the Company shares joint control, and which provides the Company with rights to the net assets of the arrangement. As at September 30, 2021, Denison holds a 50% interest in JCU, a stand-alone company, and shares joint control. Accordingly, this joint venture is accounted for using the equity method

Under the equity method, investments in joint ventures are initially recorded at cost and adjusted thereafter to record the Company's share of post-acquisition earnings or loss of the joint venture as if the joint venture had been consolidated. The carrying value of investments in joint ventures is also increased or decreased to reflect the Company's share of capital transactions, including amounts recognized in other comprehensive income, and for accounting changes that relate to periods subsequent to the date of acquisition.

### QUALIFIED PERSON

David Bronkhorst, P.Eng., Denison's Vice President Operations, who is a 'Qualified Person' within the meaning of this term in NI 43-101, has prepared and/or reviewed and confirmed the scientific and technical disclosure pertaining to the Company's evaluation programs.

Andy Yackulic, P.Geo., Denison's Director Exploration, who is a 'Qualified Person' within the meaning of this term in NI 43-101, has prepared and/or reviewed and confirmed the scientific and technical disclosure pertaining to the Company's exploration programs.

For more information regarding each of Denison's material projects discussed herein, you are encouraged to refer to the applicable technical reports available on the Company's website and under the Company's profile on SEDAR (www.sedar.com) and EDGAR (www.sec.gov/edgar.shtml):

- For the Wheeler River project, the 'Prefeasibility Study Report for the Wheeler River Uranium Project Saskatchewan, Canada' dated October 30, 2018;
- For the Waterbury Lake project, 'Preliminary Economic Assessment for the Tthe Heldeth Túé (J Zone) Deposit, Waterbury Lake Property, Northern Saskatchewan, Canada' with an effective date of October 30, 2020;
- For the Midwest project, 'Technical Report with an Updated Mineral Resource Estimate for the Midwest Property, Northern Saskatchewan, Canada' dated March 26, 2018; and
- For the McClean Lake project, (A) the 'Technical Report on the Denison Mines Inc. Uranium Properties, Saskatchewan, Canada' dated November 21, 2005, as revised February 16, 2006, (B) the 'Technical Report on the Sue D Uranium Deposit Mineral Resource Estimate, Saskatchewan, Canada' dated March 31, 2006, and (C) the 'Technical Report on the Mineral Resource Estimate for the McClean North Uranium Deposits, Saskatchewan' dated January 31, 2007.

### ASSAY PROCEDURES AND DATA VERIFICATION

The Company reports preliminary radiometric equivalent grades ('$eU_3O_8$'), derived from a calibrated down-hole total gamma probe, during or upon completion of its exploration programs and subsequently reports definitive $U_3O_8$ assay grades following sampling and chemical analysis of the mineralized drill core. Uranium assays are performed on split core samples by the Saskatchewan Research Council ('SRC') Geoanalytical Laboratories using an ISO/IEC 17025:2005 accredited method for the determination of $U_3O_8$ weight %. Sample preparation involves crushing and pulverizing core samples to 90% passing -106 microns. The resultant pulp is digested using aqua-regia and the solution analyzed for $U_3O_8$ weight % using ICP-OES. Geochemical results from composite core samples are reported as parts per million ('ppm') obtained from a partial $HNO_3$:HCl digest with an ICP-MS finish. Boron values are obtained through $NaO_2$/$NaCO_3$ fusion followed by an ICP-OES finish. All data are subject to verification procedures by qualified persons employed by Denison prior to disclosure. For further details on Denison's sampling, analysis, quality assurance program and quality control measures and data verification procedures please see Denison's Annual Information Form dated March 26, 2021 available on the Company's website and filed under the Company's profile on SEDAR (www.sedar.com) and in its Form 40-F available on EDGAR at www.sec.gov/edgar.shtml.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain information contained in this MD&A constitutes 'forward-looking information', within the meaning of the applicable United States and Canadian legislation concerning the business, operations and financial performance and condition of Denison.

Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as 'plans', 'expects', 'budget', 'scheduled', 'estimates', 'forecasts', 'intends', 'anticipates', or 'believes', or the negatives and/or variations of such words and phrases, or state that certain actions, events or results 'may', 'could', 'would', 'might' or 'will be taken', 'occur', 'be achieved' or 'has the potential to'.

In particular, this MD&A contains forward-looking information pertaining to the following: Denison's plans and objectives for 2021 and beyond, including the proposed use of proceeds of recent equity financings; the benefits to be derived from corporate transactions, including commitments to acquire physical uranium, and estimates of related expenditures; the estimates of Denison's mineral reserves and mineral resources; exploration, development and expansion plans and objectives, including Denison's planned engineering, environmental assessment and other evaluation programs, the results of, and estimates and assumptions within, the PFS, FS, and statements regarding anticipated budgets, fees, expenditures and timelines; expectations regarding Denison's community engagement activities and related agreements, including the Participation and Funding Agreement and Exploration Agreement with ERFN and the anticipated continuity thereof; expectations regarding Denison's joint venture ownership interests and the continuity of its agreements with its partners; expectations regarding adding to its mineral reserves and resources through acquisitions or exploration; expectations regarding the toll milling of Cigar Lake ores, including the impacts of COVID-19; expectations regarding revenues and expenditures from its Closed Mines operations; and the annual operating budget and capital expenditure programs, estimated exploration and development expenditures and reclamation costs and Denison's share of same. Statements relating to 'mineral reserves' or 'mineral resources' are deemed to be forward-looking information, as they involve the implied assessment, based on certain estimates and assumptions that the mineral reserves and mineral resources described can be profitably produced in the future.

Forward looking statements are based on the opinions and estimates of management as of the date such statements are made, and they are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Denison to be materially different from those expressed or implied by such forward-looking statements. For example, the results of the Denison's studies, including the PFS, trade-off study, and field work, may not be maintained after further testing or be representative of actual mining plans for the Phoenix deposit after further design and studies are completed. In addition, Denison may decide or otherwise be required to discontinue testing, evaluation and development work at Wheeler River or other projects or its exploration plans if it is unable to maintain or otherwise secure the necessary resources (such as testing facilities, capital funding, regulatory approvals, etc.) or operations are otherwise affected by COVID-19 and its potentially far-reaching impacts.

Denison believes that the expectations reflected in this forward-looking information are reasonable but no assurance can be given that these expectations will prove to be accurate and results may differ materially from those anticipated in this forward-looking information. For a discussion in respect of risks and other factors that could influence forward-looking events, please refer to the factors discussed in Denison's Annual Information Form dated March 26, 2021 under the heading 'Risk Factors'. These factors are not, and should not be construed as being exhaustive.

Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement. Any forward-looking information and the assumptions made with respect thereto speaks only as of the date of this MD&A. Denison does not undertake any obligation to publicly update or revise any forward-looking information after the date of this MD&A to conform such information to actual results or to changes in Denison's expectations except as otherwise required by applicable legislation.

**Cautionary Note to United States Investors Concerning Estimates of Measured, Indicated and Inferred Mineral Resources and Probable Mineral Reserves:** This MD&A may use the terms 'measured', 'indicated' and 'inferred' mineral resources. United States investors are advised that while such terms have been prepared in accordance with the definition standards on mineral reserves of the Canadian Institute of Mining, Metallurgy and Petroleum referred to in Canadian National Instrument 43-101 Standards of Disclosure for Mineral Projects ('NI 43-101') and are recognized and required by Canadian regulations, these terms are not defined under Industry Guide 7 under the United States Securities Act and, until recently, have not been permitted to be used in reports and registration statements filed with the United States Securities and Exchange Commission ('SEC'). 'Inferred mineral resources' have a great amount of uncertainty as to their existence, and as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or other economic studies. **United States investors are cautioned not to assume that all or any part of measured or indicated mineral resources will ever be converted into mineral reserves. United States investors are also cautioned not to assume that all or any part of an inferred mineral resource exists, or is economically or legally mineable.** In addition, the terms "mineral reserve", "proven mineral reserve" and "probable mineral reserve" for the purposes of NI 43-101 differ from the definitions and allowable usage in Industry Guide 7.

Effective February 2019, the SEC adopted amendments to its disclosure rules to modernize the mineral property disclosure requirements for issuers whose securities are registered with the SEC under the Exchange Act and as a result, the SEC now recognizes estimates of "measured mineral resources", "indicated mineral resources" and "inferred mineral resources". In addition, the SEC has amended its definitions of "proven mineral reserves" and "probable mineral reserves" to be "substantially similar" to the corresponding definitions under the CIM Standards, as required under NI 43-101. However, information regarding mineral resources or mineral reserves in Denison's disclosure may not be comparable to similar information made public by United States companies.

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited - Expressed in thousands of Canadian dollars ("CAD") except for share amounts)

| | At September 30 2021 | At December 31 2020 |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash and cash equivalents (note 4) | $ 50,877 | $ 24,992 |
| Trade and other receivables (note 5) | 4,469 | 3,374 |
| Inventories (note 6) | 3,119 | 3,015 |
| Investments-equity instruments (note 7) | 25,958 | 16,657 |
| Prepaid expenses and other | 1,163 | 1,373 |
| | 85,586 | 49,411 |
| **Non-Current** | | |
| Inventories-ore in stockpiles (note 6) | 2,098 | 2,098 |
| Investments-equity instruments (note 7) | 468 | 293 |
| Investments-uranium (note 7) | 131,483 | - |
| Investments-joint venture (note 8) | 21,771 | - |
| Prepaid expenses and other | 260 | - |
| Restricted cash and investments (note 9) | 12,337 | 12,018 |
| Property, plant and equipment (note 10) | 255,689 | 256,870 |
| Total assets | $ 509,692 | $ 320,690 |
| **LIABILITIES** | | |
| **Current** | | |
| Accounts payable and accrued liabilities (note 11) | $ 9,019 | $ 7,178 |
| Current portion of long-term liabilities: | | |
| Deferred revenue (note 12) | 4,656 | 3,478 |
| Post-employment benefits (note 13) | 120 | 120 |
| Reclamation obligations (note 14) | 802 | 802 |
| Other liabilities (note 16) | 205 | 262 |
| | 14,802 | 11,840 |
| **Non-Current** | | |
| Deferred revenue (note 12) | 32,526 | 33,139 |
| Post-employment benefits (note 13) | 1,174 | 1,241 |
| Reclamation obligations (note 14) | 38,026 | 37,618 |
| Share purchase warrants liability (note 15) | 24,801 | - |
| Other liabilities (note 16) | 357 | 375 |
| Deferred income tax liability | 7,707 | 9,192 |
| Total liabilities | 119,393 | 93,405 |
| **EQUITY** | | |
| Share capital (note 17) | 1,508,481 | 1,366,710 |
| Contributed surplus (note 18) | 67,003 | 67,387 |
| Deficit | (1,186,961) | (1,208,587) |
| Accumulated other comprehensive income (note 19) | 1,776 | 1,775 |
| Total equity | 390,299 | 227,285 |
| Total liabilities and equity | $ 509,692 | $ 320,690 |
| Issued and outstanding common shares (in thousands) (note 17) | 807,362 | 678,982 |

Commitments and contingencies (note 25)
Subsequent events (note 26)

The accompanying notes are integral to the condensed interim consolidated financial statements

# CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(Unaudited - Expressed in thousands of CAD dollars except for share and per share amounts)

| | Three Month Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| **REVENUES** (note 21) | $ 9,541 | $ 2,743 | $ 16,663 | $ 10,329 |
| **EXPENSES** | | | | |
| Operating (note 20, 21) | (4,319) | (2,358) | (9,898) | (7,726) |
| Evaluation (note 21) | (3,839) | (790) | (12,981) | (2,647) |
| Exploration (note 21) | (842) | (954) | (2,718) | (3,133) |
| General and administrative (note 21) | (2,089) | (2,110) | (7,076) | (5,719) |
| Other income (expense) (note 20) | 34,999 | (1,318) | 39,306 | (2,347) |
| | 23,910 | (7,530) | 6,633 | (21,572) |
| Income (loss) before net finance expense | 33,451 | (4,787) | 23,296 | (11,243) |
| Finance expense, net (note 20) | (1,054) | (1,081) | (3,093) | (3,205) |
| Equity share of loss of joint venture (note 8) | (84) | - | (84) | - |
| Income (loss) before taxes | 32,313 | (5,868) | 20,119 | (14,448) |
| Income tax recovery (note 23) | | | | |
| Deferred | 553 | 386 | 1,507 | 1,260 |
| Net income (loss) for the period | $ 32,866 | $ (5,482) | $ 21,626 | $ (13,188) |
| Other comprehensive income (loss) (note 19): | | | | |
| Items that may be reclassified to income (loss): | | | | |
| Foreign currency translation change | 4 | 3 | 1 | (4) |
| Comprehensive income (loss) for the period | $ 32,870 | $ (5,479) | $ 21,627 | $ (13,192) |
| Basic and diluted net income (loss) per share: | | | | |
| Basic | $ 0.04 | $ (0.01) | $ 0.03 | $ (0.02) |
| Diluted | $ 0.04 | $ (0.01) | $ 0.03 | $ (0.02) |
| Weighted-average number of shares outstanding (in thousands): | | | | |
| Basic | 805,987 | 626,182 | 775,157 | 614,871 |
| Diluted | 816,365 | 626,182 | 784,991 | 614,871 |

The accompanying notes are integral to the condensed interim consolidated financial statements

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited - Expressed in thousands of CAD dollars)

| | Nine Months Ended September 30 2021 | Nine Months Ended September 30 2020 |
|---|---|---|
| **Share capital (note 17)** | | |
| Balance-beginning of period | $ 1,366,710 | $ 1,335,467 |
| Shares issued for cash, net of issue costs | 134,050 | 6,878 |
| Share options exercised-cash | 5,349 | 77 |
| Share options exercised-fair value adjustment | 1,833 | 25 |
| Share units exercised-fair value adjustment | 538 | 164 |
| Warrants exercised-cash | 1 | - |
| Balance-end of period | 1,508,481 | 1,342,611 |
| **Share purchase warrants** | | |
| Balance-beginning of period | - | 435 |
| Warrants expired | - | (435) |
| Balance-end of period | - | - |
| **Contributed surplus** | | |
| Balance-beginning of period | 67,387 | 65,417 |
| Share-based compensation expense (note 18) | 1,987 | 1,373 |
| Share options exercised-fair value adjustment | (1,833) | (25) |
| Share units exercised-fair value adjustment | (538) | (164) |
| Warrants expired | - | 435 |
| Balance-end of period | 67,003 | 67,036 |
| **Deficit** | | |
| Balance-beginning of period | (1,208,587) | (1,192,304) |
| Net income (loss) | 21,626 | (13,188) |
| Balance-end of period | (1,186,961) | (1,205,492) |
| **Accumulated other comprehensive income (note 19)** | | |
| Balance-beginning of period | 1,775 | 1,134 |
| Foreign currency translation | 1 | (4) |
| Balance-end of period | 1,776 | 1,130 |
| **Total Equity** | | |
| Balance-beginning of period | 227,285 | 210,149 |
| Balance-end of period | $ 390,299 | $ 205,285 |

The accompanying notes are integral to the condensed interim consolidated financial statements

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited - Expressed in thousands of CAD dollars)

| CASH PROVIDED BY (USED IN): | Nine Months Ended September 30 2021 | 2020 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net income (loss) for the period | $ 21,626 | $ (13,188) |
| Items not affecting cash and cash equivalents: | | |
| Depletion, depreciation, amortization and accretion | 5,095 | 4,920 |
| Share-based compensation (note 18) | 1,987 | 1,373 |
| Recognition of deferred revenue (note 12) | (1,756) | (1,210) |
| Loss (gain) on property, plant and equipment disposals (note 20) | 2 | (407) |
| Gain on lease liability derecognition | (4) | - |
| Fair value change losses (gains): | | |
| Investments-equity instruments (note 20) | (9,476) | 2,094 |
| Investments-uranium (note 20) | (43,672) | - |
| Share warrant liabilities (note 20) | 11,567 | - |
| Joint venture-share of equity loss (note 8) | 84 | - |
| Warrant liabilities issue costs expensed (note 17) | 791 | - |
| Foreign exchange losses (gains) (note 20) | 1,219 | - |
| Deferred income tax recovery | (1,507) | (1,260) |
| Post-employment benefit payments (note 13) | (84) | (63) |
| Reclamation obligation expenditures (note 14) | (599) | (606) |
| Change in non-cash working capital items (note 20) | (114) | (133) |
| Net cash used in operating activities | (14,841) | (8,480) |
| **INVESTING ACTIVITIES** | | |
| Sale of investments-equity instruments (note 7) | - | 477 |
| Purchase of investments-uranium (note 7) | (87,811) | (7) |
| Increase in term loan receivable and investment in joint venture (note 8) | (40,950) | - |
| Repayment of term loan receivable (note 8) | 20,450 | - |
| Transaction costs-investment in joint venture (note 8) | (1,355) | - |
| Purchase of property, plant and equipment (note 10) | (446) | (153) |
| Proceeds on sale of property, plant and equipment | 2 | 137 |
| Increase in restricted cash and investments | (319) | (196) |
| Net cash (used in) contributed by investing activities | (110,429) | 258 |
| **FINANCING ACTIVITIES** | | |
| Issuance of debt obligations (note 16) | 34 | - |
| Repayment of debt obligations (note 16) | (189) | (405) |
| Proceeds from unit issues, net of issue costs (note 17) | 135,630 | - |
| Proceeds from share issues, net of issue costs (note 17) | 10,863 | 6,878 |
| Share option exercise proceeds (note 17) | 5,349 | 77 |
| Warrant exercise proceeds | 1 | - |
| Net cash provided by financing activities | 151,688 | 6,550 |
| Increase (decrease) in cash and cash equivalents | 26,418 | (1,672) |
| Foreign exchange effect on cash and cash equivalents | (533) | - |
| Cash and cash equivalents, beginning of period | 24,992 | 8,190 |
| Cash and cash equivalents, end of period | $ 50,877 | $ 6,518 |

The accompanying notes are integral to the condensed interim consolidated financial statements

# NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

(Unaudited - Expressed in CAD dollars except for shares and per share amounts)

## 1. NATURE OF OPERATIONS

Denison Mines Corp. ("DMC") and its subsidiary companies and joint arrangements (collectively, "Denison" or the "Company") are engaged in uranium mining related activities, which can include acquisition, exploration and development of uranium bearing properties, extraction, processing, and selling of, and investing in uranium.

The Company has an effective 95.0% interest in the Wheeler River Joint Venture ("WRJV"), a 66.90% interest in the Waterbury Lake Limited Partnership ("WLULP"), a 22.5% interest in the McClean Lake Joint Venture ("MLJV") (which includes the McClean Lake mill) and a 25.17% interest in the Midwest Joint Venture ("MWJV"), each of which are located in the eastern portion of the Athabasca Basin region in northern Saskatchewan, Canada. The McClean Lake mill is contracted to provide toll milling services to the Cigar Lake Joint Venture ("CLJV") under the terms of a toll milling agreement between the parties (see note 14). In addition, the Company has varying ownership interests in a number of other development and exploration projects located in Canada.

Additionally, through its 50% ownership of JCU (Canada) Exploration Company, Limited ("JCU"), Denison holds additional interest in various uranium project joint ventures in Canada including the Millennium project (JCU 30.099%), the Kiggavik project (JCU 33.8123%) and Christie Lake (JCU 34.4508%). See note 8 for details.

The Company provides mine decommissioning and other services (collectively "environmental services") to third parties through its Closed Mines group and until July 19, 2021, was also the manager of Uranium Participation Corporation ("UPC"). See note 22 for further details.

DMC is incorporated under the Business Corporations Act (Ontario) and domiciled in Canada. The address of its registered head office is 40 University Avenue, Suite 1100, Toronto, Ontario, Canada, M5J 1T1.

## 2. STATEMENT OF COMPLIANCE

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2020. The Company's presentation currency is Canadian dollars ("CAD").

These financial statements were approved by the board of directors for issue on November 4, 2021.

## 3. ACCOUNTING POLICIES AND COMPARATIVE NUMBERS

### Accounting Policies

The significant accounting policies followed in these condensed interim consolidated financial statements are consistent with those applied in the Company's audited annual consolidated financial statements for the year ended December 31, 2020 except as noted below.

During the nine months ended September 30, 2021, the Company acquired physical uranium to be held as a long-term investment. As physical uranium is not a financial asset, the provisions of IFRS 9 "Financial Instruments" do not apply to the Company's investment in uranium. In addition, during the nine months ended September 30, 2021, the Company acquired an investment in a joint venture through its acquisition of 50% of JCU (see note 8). As a result of these changes, the Company has added the following new accounting policies in 2021:

#### (a) Investments-uranium

Investments in uranium are initially recorded at cost, on the date that control of the uranium passes to the Company. Cost is calculated as the purchase price and any directly attributable expenditure. Subsequent to initial recognition, investments in uranium are measured at fair value at each reporting period end. Fair value is determined based on the most recent month-end spot prices for uranium published by UxC LLC ("UxC") and converted to Canadian dollars using the foreign exchange rate at the date of the consolidated statement of financial position. Related fair value gains and losses subsequent to initial recognition are recorded in the consolidated statement of income (loss) as a component of "Other Income (Expense)" in the period in which they arise.

The Company is presenting its uranium investments at fair value based on the application of IAS 40 "Investment Property" which allows for the use of a fair value model for assets held for long-term capital appreciation.

**(b) Investments-joint venture**

A joint venture is an arrangement over which the Company shares joint control and which provides the Company with rights to the net assets of the arrangement. As at September 30, 2021, Denison holds a 50% interest in JCU, a stand-alone company, and shares joint control. Accordingly, this joint venture is accounted for using the equity method.

Under the equity method, investments in joint ventures are initially recorded at cost and adjusted thereafter to record the Company's share of post-acquisition earnings or loss of the joint venture as if the joint venture had been consolidated. The carrying value of investments in joint ventures is also increased or decreased to reflect the Company's share of capital transactions, including amounts recognized in other comprehensive income, and for accounting changes that relate to periods subsequent to the date of acquisition.

**Comparative numbers**

Certain classifications of the comparative figures have been changed to conform to those used in the current period.

## 4. CASH AND CASH EQUIVALENTS

The cash and cash equivalent balance consists of:

| (in thousands of CAD dollars) | | At September 30 2021 | | At December 31 2020 |
|---|---|---|---|---|
| Cash | $ | 2,344 | $ | 12,004 |
| Cash in MLJV and MWJV | | 613 | | 540 |
| Cash equivalents | | 47,920 | | 12,448 |
| | $ | 50,877 | $ | 24,992 |

## 5. TRADE AND OTHER RECEIVABLES

The trade and other receivables balance consists of:

| (in thousands of CAD dollars) | | At September 30 2021 | | At December 31 2020 |
|---|---|---|---|---|
| Trade receivables | $ | 3,836 | $ | 2,644 |
| Receivables in MLJV and MWJV | | 307 | | 394 |
| Sales tax receivables | | 325 | | 154 |
| Sundry receivables | | 1 | | 182 |
| | $ | 4,469 | $ | 3,374 |

## 6. INVENTORIES

The inventories balance consists of:

| (in thousands of CAD dollars) | | At September 30 2021 | | At December 31 2020 |
|---|---|---|---|---|
| Inventory of ore in stockpiles | $ | 2,098 | $ | 2,098 |
| Mine and mill supplies in MLJV | | 3,119 | | 3,015 |
| | $ | 5,217 | $ | 5,113 |
| Inventories-by balance sheet presentation: | | | | |
| Current | $ | 3,119 | $ | 3,015 |
| Long-term-ore in stockpiles | | 2,098 | | 2,098 |
| | $ | 5,217 | $ | 5,113 |

## 7. INVESTMENTS

The investments balance consists of:

| (in thousands of CAD dollars) | | At September 30 2021 | | At December 31 2020 |
|---|---|---|---|---|
| Investments: | | | | |
| Equity instruments | | | | |
| Shares | $ | 25,958 | $ | 16,657 |
| Warrants | | 468 | | 293 |
| Uranium | | 131,483 | | - |
| | $ | 157,909 | $ | 16,950 |
| Investments-by balance sheet presentation: | | | | |
| Current | $ | 25,958 | $ | 16,657 |
| Long-term | | 131,951 | | 293 |
| | $ | 157,909 | $ | 16,950 |

The investments continuity summary is as follows:

| (in thousands of CAD dollars) | | Equity Instruments | | Physical Uranium | | Investments |
|---|---|---|---|---|---|---|
| Balance - December 31, 2020 | $ | 16,950 | $ | - | $ | 16,950 |
| Purchase of investments | | - | | 87,811 | | 87,811 |
| Fair value gain to profit and loss (note 20) | | 9,476 | | 43,672 | | 53,148 |
| Balance – September 30, 2021 | $ | 26,426 | $ | 131,483 | $ | 157,909 |

During the nine months ended September 30, 2021, the Company entered into purchase agreements to acquire a total of 2,500,000 pounds of physical uranium as $U_3O_8$ to be held as a long-term investment. As at September 30, 2021, the Company has purchased 2,400,000 pounds of physical uranium as $U_3O_8$ at a cost of $87,811,000 (USD$71,070,000), including purchase commissions. See note 25 for additional details on the Company's remaining purchase commitment of physical uranium.

See note 26 for further details.

## 8. INVESTMENT IN JOINT VENTURE

The investment in joint venture balance consists of:

| (in thousands) | | At September 30 2021 | | At September 30 2020 |
|---|---|---|---|---|
| Investment in joint venture-by investee: | | | | |
| JCU | $ | 21,771 | $ | - |
| | $ | 21,771 | $ | - |

A summary of the investment in JCU is as follows:

| (in thousands) | | |
|---|---|---|
| Balance-December 31, 2020 | $ | - |
| Investment at cost: | | |
| Acquisition of 50% of JCU | | 21,855 |
| Share of equity loss | | (84) |
| Balance-September 30, 2021 | $ | 21,771 |

On August 3, 2021, Denison completed the acquisition of 50% of JCU from UEX Corporation ("UEX"), for cash consideration of $20,500,000 plus transaction costs of $1,355,000. Denison's acquisition of its 50% interest in JCU occurred immediately following UEX's acquisition of all the outstanding shares of JCU from Overseas Uranium Resources Development Co., Limited ("OURD") for cash consideration of $41,000,000.

Pursuant to Denison's agreement with UEX, Denison provided UEX with an interest-free 90-day term loan of $40,950,000 million (the "Term Loan") to facilitate UEX's purchase of JCU from OURD. On the transfer of 50% of the shares in JCU from UEX to Denison, $20,500,000 of the amount drawn under the Term Loan was deemed repaid by UEX. UEX repaid the remainder of the Term Loan in September 2021.

JCU is a private company that holds a portfolio of twelve uranium project joint venture interests in Canada, including a 10% interest the Wheeler River project, a 30.099% interest in the Millennium project (Cameco Corporation 69.901%), a 33.8123% interest in the Kiggavik project (Orano Canada Inc. 66.1877%), and a 34.4508% interest in the Christie Lake Project (UEX 65.5492%).

The following tables are summaries of the consolidated financial information of JCU on a 100% basis, taking into account adjustments made by Denison for equity accounting purposes (including fair value adjustments and differences in accounting policy). Denison records its share of equity earnings (loss) in JCU one month in arrears (due to the information not yet being available), adjusted for any known material transactions that have occurred up to the quarter end date on which Denison is reporting.

| (in thousands) | | At September 30 2021 | | At Acquisition [1] |
|---|---|---|---|---|
| Total current assets[2] | $ | 5,825 | $ | 5,825 |
| Total non-current assets | | 38,064 | | 38,064 |
| Total current liabilities | | (348) | | (181) |
| Total non-current liabilities | | - | | - |
| Total net assets | $ | 43,541 | $ | 43,708 |

| | | 1 Month Ended August 31,2021 |
|---|---|---|
| Revenue | $ | - |
| Net loss | | (167) |
| Other comprehensive income (loss) | $ | - |

Reconciliation of JCU net assets to Denison investment carrying value:

| | | |
|---|---|---|
| Net assets of JCU–at acquisition | $ | 43,708 |
| Net loss | | (167) |
| Net assets of JCU–at September 30, 2021 | $ | 43,541 |
| Denison ownership interest | | 50.00% |
| Denison share of net assets of JCU | | 21,771 |
| Other adjustments | | - |
| Investment in JCU | $ | 21,771 |

(1) Based on available August 3, 2021 financial information.
(2) Included in current assets are $5,823,000 in cash and cash equivalents, $2,000 in accounts receivable

## 9. RESTRICTED CASH AND INVESTMENTS

The restricted cash and investments balance consists of:

| (in thousands of CAD dollars) | | At September 30 2021 | | At December 31 2020 |
|---|---|---|---|---|
| Cash and cash equivalents | $ | 3,202 | $ | 2,883 |
| Investments | | 9,135 | | 9,135 |
| | $ | 12,337 | $ | 12,018 |
| Restricted cash and investments-by item: | | | | |
| Elliot Lake reclamation trust fund | $ | 3,202 | $ | 2,883 |
| Letters of credit facility pledged assets | | 9,000 | | 9,000 |
| Letters of credit additional collateral | | 135 | | 135 |
| | $ | 12,337 | $ | 12,018 |

At September 30, 2021, all term deposits have maturities of less than 90 days at date of purchase.

**Elliot Lake Reclamation Trust Fund**

During the nine months ended September 30, 2021, the Company deposited an additional $793,000 into the Elliot Lake Reclamation Trust Fund and withdrew $477,000.

**Letters of Credit Facility Pledged Assets**

At September 30, 2021, the Company had on deposit $9,000,000 with the Bank of Nova Scotia ("BNS") as pledged restricted cash and investments pursuant to its obligations under an amended and extended letters of credit facility (see notes 14 and 16).

**Letters of Credit Additional Collateral**

At September 30, 2021, the Company had on deposit an additional $135,000 of cash collateral with BNS in respect of the portion of its issued reclamation letters of credit in excess of the collateral available under its letters of credit facility (see notes 14 and 16).

## 10. PROPERTY, PLANT AND EQUIPMENT

The property, plant and equipment ("PP&E") continuity summary is as follows:

| (in thousands of CAD dollars) | Plant and Equipment Owned | Plant and Equipment Right-of-Use | Mineral Properties | Total PP&E |
|---|---|---|---|---|
| Cost: | | | | |
| Balance – December 31, 2020 | $ 106,087 | $ 891 | $ 179,743 | $ 286,721 |
| Additions | 404 | 83 | 32 | 519 |
| Disposals | (117) | (21) | - | (138) |
| Recoveries | - | - | (1) | (1) |
| Balance – September 30, 2021 | $ 106,374 | $ 953 | $ 179,774 | $ 287,101 |
| Accumulated amortization, depreciation: | | | | |
| Balance – December 31, 2020 | $ (29,495) | $ (356) | $ - | $ (29,851) |
| Amortization | (210) | - | - | (210) |
| Depreciation | (1,333) | (152) | - | (1,485) |
| Disposals | 117 | 17 | - | 134 |
| Balance – September 30, 2021 | $ (30,921) | $ (491) | $ - | $ (31,412) |
| Carrying value: | | | | |
| Balance – December 31, 2020 | $ 76,592 | $ 535 | $ 179,743 | $ 256,870 |
| Balance – September 30, 2021 | $ 75,453 | $ 462 | $ 179,774 | $ 255,689 |

**Plant and Equipment – Owned**

The Company has a 22.5% interest in the McClean Lake mill through its ownership interest in the MLJV. The carrying value of the mill, comprised of various infrastructure, building and machinery assets, represents $67,592,000, or 89%, of the September 2021 owned plant and equipment total carrying value amount. See note 12 for the current operating status of the McClean Lake mill.

**Plant and Equipment – Right-of-Use**

The Company has included the cost of various right-of-use ("ROU") assets within its plant and equipment carrying value amount. These assets consist of building, vehicle and office equipment leases. The majority of the ROU assets value, 77.3%, is attributable to the building lease assets for the Company's office and warehousing spaces located in Toronto and Saskatoon.

**Mineral Properties**

As at September 30, 2021, the Company has various interests in development, evaluation and exploration projects located in Saskatchewan, Canada, which are either held directly or through option or various contractual agreements. The properties with significant carrying values, being Wheeler River, Waterbury Lake, Midwest, Mann Lake, Wolly, Johnston Lake and McClean Lake, represent $162,673,000, or 90.5%, of the September 2021 total mineral property carrying amount.

## 11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounts payable and accrued liabilities balance consists of:

| (in thousands of CAD dollars) | At September 30 2021 | At December 31 2020 |
|---|---|---|
| Trade payables | $ 4,119 | $ 2,513 |
| Payables in MLJV and MWJV | 4,010 | 3,719 |
| Other payables | 890 | 946 |
| | $ 9,019 | $ 7,178 |

## 12. DEFERRED REVENUE

The deferred revenue balance consists of:

| (in thousands of CAD dollars) | | At September 30 2021 | | At December 31 2020 |
|---|---|---|---|---|
| Deferred revenue – pre-sold toll milling: | | | | |
| CLJV toll milling – APG | $ | 37,182 | $ | 36,617 |
| | $ | 37,182 | $ | 36,617 |
| Deferred revenue-by balance sheet presentation: | | | | |
| Current | $ | 4,656 | $ | 3,478 |
| Non-current | | 32,526 | | 33,139 |
| | $ | 37,182 | $ | 36,617 |

The deferred revenue liability continuity summary is as follows:

| (in thousands of CAD dollars) | | Deferred Revenue |
|---|---|---|
| Balance - December 31, 2020 | $ | 36,617 |
| Accretion (note 20) | | 2,321 |
| Revenue recognized during the period (note 21) | | (1,756) |
| Balance – September 30, 2021 | $ | 37,182 |

**Arrangement with Anglo Pacific Group PLC ("APG")**

In February 2017, Denison closed an arrangement with APG under which Denison received an upfront payment in exchange for its right to receive specified future toll milling cash receipts from the MLJV under the current toll milling agreement with the CLJV from July 1, 2016 onwards. The APG Arrangement represents a contractual obligation of Denison to pay onward to APG any cash proceeds of future toll milling revenue earned by the Company related to the processing of specified Cigar Lake ore through the McClean Lake mill. The deferred revenue balance represents a non-cash liability, which is adjusted as any toll milling revenue received by Denison is passed through to APG or any changes in Cigar Lake Phase 1 and Phase 2 toll milling production estimates are recognized.

In the nine months ended September 30, 2021, the Company has recognized $1,756,000 of toll milling revenue from the draw-down of deferred revenue consisting of $1,695,000 based on Cigar Lake toll milling production in the nine-month period (6,552,000 pounds $U_3O_8$ on a 100% basis) and a retroactive $61,000 increase in revenue resulting from changes in estimates to the toll milling drawdown rate in the second quarter of 2021. For the comparative nine months ended September 30, 2020, the Company recognized $1,210,000 of toll milling revenue from the draw-down of deferred revenue comprised of $1,050,000 based on Cigar Lake toll milling production in the quarter (4,550,000 pounds $U_3O_8$ on a 100% basis) and a retroactive $59,000 increase in revenue resulting from changes in estimates to the toll milling drawdown rate in the second quarter of 2020.

Production at the Cigar Lake mine and the McClean Lake mill, was temporarily suspended at the beginning of 2021, owing to the shut-down of the Cigar Lake mine in response to the COVID-19 pandemic. Cameco restarted ore production at the Cigar Lake mine in April 2021 and toll-milling production at McClean Lake restarted in May 2021, with packaged uranium production resuming in early June 2021. The current portion of the deferred revenue liability at September 2021 reflects Denison's estimate of Cigar Lake toll milling over the next 12 months. This assumption is based on current mill packaged production expectations and will be reassessed on a quarterly basis.

## 13. POST-EMPLOYMENT BENEFITS

The post-employment benefits balance consists of:

| (in thousands of CAD dollars) | At September 30 2021 | At December 31 2020 |
|---|---|---|
| Accrued benefit obligation | $ 1,294 | $ 1,361 |
| | $ 1,294 | $ 1,361 |
| Post-employment benefits-by balance sheet presentation: | | |
| Current | $ 120 | $ 120 |
| Non-current | 1,174 | 1,241 |
| | $ 1,294 | $ 1,361 |

The post-employment benefits continuity summary is as follows:

| (in thousands of CAD dollars) | Post-Employment Benefits |
|---|---|
| Balance - December 31, 2020 | $ 1,361 |
| Accretion (note 20) | 17 |
| Benefits paid | (84) |
| Balance – September 30, 2021 | $ 1,294 |

## 14. RECLAMATION OBLIGATIONS

The reclamation obligations balance consists of:

| (in thousands of CAD dollars) | At September 30 2021 | At December 31 2020 |
|---|---|---|
| Reclamation obligations-by location: | | |
| Elliot Lake | $ 21,489 | $ 21,523 |
| McClean and Midwest Joint Ventures | 17,317 | 16,875 |
| Other | 22 | 22 |
| | $ 38,828 | $ 38,420 |
| Reclamation obligations-by balance sheet presentation: | | |
| Current | $ 802 | $ 802 |
| Non-current | 38,026 | 37,618 |
| | $ 38,828 | $ 38,420 |

The reclamation obligations continuity summary is as follows:

| (in thousands of CAD dollars) | Reclamation Obligations |
|---|---|
| Balance - December 31, 2020 | $ 38,420 |
| Accretion (note 20) | 1,007 |
| Expenditures incurred | (599) |
| Balance – September 30, 2021 | $ 38,828 |

**Site Restoration: Elliot Lake**

Spending on restoration activities at the Elliot Lake site is funded from monies in the Elliot Lake Reclamation Trust fund (see note 9).

**Site Restoration: McClean Lake Joint Venture and Midwest Joint Venture**

Under the Saskatchewan Mineral Industry Environmental Protection Regulations (1996), the Company is required to provide its pro-rata share of financial assurances to the province of Saskatchewan relating to future decommissioning and reclamation plans that have been filed and approved by the applicable regulatory authorities. As at September 30, 2021, the Company has provided irrevocable standby letters of credit, from a chartered bank, in favour of the Saskatchewan Ministry of Environment, totalling $24,135,000 which relate to the most recently filed reclamation plan dated March 2016.

## 15. SHARE PURCHASE WARRANTS LIABILITY

In connection with the public offerings of units in February 2021 and March 2021 (see note 17), the Company issued 15,796,975 and 39,215,000 share purchase warrants to unit holders, respectively. The February 2021 warrants entitle the holder to acquire one common share of the Company at an exercise price of USD$2.00 for 24 months after issuance (February 2023). The March 2021 warrants entitle the holder to acquire one common share of the Company at an exercise price of USD$2.25 for 24 months after issuance (March 2023).

Since these warrants are exercisable in U.S. dollars ("USD"), which differs from the Company's CAD functional currency, they are classified as derivative liabilities and are required to be carried as liabilities at fair value through profit and loss. When the fair value of the warrants is revalued at each reporting period, the change in the liability is recorded through net profit or loss in Other Income.

The fair value of the February 2021 warrants was estimated to be $0.2215 on the date of issue, based on a relative fair value basis approach, using a USD to CAD foreign exchange rate of 0.7928 and incorporating the following assumptions in the Black-Scholes option pricing model – expected volatility of 67.3%, risk-free interest rate of 0.22%, dividend yield of 0% and an expected term of 2 years.

At September 30, 2021, the fair value of the February 2021 warrants was estimated to be $0.4408, using a USD to CAD foreign exchange rate of 0.7849 and incorporating the following assumptions in the Black-Scholes option pricing model – expected volatility of 74.50%, risk-free interest rate of 0.52%, dividend yield of 0% and an expected term of 1.39 years.

The fair value of the March 2021 warrants was estimated to be $0.2482 on the date of issue, based on a relative fair value basis approach, using a USD to CAD foreign exchange rate of 0.7992 and incorporating the following assumptions in the Black-Scholes option pricing model – expected volatility of 71.54%, risk-free interest rate of 0.27%, dividend yield of 0% and an expected term of 2 years.

At September 30, 2021, the fair value of the March 2021 warrants was estimated to be $0.4549, using a USD to CAD foreign exchange rate of 0.7849 and incorporating the following assumptions in the Black-Scholes option pricing model – expected volatility of 80.71%, risk-free interest rate of 0.52%, dividend yield of 0% and an expected term of 1.42 years.

The share purchase warrants liability continuity is as follows:

| (in thousands of CAD dollars except warrant amounts) | Number of Warrants | | Warrant Liability |
|---|---|---|---|
| Balance - December 31, 2020 | - | $ | - |
| Warrants issued on February 19, 2021 | 15,796,975 | | 3,499 |
| Warrants issued on March 22, 2021 | 39,215,000 | | 9,735 |
| February 2021 warrants exercised | (500) | | - |
| Change in fair value estimates | - | | 11,567 |
| Balance – September 30, 2021 | 55,011,475 | $ | 24,801 |

## 16. OTHER LIABILITIES

The other liabilities balance consists of:

| (in thousands of CAD dollars) | | At September 30 2021 | | At December 31 2020 |
|---|---|---|---|---|
| Debt obligations: | | | | |
| Lease liabilities | $ | 502 | $ | 582 |
| Loan liabilities | | 60 | | 33 |
| Flow-through share premium obligation (note 17) | | - | | 22 |
| | $ | 562 | $ | 637 |
| Other liabilities-by balance sheet presentation: | | | | |
| Current | $ | 205 | $ | 262 |
| Non-current | | 357 | | 375 |
| | $ | 562 | $ | 637 |

### Debt Obligations

At September 30, 2021, the Company's debt obligations are comprised of lease liabilities and loan liabilities. The debt obligations continuity summary is as follows:

| (in thousands of CAD dollars) | | Lease Liabilities | | Loan Liabilities | | Total Debt Obligations |
|---|---|---|---|---|---|---|
| Balance – December 31, 2020 | $ | 582 | $ | 33 | $ | 615 |
| Accretion (note 20) | | 35 | | - | | 35 |
| Additions | | 72 | | 34 | | 106 |
| Disposal | | (5) | | - | | (5) |
| Repayments | | (182) | | (7) | | (189) |
| Balance – September 30, 2021 | $ | 502 | $ | 60 | $ | 562 |

### Debt Obligations – Scheduled Maturities

The following table outlines the Company's scheduled maturities of its debt obligations at September 30, 2021:

| (in thousands of CAD dollars) | | Lease Liabilities | | Loan Liabilities | | Total Debt Obligations |
|---|---|---|---|---|---|---|
| Maturity analysis – contractual undiscounted cash flows: | | | | | | |
| Next 12 months | $ | 188 | $ | 17 | $ | 205 |
| One to five years | | 393 | | 48 | | 441 |
| More than five years | | - | | - | | - |
| Total obligation – September 30, 2021 – undiscounted | | 581 | | 65 | | 646 |
| Present value discount adjustment | | (79) | | (5) | | (84) |
| Total obligation – September 30, 2021 – discounted | $ | 502 | $ | 60 | $ | 562 |

### Letters of Credit Facility

In January 2021, the Company entered into an amending agreement for its letters of credit facility with BNS (the "2021 Facility"). Under the amendment, the maturity date of the 2021 Facility has been extended to January 31, 2022. All other terms of the 2021 Facility (tangible net worth covenant, pledged cash, investment amounts and security for the facility) remain unchanged from the previous facility. Accordingly, the 2021 Facility continues to provide the Company with access to credit up to $24,000,000 (the use of which is restricted to non-financial letters of credit in support of reclamation obligations) subject to letter of credit fees of 2.40% (0.40% on the $9,000,000 covered by pledged cash collateral) and standby fees of 0.75%.

At September 30, 2021, the Company is in compliance with its facility covenants and $24,000,000 (December 31, 2020: $24,000,000) of the facility is being utilized as collateral for letters of credit issued in respect of the reclamation obligations for the MLJV and MWJV (see note 14). During the nine months ended September 30, 2021, the Company incurred letter of credit fees of $297,000 (September 30, 2020: $298,000).

## 17. SHARE CAPITAL

Denison is authorized to issue an unlimited number of common shares without par value. A continuity summary of the issued and outstanding common shares and the associated dollar amounts is presented below:

| (in thousands of CAD dollars except share amounts) | Number of Common Shares | | Share Capital |
|---|---|---|---|
| Balance - December 31, 2020 | 678,981,882 | $ | 1,366,710 |
| Issued for cash: | | | |
| Unit issue proceeds – total | 110,023,950 | | 144,214 |
| Less: allocation to share warrants liability (note 15) | - | | (13,234) |
| Unit issue costs - total | - | | (8,584) |
| Less: allocation to share warrants issue expense | - | | 791 |
| Other share issue proceeds – total | 10,156,186 | | 11,914 |
| Less: other share issue costs | - | | (1,051) |
| Share option exercises | 7,280,548 | | 5,349 |
| Share option exercises – fair value adjustment | - | | 1,833 |
| Warrants exercises – fair value adjustment | 500 | | 1 |
| Share unit exercises – fair value adjustment | 919,413 | | 538 |
| | 128,380,597 | | 141,771 |
| Balance – September 30, 2021 | 807,362,479 | $ | 1,508,481 |

### Unit and Other Share Issues

In January and February 2021, Denison, through its agents, issued 4,230,186 common shares under its at-the-market ("ATM") program that was established pursuant to the equity distribution agreement dated November 13, 2020 and qualified by a prospectus supplement to the 2020 Shelf Prospectus ("2020 ATM Program"). The common shares were issued at an average price of $0.93 per share for aggregate gross proceeds of $3,914,000. The Company also recognized issue costs of $466,000 related to its ATM share issuances which includes $78,000 of commissions and $384,000 associated with the set-up of the 2020 ATM Program which were previously deferred on the balance sheet and included in Prepaid expenses and other at December 31, 2020. In connection with the public offering completed on March 22, 2021 (see below), the Company terminated its 2020 ATM Program and has ceased any distributions thereunder.

On February 19, 2021, the Company completed a public offering by way of a prospectus supplement to the 2020 Shelf Prospectus of 31,593,950 units of the Company at USD$0.91 per unit for gross proceeds of $36,265,000 (USD$28,750,000), including the full exercise of the underwriters' over-allotment option of 4,120,950 units. Each unit consisted of one common share and one-half of one transferable common share purchase warrant of the Company. Each full warrant is exercisable to acquire one common share of the Company at an exercise price of USD$2.00 for 24 months after issuance. A portion of the gross proceeds ($3,499,000 – see note 15) has been allocated to share warrant liabilities on a relative fair value basis and the pro-rata share of the issue costs associated with the offering has been expensed within Other expense (see note 20).

On March 3, 2021, the Company completed a private placement of 5,926,000 flow-through common shares at a price of $1.35 per share for gross proceeds of approximately $8,000,000. The income tax benefits of this issue will be renounced to subscribers with an effective date of December 31, 2021. The related flow-through share premium liability was valued at $nil as the issue price was less than the Company's observed share price on the date of issue.

On March 22, 2021, the Company completed a public offering by way of a prospectus supplement to the 2020 Shelf Prospectus of 78,430,000 units of the Company at USD$1.10 per unit for gross proceeds of $107,949,000 (USD$86,273,000), including the full exercise of the underwriters' over-allotment option of 10,230,000 units. Each unit consisted of one common share and one-half of one transferable common share purchase warrant of the Company. Each full warrant is exercisable to acquire one common share of the Company at an exercise price of

USD$2.25 for 24 months after issuance. A portion of the gross proceeds ($9,735,000 – see note 15) has been allocated to share warrant liabilities on a relative fair value basis and the pro-rata share of the issue costs associated with the offering has been expensed within Other expense (see note 20).

On September 16, 2021, the Company filed a short form base shelf prospectus ('2021 Shelf Prospectus') with the securities regulatory authorities in each of the provinces and territories in Canada and in the United States. Under the 2021 Shelf Prospectus, the Company is allowed to issue securities, in amounts, at prices, and on terms to be determined based on market conditions at the time of sale and as set forth in the 2021 Shelf Prospectus, for an aggregate offering amount of up to $250,000,000 during the 25 month period ending on October 16, 2023. To date, the Company has not issued any securities pursuant to the 2021 Shelf Prospectus.

On September 28, 2021, Denison entered into an equity distribution agreement providing for an ATM equity offering program qualified by a prospectus supplement to the 2021 Shelf Prospectus ("2021 ATM Program") The 2021 ATM Program will allow Denison, through its agents, to, from time to time, offer and sell, in Canada and the United States, such number of common shares as would have an aggregate offering price of up to USD$50,000,000. To date, the Company has not issued any shares under the 2021 ATM Program.

**Flow-Through Share Issues**

The Company finances a portion of its exploration programs through the use of flow-through share issuances. Canadian income tax deductions relating to these expenditures are claimable by the investors and not by the Company.

As at September 30, 2021, the Company estimates that it has satisfied its obligation to spend $930,000 on eligible exploration expenditures in fiscal 2021 due to the issuance of flow-through shares in December 2020. The Company renounced the income tax benefits of this issue in February 2021, with an effective date of renunciation to its subscribers of December 31, 2020. In conjunction with the renunciation, the flow-through share premium liability at December 31, 2020 has been extinguished and a deferred tax recovery has been recognized in the first quarter of 2021 (see note 23).

As at September 30, 2021, the Company estimates that it has incurred $946,000 of expenditures towards its obligation to spend $8,000,000 on eligible exploration expenditures by the end of fiscal 2022 due to the issuance of flow-through shares in March 2021.

## 18. SHARE-BASED COMPENSATION

The Company's share-based compensation arrangements include stock options, restricted share units ("RSUs") and performance share units ("PSUs").

A summary of share-based compensation expense recognized in the statement of income (loss) is as follows:

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| (in thousands of CAD dollars) | 2021 | 2020 | 2021 | 2020 |
| Share based compensation expense for: | | | | |
| Stock options | $ (368) | $ (138) | $ (983) | $ (434) |
| RSUs | (348) | (273) | (1,011) | (760) |
| PSUs | 24 | (58) | 7 | (179) |
| Share based compensation expense | $ (692) | $ (469) | $ (1,987) | $ (1,373) |

An additional $3,084,000 in share-based compensation expense remains to be recognized, up until August 2024, on outstanding options and share units at September 30, 2021.

**Stock Options**

Stock options granted in 2021 vest over a period of 24 months. A continuity summary of the stock options granted under the Company's stock-based compensation plan is presented below:

| | Number of Common Shares | | Weighted-Average Exercise Price per Share (CAD) |
|---|---|---|---|
| Stock options outstanding – December 31, 2020 | 15,077,243 | $ | 0.67 |
| Grants | 4,067,000 | | 1.28 |
| Exercises [(1)] | (7,280,548) | | 0.74 |
| Expiries | (31,000) | | 0.66 |
| Forfeitures | (1,065,500) | | 0.77 |
| Stock options outstanding – September 30, 2021 | 10,767,195 | $ | 0.84 |
| Stock options exercisable – September 30, 2021 | 5,517,195 | $ | 0.66 |

(1) The weighted average share price at the date of exercise was $1.34.

A summary of the Company's stock options outstanding at September 30, 2021 is presented below:

| Range of Exercise Prices per Share (CAD) | Weighted Average Remaining Contractual Life (Years) | Number of Common Shares | | Weighted-Average Exercise Price per Share (CAD) |
|---|---|---|---|---|
| Stock options outstanding | | | | |
| $ 0.25 to $ 0.49 | 3.39 | 2,452,000 | $ | 0.45 |
| $ 0.50 to $ 0.74 | 2.00 | 3,295,395 | | 0.64 |
| $ 0.75 to $ 0.99 | 0.44 | 1,351,800 | | 0.85 |
| $ 1.00 to $ 1.39 | 4.45 | 3,370,000 | | 1.26 |
| $ 1.40 to $ 1.79 | 4.61 | 298,000 | | 1.43 |
| Stock options outstanding – September 30, 2021 | 2.96 | 10,767,195 | $ | 0.84 |

Options outstanding at September 30, 2021 expire between March 2022 and May 2026.

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model. The following table outlines the assumptions used in the model to determine the fair value of options granted during the current period:

| | Nine Months Ended September 30, 2021 |
|---|---|
| Risk-free interest rate | 0.70% - 0.80% |
| Expected stock price volatility | 66.11% - 69.66% |
| Expected life | 3.4 years |
| Expected dividend yield | - |
| Fair value per share under options granted | $0.59 - $0.69 |

**Share Units**

RSUs granted under the plan in 2021 vest ratably over a period of three years. No PSUs have been granted in 2021 as at September 30, 2021.

A continuity summary of the RSUs and PSUs of the Company granted under the share unit plan is presented below:

| | RSUs | | | PSUs | | |
|---|---|---|---|---|---|---|
| | Number of Common Shares | | Weighted Average Fair Value Per RSU (CAD) | Number of Common Shares | | Weighted Average Fair Value Per PSU (CAD) |
| Units outstanding – December 31, 2020 | 5,691,899 | $ | 0.52 | 2,020,000 | $ | 0.63 |
| Grants | 1,905,000 | | 1.42 | - | | - |
| Exercises [1] | (709,413) | | 0.56 | (210,000) | | 0.66 |
| Forfeitures | (1,052,729) | | 0.63 | (280,000) | | 0.68 |
| Units outstanding – September 30, 2021 | 5,834,757 | $ | 0.79 | 1,530,000 | $ | 0.62 |
| Units vested – September 30, 2021 | 2,041,260 | $ | 0.59 | 870,000 | $ | 0.63 |

(1) The weighted average share price at the date of exercise was $1.51 for RSUs and $1.41 for PSUs.

The fair value of each RSU and PSU granted is estimated on the date of grant using the Company's closing share price on the day before the grant date.

## 19. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The accumulated other comprehensive income (loss) balance consists of:

| (in thousands of CAD dollars) | | At September 30 2021 | | At December 31 2020 |
|---|---|---|---|---|
| Cumulative foreign currency translation | $ | 414 | $ | 413 |
| Unamortized experience gain-post employment liability | | | | |
| Gross | | 1,847 | | 1,847 |
| Tax effect | | (485) | | (485) |
| | $ | 1,776 | $ | 1,775 |

## 20. SUPPLEMENTAL FINANCIAL INFORMATION

The components of operating expenses are as follows:

| | Three Months Ended September 30 | | | | Nine Months Ended September 30 | | | |
|---|---|---|---|---|---|---|---|---|
| (in thousands of CAD dollars) | | 2021 | | 2020 | | 2021 | | 2020 |
| Cost of goods and services sold: | | | | | | | | |
| Cost of goods sold – mineral concentrates | $ | - | $ | - | $ | - | $ | (526) |
| Operating overheads: | | | | | | | | |
| Mining, other development expense | | (1,199) | | (454) | | (2,254) | | (1,001) |
| Milling, conversion expense | | (767) | | (84) | | (1,242) | | (830) |
| Less absorption: | | | | | | | | |
| -Mineral properties | | 10 | | 13 | | 32 | | 38 |
| Cost of services | | (2,293) | | (1,773) | | (6,224) | | (5,147) |
| Cost of goods and services sold | | (4,249) | | (2,298) | | (9,688) | | (7,466) |
| Reclamation asset amortization | | (70) | | (60) | | (210) | | (182) |
| Selling expenses | | - | | - | | - | | (14) |
| Sales royalties and non-income taxes | | - | | - | | - | | (64) |
| Operating expenses | $ | (4,319) | $ | (2,358) | $ | (9,898) | $ | (7,726) |

The components of other income (expense) are as follows:

| (in thousands of CAD dollars) | Three Months Ended September 30 2021 | Three Months Ended September 30 2020 | Nine Months Ended September 30 2021 | Nine Months Ended September 30 2020 |
|---|---|---|---|---|
| Gains (losses) on: | | | | |
| Foreign exchange | $ 398 | $ (81) | $ (1,219) | $ (159) |
| Disposal of property, plant and equipment | (4) | | (2) | 407 |
| Fair value changes: | | | | |
| Investments-equity instruments (note 7) | 4,334 | (1,133) | 9,476 | (2,094) |
| Investments-uranium (note 7) | 36,138 | - | 43,672 | - |
| Warrant liabilities (note 15) | (5,735) | - | (11,567) | - |
| Issue costs-warrant liabilities (note 17) | - | - | (791) | - |
| Uranium investment carrying charges | (72) | - | (126) | - |
| Other | (60) | (104) | (137) | (501) |
| Other income (expense) | $ 34,999 | $ (1,318) | $ 39,306 | $ (2,347) |

The components of finance income (expense) are as follows:

| (in thousands of CAD dollars) | Three Months Ended September 30 2021 | Three Months Ended September 30 2020 | Nine Months Ended September 30 2021 | Nine Months Ended September 30 2020 |
|---|---|---|---|---|
| Interest income | $ 76 | $ 60 | $ 288 | $ 216 |
| Interest expense | (1) | (1) | (1) | (4) |
| Accretion expense | | | | |
| Deferred revenue (note 12) | (777) | (772) | (2,321) | (2,309) |
| Post-employment benefits (note 13) | (6) | (17) | (17) | (51) |
| Reclamation obligations (note 14) | (335) | (338) | (1,007) | (1,014) |
| Debt obligations (note 16) | (11) | (13) | (35) | (43) |
| Finance income (expense) | $ (1,054) | $ (1,081) | $ (3,093) | $ (3,205) |

A summary of depreciation expense recognized in the statement of income (loss) is as follows:

| (in thousands of CAD dollars) | Three Months Ended September 30 2021 | Three Months Ended September 30 2020 | Nine Months Ended September 30 2021 | Nine Months Ended September 30 2020 |
|---|---|---|---|---|
| Operating expenses | | | | |
| Mining, other development expense | $ - | $ | $ (1) | $ (2) |
| Milling, conversion expense | (678) | (62) | (1,107) | (798) |
| Cost of services | (46) | (47) | (136) | (147) |
| Evaluation | (9) | (9) | (27) | (27) |
| Exploration | (49) | (36) | (129) | (114) |
| General and administrative | (30) | (32) | (85) | (96) |
| Depreciation expense-gross | $ (812) | $ (186) | $ (1,485) | $ (1,184) |

A summary of employee benefits expense recognized in the statement of income (loss) is as follows:

| (in thousands of CAD dollars) | Three Months Ended September 30 2021 | Three Months Ended September 30 2020 | Nine Months Ended September 30 2021 | Nine Months Ended September 30 2020 |
|---|---|---|---|---|
| Salaries and short-term employee benefits | $ (2,173) | $ (1,831) | $ (7,311) | $ (5,534) |
| Share-based compensation (note 18) | (692) | (469) | (1,987) | (1,373) |
| Termination benefits | (85) | - | (114) | - |
| Employee benefits expense | $ (2,950) | $ (2,300) | $ (9,412) | $ (6,907) |

The change in non-cash working capital items in the consolidated statements of cash flows is as follows:

| (in thousands of CAD dollars) | Nine Months Ended September 30 2021 | 2020 |
|---|---|---|
| Change in non-cash working capital items: | | |
| Trade and other receivables | $ (1,095) | $ 1,013 |
| Inventories | (104) | 157 |
| Prepaid expenses and other assets | (70) | 151 |
| Accounts payable and accrued liabilities | 1,155 | (1,454) |
| Change in non-cash working capital items | $ (114) | $ (133) |

## 21. SEGMENTED INFORMATION

### Business Segments

The Company operates in three primary segments – the Mining segment, the Closed Mine Services segment and the Corporate and Other segment. The Mining segment includes activities related to exploration, evaluation and development, mining, milling (including toll milling) and the sale of mineral concentrates from mine production. The Closed Mine Services segment includes the results of the Company's environmental services business which provides mine decommissioning and other services to third parties. The Corporate and Other segment includes management fee income earned from UPC and general corporate expenses not allocated to the other segments. Management fee income from UPC has been included with general corporate expenses due to the shared infrastructure between the two activities. For the nine months ended September 30, 2021, reportable segment results were as follows:

| (in thousands of CAD dollars) | Mining | Closed Mine Services | Corporate and Other | Total |
|---|---|---|---|---|
| **Statement of Operations:** | | | | |
| Revenues | 1,756 | 6,943 | 7,964 | 16,663 |
| **Expenses:** | | | | |
| Operating expenses | (3,673) | (6,225) | - | (9,898) |
| Evaluation | (12,981) | - | - | (12,981) |
| Exploration | (2,718) | - | - | (2,718) |
| General and administrative | (19) | - | (7,057) | (7,076) |
| | (19,391) | (6,225) | (7,057) | (32,673) |
| Segment income (loss) | (17,635) | 718 | 907 | (16,010) |
| **Revenues – supplemental:** | | | | |
| Environmental services | - | 6,943 | - | 6,943 |
| Contract termination fee (note 22) | - | - | 5,848 | 5,848 |
| Management fees (note 22) | - | - | 2,116 | 2,116 |
| Toll milling services–deferred revenue (note 12) | 1,756 | - | - | 1,756 |
| | 1,756 | 6,943 | 7,964 | 16,663 |
| **Capital additions:** | | | | |
| Property, plant and equipment | 372 | 48 | 99 | 519 |
| **Long-lived assets – as at September 30, 2021:** | | | | |
| Plant and equipment | | | | |
| Cost | 101,880 | 4,477 | 970 | 107,327 |
| Accumulated depreciation | (27,715) | (3,212) | (485) | (31,412) |
| Mineral properties | 179,774 | - | - | 179,774 |
| | 253,939 | 1,265 | 485 | 255,689 |

For the three months ended September 30, 2021, reportable segment results were as follows:

| (in thousands of CAD dollars) | Mining | Closed Mine Services | Corporate and Other | Total |
|---|---|---|---|---|
| **Statement of Operations:** | | | | |
| Revenues | 1,037 | 2,633 | 5,871 | 9,541 |
| **Expenses:** | | | | |
| Operating expenses | (2,025) | (2,294) | - | (4,319) |
| Evaluation | (3,839) | - | - | (3,839) |
| Exploration | (842) | - | - | (842) |
| General and administrative | (2) | - | (2,087) | (2,089) |
| | (6,708) | (2,294) | (2,087) | (11,089) |
| Segment income (loss) | (5,671) | 339 | 3,784 | (1,548) |
| **Revenues – supplemental:** | | | | |
| Environmental services | | 2,633 | - | 2,633 |
| Contract termination fee | | | 5,848 | 5,848 |
| Management fees | - | - | 23 | 23 |
| Toll milling services–deferred revenue | 1,037 | - | - | 1,037 |
| | 1,037 | 2,633 | 5,871 | 9,541 |

For the nine months ended September 30, 2020, reportable segment results were as follows:

| (in thousands of CAD dollars) | Mining | Closed Mine Services | Corporate and Other | Total |
|---|---|---|---|---|
| **Statement of Operations:** | | | | |
| Revenues | 2,062 | 6,197 | 2,070 | 10,329 |
| **Expenses:** | | | | |
| Operating expenses | (2,579) | (5,144) | (3) | (7,726) |
| Evaluation | (2,647) | - | - | (2,647) |
| Exploration | (3,133) | - | - | (3,133) |
| General and administrative | (19) | - | (5,700) | (5,719) |
| | (8,378) | (5,144) | (5,703) | (19,225) |
| Segment income (loss) | (6,316) | 1,053 | (3,633) | (8,896) |
| **Revenues – supplemental:** | | | | |
| Environmental services | - | 6,197 | - | 6,197 |
| Management fees | - | - | 2,070 | 2,070 |
| Uranium concentrate sales | 852 | - | - | 852 |
| Toll milling services–deferred revenue (note 12) | 1,210 | - | - | 1,210 |
| | 2,062 | 6,197 | 2,070 | 10,329 |
| **Capital additions:** | | | | |
| Property, plant and equipment | 138 | 15 | - | 153 |
| **Long-lived assets – as at Sept 30, 2020:** | | | | |
| Plant and equipment | | | | |
| Cost | 99,994 | 4,546 | 908 | 105,448 |
| Accumulated depreciation | (25,473) | (3,148) | (400) | (29,021) |
| Mineral properties | 179,619 | - | - | 179,619 |
| | 254,140 | 1,398 | 508 | 256,046 |

For the three months ended September 30, 2020, reportable segment results were as follows:

| (in thousands of CAD dollars) | Mining | Closed Mine Services | Corporate and Other | Total |
|---|---|---|---|---|
| **Statement of Operations:** | | | | |
| Revenues | 95 | 2,065 | 583 | 2,743 |
| **Expenses:** | | | | |
| Operating expenses | (585) | (1,770) | (3) | (2,358) |
| Evaluation | (790) | - | - | (790) |
| Exploration | (954) | - | - | (954) |
| General and administrative | - | - | (2,110) | (2,110) |
| | (2,329) | (1,770) | (2,113) | (6,212) |
| Segment income (loss) | (2,234) | 295 | (1,530) | (3,469) |
| **Revenues – supplemental:** | | | | |
| Environmental services | - | 2,065 | - | 2,065 |
| Management fees | - | - | 583 | 583 |
| Toll milling services–deferred revenue (note 12) | 95 | - | - | 95 |
| | 95 | 2,065 | 583 | 2,743 |

## 22. RELATED PARTY TRANSACTIONS

### Uranium Participation Corporation

UPC was a publicly-listed investment holding company which invested substantially all of its assets in uranium oxide concentrates (“$U_3O_8$”) and uranium hexafluoride (“$UF_6$”). The Company had no ownership interest in UPC but received fees for management services it provided and commissions from the purchase and sale of $U_3O_8$ and $UF_6$ by UPC.

The Company entered into a management services agreement (“MSA”) with UPC that became effective on April 1, 2019 with a term of five years (the “Term”). Under the MSA, Denison received the following management fees from UPC: a) a base fee of $400,000 per annum, payable in equal quarterly installments; b) a variable fee equal to (i) 0.3% per annum of UPC’s total assets in excess of $100 million and up to and including $500 million, and (ii) 0.2% per annum of UPC’s total assets in excess of $500 million; c) a fee, at the discretion of the Board, for on-going monitoring or work associated with a transaction or arrangement (other than a financing, or the acquisition of or sale of $U_3O_8$ or $UF_6$); and d) a commission of 1.0% of the gross value of any purchases or sales of $U_3O_8$ or $UF_6$ or gross interest fees payable to UPC in connection with any uranium loan arrangements.

On July 19, 2021, UPC and Sprott Asset Management LP (“Sprott”) completed a plan of arrangement whereby UPC shareholders became unitholders of the Sprott Physical Uranium Trust, a newly formed entity managed by Sprott (the “UPC Transaction”). In conjunction with the completion of the UPC Transaction, the MSA between Denison and UPC was terminated in accordance with the termination provisions therein and Denison received a termination payment from UPC of $5,848,000.

As at September 30, 2021, UPC is no longer considered a related party of Denison.

The following transactions were incurred with UPC for the periods noted:

| (in thousands of CAD dollars) | Three Months Ended September 30 2021 | Three Months Ended September 30 2020 | Nine Months Ended September 30 2021 | Nine Months Ended September 30 2020 |
|---|---|---|---|---|
| Management fees: | | | | |
| Base and variable fees | $ 23 | $ 509 | $ 1,069 | $ 1,523 |
| Commission fees | - | 74 | 697 | 247 |
| Termination fee | 5,848 | - | 5,848 | - |
| Discretionary fees | - | - | 350 | 300 |
| | $ 5,871 | $ 583 | $ 7,964 | $ 2,070 |

At September 30, 2021, accounts receivable includes $nil (December 31, 2020: $265,000) due from UPC with respect to the fees indicated above.

**Korea Electric Power Corporation ("KEPCO") and Korea Hydro & Nuclear Power ("KHNP")**

As at September 30, 2021, KEPCO, through its subsidiaries, holds 58,284,000 shares of Denison representing a share interest of approximately 7.23%. KHNP Canada Energy Ltd., a subsidiary of KEPCO's subsidiary KHNP, is the holder of the majority of Denison's shares and is also the majority member of Korea Waterbury Uranium Limited Partnership ("KWULP"). KWULP is a consortium of investors that holds the non-Denison owned interests in Waterbury Lake Uranium Corporation ("WLUC") and Waterbury Lake Uranium Limited Partnership ("WLULP"), entities whose key asset is the Waterbury Lake property.

**Other**

During the nine months ended September 30, 2021, the Company incurred investor relations, administrative service fees and certain pass-through expenses of $164,000 (September 30, 2020: $191,000) with Namdo Management Services Ltd ("Namdo"), a company of which a former director of Denison is a shareholder. These services were incurred in the normal course of operating a public company. As at September 30, 2021, Namdo is no longer considered a related party of Denison, and there are no amounts due to Namdo at period end owing to any related party transaction.

**Compensation of Key Management Personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers, vice-presidents and members of its Board of Directors.

The following compensation was awarded to key management personnel:

| (in thousands of CAD dollars) | Three Months Ended September 30 2021 | Three Months Ended September 30 2020 | Nine Months Ended September 30 2021 | Nine Months Ended September 30 2020 |
|---|---|---|---|---|
| Salaries and short-term employee benefits | $ (518) | $ (465) | $ (2,055) | $ (1,420) |
| Share-based compensation | (526) | (383) | (1,583) | (1,133) |
| Key management personnel compensation | $ (1,044) | $ (848) | $ (3,638) | $ (2,553) |

## 23. INCOME TAXES

For the nine months ended September 30, 2021, Denison has recognized deferred tax recoveries of $1,507,000. The deferred tax recovery includes the recognition of previously unrecognized Canadian tax assets of $247,000 relating to the February 2021 renunciation of the tax benefits associated with the Company's $930,000 flow-through share issue in December 2020.

## 24. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS requires disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value of financial instruments which trade in active markets, such as share and warrant equity instruments, is based on quoted market prices at the balance sheet date. The quoted market price used to value financial assets held by the Company is the current closing price. Warrants that do not trade in active markets have been valued using the Black-Scholes pricing model. Debt instruments have been valued using the effective interest rate for the period that the Company expects to hold the instrument and not the rate to maturity.

Except as otherwise disclosed, the fair values of cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities, restricted cash and cash equivalents and debt obligations approximate their carrying values as a result of the short-term nature of the instruments, or the variable interest rate associated with the instruments, or the fixed interest rate of the instruments being similar to market rates.

During the nine months ended September 30, 2021, there were no transfers between levels 1, 2 and 3 and there were no changes in valuation techniques.

The following table illustrates the classification of the Company's financial assets within the fair value hierarchy as at September 30, 2021 and December 31, 2020:

| (in thousands of CAD dollars) | Financial Instrument Category(1) | Fair Value Hierarchy | September 30 2021 Fair Value | December 31, 2020 Fair Value |
|---|---|---|---|---|
| Financial Assets: | | | | |
| Cash and equivalents | Category B | | $ 50,877 | $ 24,992 |
| Trade and other receivables | Category B | | 4,469 | 3,374 |
| Investments | | | | |
| Equity instruments-shares | Category A | Level 1 | 25,958 | 16,657 |
| Equity instruments-warrants | Category A | Level 2 | 468 | 293 |
| Elliot Lake reclamation trust fund | Category B | | 3,202 | 2,883 |
| Credit facility pledged assets | Category B | | 9,000 | 9,000 |
| Reclamation letter of credit collateral | Category B | | 135 | 135 |
| | | | $ 94,109 | $ 57,334 |
| Financial Liabilities: | | | | |
| Accounts payable and accrued liabilities | Category C | | 9,019 | 7,178 |
| Share purchase warrants liability | Category A | Level 2 | 24,801 | - |
| Debt obligations | Category C | | 562 | 615 |
| | | | $ 34,382 | $ 7,793 |

(1) Financial instrument designations are as follows: Category A=Financial assets and liabilities at fair value through profit and loss; Category B=Financial assets at amortized cost; and Category C=Financial liabilities at amortized cost.

## 25. COMMITMENTS AND CONTINGENCIES

**Specific Legal Matters**

Mongolia Mining Division Sale – Arbitration Proceedings with Uranium Industry

In November 2015, the Company sold all of its mining assets and operations located in Mongolia to Uranium Industry a.s ("UI") pursuant to an amended and restated share purchase agreement (the "GSJV Agreement"). The primary assets at that time were the exploration licenses for the Hairhan, Haraat, Gurvan Saihan and Ulzit projects. As consideration for the sale per the GSJV Agreement, the Company received cash consideration of USD$1,250,000 prior to closing and the rights to receive additional contingent consideration of up to USD$12,000,000.

On September 20, 2016, the Mineral Resources Authority of Mongolia ("MRAM") formally issued mining license certificates for all four projects, triggering Denison's right to receive contingent consideration of USD$10,000,000 (collectively, the "Mining License Receivable"). The original due date for payment of the Mining License Receivable by UI was November 16, 2016.

Under an extension agreement between UI and the Company, the payment due date of the Mining License Receivable was extended from November 16, 2016 to July 16, 2017 (the "Extension Agreement"). As consideration for the extension, UI agreed to pay interest on the Mining License Receivable amount at a rate of 5% per year, payable monthly up to July 16, 2017 and they also agreed to pay a USD$100,000 instalment amount towards the balance of the Mining License Receivable amount. The required payments were not made.

On February 24, 2017, the Company served notice to UI that it was in default of its obligations under the GSJV Agreement and the Extension Agreement and on December 12, 2017, the Company filed a Request for Arbitration between the Company and UI under the Arbitration Rules of the London Court of International Arbitration. Hearings in front of the arbitration panel were held in December 2019. The final award was rendered by an arbitration panel on July 27, 2020, with the panel finding in favour of Denison and ordering UI to pay the Company USD$10,000,000 plus interest at a rate of 5% per annum from November 16, 2016, plus certain legal and arbitration costs. Denison and UI have exchanged correspondence, and award recovery options are being considered.

**Uranium Purchase Commitments**

Denison has entered into agreements to purchase 2,500,000 pounds of $U_3O_8$ for delivery in 2021. As at September 30th, Denison has taken delivery of 2,400,000 pounds with the remaining 100,000 pounds delivered on October 4, 2021. The purchase commitment for the remaining delivery is USD$3,070,000.

## 26. SUBSEQUENT EVENTS

**Sale of GoviEx Shares and Warrants**

On October 26, Denison sold, by private agreement, 32,500,000 common shares of GoviEx Uranium Inc. ("GoviEx") and 32,500,000 common share purchase warrants, entitling the holder the option to acquire one (1) additional common share of GoviEx owned by Denison at an exercise price of $0.80 for a term of up to 18 months ("GoviEx Warrants") for gross proceeds to Denison of $15,600,000. Denison continues to hold 32,644,000 common shares of GoviEx. If the warrants are exercised in full, Denison will receive further gross proceeds of $26,000,000 and will transfer a further 32,500,000 GoviEx common shares to the warrant holders.

# Corporate Information

## BOARD OF DIRECTORS

Ron F. Hochstein
*Chair of the Board*
*British Columbia, Canada*

David D. Cates
*Ontario, Canada*

W. Robert Dengler
*Ontario, Canada*

Brian D. Edgar
*British Columbia, Canada*

Jun Gon Kim
*Gyeongsangbuk-do, Korea*

David Neuburger
*Saskatchewan, Canada*

Jennifer Traub
*British Columbia, Canada*

Patricia M. Volker
*Ontario, Canada*

## OFFICERS

David D. Cates
*President and*
*Chief Executive Officer*

Mac McDonald
*Executive Vice President and*
*Chief Financial Officer*

David Bronkhorst
*Vice President, Operations*

Elizabeth Sidle
*Vice President, Finance*

Amanda Willett
*Vice President, Legal and*
*Corporate Secretary*

## STOCK EXCHANGE LISTINGS

The Toronto Stock Exchange (TSX)
Trading Symbol: DML

NYSE American
Trading Symbol: DNN

## SHARE REGISTRAR AND TRANSFER AGENT

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## AUDITOR

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## ADDITIONAL INFORMATION

Further information about Denison is available by contacting Investor Relations at Denison's Head Office or by email to: info@denisonmines.com

Denison Mines

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*In 2019 Denison Mines' executives and its Wheeler River Project team met with leaders from various communities of interest at the Wheeler River Project site for a tour. Engaging with these important communities is part of our commitment to sustainability. We thank the Pinehouse Photography club for this and other images captured that day.*