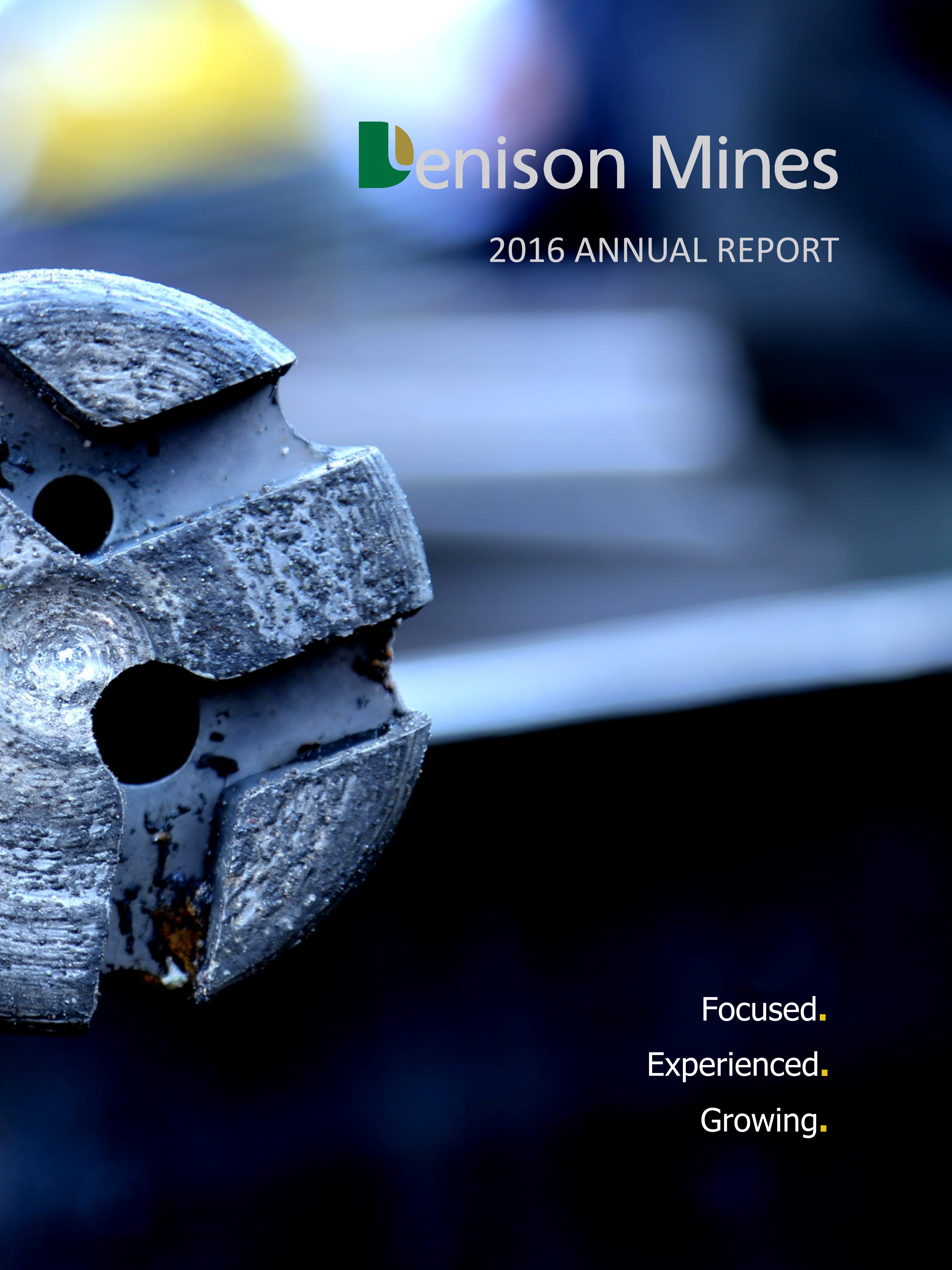


Denison Mines

2016 ANNUAL REPORT

Focused.

Experienced.

Growing.

ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2016

TABLE OF CONTENTS

March 8, 2017,

Dear Shareholders,

In 2016, the uranium market forced even the strongest supporters of the uranium mining business to test their resolve as to the belief that the uranium price must rise given the fundamental imbalance of declining primary supplies against growing global demand for nuclear energy – particularly as the spot price of U_3O_8 dipped below $20/lb U_3O_8 to a level that would, by most estimates, make even the lowest cost uranium mine lose money on an all-in cost per pound basis. Production curtailments announced in 2016 had little impact on the downward trajectory of the uranium price, and by the second half of the year, the falling price of uranium had picked up momentum and dropped quickly to a 12 year low. Arguably, the steep decline in the spot price was exactly what the industry needed – setting a bottom to several years of declining prices and positioning the sector to move upwards for the next cycle of significant long term utility contracting.

Despite the difficult year for uranium in 2016, we cannot lose sight of the fact that more new nuclear power was added to the global power grid in each of 2015 and 2016, on net, than in any other year over the past 25 years, and that utility contracting volumes must increase in future years to secure over 800 million pounds U_3O_8 in estimated uncovered requirements between 2017 and 2025. This is all happening at a time when new primary sources of uranium supplies are struggling to be developed amidst a sustained period of historically low prices – which could ultimately lead to a supply shortage and potential panic amongst utilities from the lack of security of supply. That said, the uranium price is already on the rise in the early part of 2017, following the announcement of a 10% production cut by the world's largest producer of uranium. This is a positive development following a year of challenges, in which Denison made a number of bold moves to position ourselves to benefit from the eventual return to a bull-market for uranium.

To this end, 2016 was in fact a tremendous year for Denison. Not only did our share price defy a 40% drop in the uranium spot price during the year, but the Company thrived as it maintained its focus on positioning itself to become the next large-scale uranium producer in Canada.

The year began with the completion of a Preliminary Economic Assessment ("PEA")[1] for the company's flag-ship, 60% owned, Wheeler River property – studying the economic merit of co-developing the high-grade Gryphon and Phoenix uranium deposits. We ran a base case economic model using the then current long term price for uranium and returned a robust pre-tax Internal Rate of Return ("IRR") and initial CAPEX to Denison estimated at under CAD$350 million. The PEA highlighted the importance of existing regional infrastructure throughout the eastern portion of the Athabasca Basin and the potential for Wheeler River to be economic in a low to moderate price environment. The results clearly justified advancement to a Pre-Feasibility Study ("PFS"), which was launched later in 2016.

While the PEA was being finalized and as work began on the PFS, our Saskatoon based exploration team delivered once again – as part of an Athabasca exploration program that included over 75,000 metres of drilling in 2016 – with the discovery of new uranium mineralization northwest of the Gryphon deposit at Wheeler River, leading to what has now been categorized as the D-series of mineralized lenses, which are ultimately expected to add to the A, B and C-series of lenses that make up the current resource estimate for the Gryphon deposit. New mineralization discovered in 2016 at Wheeler River was not included in the PEA, and speaks to the considerable exploration potential that remains on the property.

Also in 2016, the Company completed the sale of its African uranium interests to GoviEx Uranium Inc. ("GoviEx") in exchange for a significant shareholding in GoviEx. While African uranium assets are a much different proposition from Denison's core Athabasca assets, they are certainly still assets of value. Rather than selling these assets outright, at the bottom of the market, Denison has retained considerable leverage to a rising uranium price through its interest in GoviEx, which now controls one of the largest undeveloped uranium resource bases globally and is poised to become a significant player in the market in future years.

[1] "Preliminary Economic Assessment for the Wheeler River Uranium Project, Saskatchewan, Canada", prepared by SRK Consulting (Canada) Inc. (Ken Reipas P.Eng.), with an effective date of March 31, 2016. A copy of the PEA is available on the Company's website and on both SEDAR and EDGAR. The PEA is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them to be categorized as mineral reserves, and there is no certainty that the PEA will be realized. Mineral resources are not mineral reserves and do not have demonstrated economic viability.

In the Athabasca in 2016, while our focus remained on Wheeler, we were active building our project portfolio, adding an 80% interest in the highly prospective Hook-Carter project from ALX Uranium Corp. Hook-Carter is located on trend of the Triple R deposit, Arrow deposit and Spitfire discovery, and includes approximately 15 kilometres of coverage along the Patterson Lake Corridor. In addition, Denison also optioned its 100% interest in the Moore Lake property to Skyharbour Resources Ltd. (“Skyharbour”), in exchange for cash, stock, and an exploration commitment. As one of the largest shareholders of Skyharbour, and with certain back-in rights on the property, we remain exposed to a potential discovery on the Moore Lake property, while focusing our capital on advancing Wheeler River.

With a three-year renewal of the management services agreement with Uranium Participation Corp. and the revitalization of our environmental services business in Elliot Lake, Ontario, Denison continues to be uniquely positioned with significant sources of internal cash flow, which allows us to keep our balance sheet in good order and to battle dilution to our shareholders, while still advancing the Company towards a development decision on Wheeler River.

Denison promises to deliver more of the same opportunistic and ambitious developments in 2017. With 68,000 metres of exploration drilling planned, including our first drill-holes at Hook-Carter, success in 2017 will again be driven by the drill bit as we work towards a PFS for Wheeler River and continue to explore our highest priority projects for a new discovery. Already in the first few months of the year, we’ve announced (1) an agreement with our joint venture partners at Wheeler River to effectively earn-in to up to approximately a 66% interest in the project (currently 60%), and (2) two financing transactions that have fortified our balance sheet for the next several years, generating over CAD$60 million in gross proceeds – including a non-dilutive financing that raised CAD$43.5 million in gross proceeds and de-risked a critical source of cash-flow. This capital gives us considerable financial flexibility as we look to move forward with Wheeler River.

Ultimately, Denison believes that nuclear energy must play an important role in the global energy mix, as the world works together to fight greenhouse gas emissions and crisis level air quality issues. We also believe that the spot price and long-term price of uranium is irrationally low at present and that a proper cycle of long-term uranium contracting from global electric utilities will lead to a realization that uranium producers may not be able to meet growing demands, even if the price rises dramatically. With few large-scale projects, outside of Wheeler River, moving forward in the development pipeline and having the potential to be producing uranium by 2025, we also believe that Denison is uniquely positioning itself to offer investors significant torque to a rising uranium price in 2017 and beyond.

As always, thank you for your continued support of the Company and the management team,

Best regards,

David Cates
President & CEO

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 March 8, 2017 and should be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended December 31, 2016. The audited consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All dollar amounts are expressed in U.S. 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").

PERFORMANCE HIGHLIGHTS

- **Positive results from the Preliminary Economic Assessment on the Wheeler River Property**

  The Preliminary Economic Assessment ("PEA") on Denison's 60% owned Wheeler River project resulted in a base case pre-tax Internal Rate of Return ("IRR") of 20.4%, an indicative post-tax IRR to Denison of 17.8%, and a pre-tax Net Present Value ("NPV") of CAD$513 million (Denison's share – CAD$308 million), based on the then current long term contract price for uranium of $44 per pound U_3O_8. Illustrating the project's exposure to rising uranium prices, the PEA also included a production scenario based on a uranium price of $62.60 per pound U_3O_8, resulting in a pre-tax IRR of 34.1% and a pre-tax NPV of CAD$1,420 million (Denison's share – CAD$852 million).

  The PEA considers the potential economic merit of co-developing the high-grade Gryphon and Phoenix deposits as a single underground mining operation, and assumes processing will occur at Denison's 22.5% owned McClean Lake mill, which is located in the infrastructure rich eastern portion of the Athabasca Basin. Project risk and initial project capital expenditures ("CAPEX"), estimated to be CAD$560 million (Denison's share – CAD$336 million), are both minimized by utilizing existing regional infrastructure. The PEA was prepared based on the estimated uranium mineral resources at Wheeler as at the end of 2015, including an indicated resource of 70.2 million pounds U_3O_8 at an average grade of 19.1% at the Phoenix deposit and a further inferred resource of 43.0 million pounds U_3O_8 at the Gryphon deposit. The PEA is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them to be categorized as mineral reserves, and there is no certainty that the PEA will be realized. Mineral resources are not mineral reserves and do not have demonstrated economic viability.

- **Launched Pre-Feasibility Study for Wheeler and initiated infill and delineation drilling at Gryphon**

  During 2016, the Company commenced pre-feasibility study ("PFS") activities for the Wheeler River project, including engineering data collection for geotechnical and hydrological field studies, environmental baseline data collection, and community consultations. To support the PFS, Denison commenced infill drilling at the Gryphon deposit using a directional drilling method. Infill drilling at the Gryphon deposit is designed to increase the confidence in the mineral resources estimated from an inferred to an indicated level.

- **Completed a highly successful 2016 exploration program at Wheeler River leading to potential resource expansion beyond PEA levels**

  During 2016, Denison completed a total of 47,169 metres of drilling in 73 holes, with work focused at or near the Gryphon deposit during both the summer and the winter drilling programs. The programs demonstrated that the Gryphon deposit is part of a large and robust mineralizing system that remains open in numerous directions. The results from 2016 are not included in the current Gryphon resource estimate or the PEA and have the potential to translate into meaningful resource expansion in the following areas:

  <u>Gryphon D Series mineralized lenses</u>

  The D Series lenses were discovered in early 2016, and are located within 200 metres north and northwest of the Gryphon deposit. At the end of 2016, the lenses measured 330 meters in collective strike extent, and mineralization remains open along strike in both directions. Highlights for the D Series lenses include 5.3% U_3O_8 over 11.0 metres including 12.6% U_3O_8 over 4.5 metres in drill hole WR-641, and 2.9% U_3O_8 over 6.0 metres and 2.3% U_3O_8 over 4.0 metres in drill hole WR-633D1.

  <u>Gryphon A and B Series mineralized lenses</u>

  Toward the end of the summer 2016 drilling program, additional high grade mineralization was discovered immediately down-dip and up-dip of the Gryphon deposit's A and B Series lenses. Highlight intersections include 6.97% U_3O_8 over 4.5 metres in drill hole WR-674 and 0.94% U_3O_8 over 10.5 metres in drill hole WR-602D1. The intersections indicate expansion of the Gryphon deposit A and B Series lenses, which already host the large majority of the estimated resources of the Gryphon deposit.

- **Executed Agreement to Increase Ownership of Wheeler River Project Up to 66%**

  In January 2017, the Company executed an agreement with the partners of the Wheeler River Joint Venture ("WRJV") that is expected to result in an increase in Denison's ownership of the Wheeler River project to up to approximately 66% (currently 60%) by the end of 2018. Under this agreement, Denison will fund 50% of Cameco Corp.'s (Cameco) ordinary share of joint venture expenses in 2017 and 2018. Refer to SUBSEQUENT EVENTS for further details.

- **Closed non-dilutive financing for CAD$43.5 million to fund future project development activities**

  In January 2017, Denison also announced and closed a financing arrangement for gross proceeds of CAD$43.5 million, which has the effect of monetizing Denison's future share of the toll milling revenue earned by the McClean Lake mill from the processing of ore from the Cigar Lake mine through the combination of a limited recourse loan and a streaming arrangement. Through this transaction, Denison retains its 22.5% ownership of the McClean Lake Joint Venture ("MLJV"), but has de-risked its income from certain toll milling revenue, as the Company is not providing any warranty to the future rate of production at the Cigar Lake mine or the McClean Lake mill. The proceeds from the financing are expected to fund the Company's project development costs for Wheeler River to the completion of a Feasibility Study and ultimately project financing. Refer to SUBSEQUENT EVENTS for further details.

- **Successfully completed combination of African-based uranium interests with GoviEx Uranium Inc.**

  In June 2016, GoviEx Uranium Inc. ("GoviEx") and Denison completed a combination of their respective African uranium mineral interests under the direct ownership of GoviEx (the "Africa Transaction"). Concurrently, GoviEx completed a non-brokered private placement equity financing, in which Denison provided the lead order of approximately $500,000. Following the Africa Transaction and the concurrent financing, Denison became the largest single shareholder of GoviEx holding a total of 65,144,021 common shares of GoviEx or approximately 24.59% of GoviEx's issued and outstanding common shares at the time. Denison's investment in GoviEx provides the Company with leverage to a diversified portfolio of African uranium interests with potential for a significant increase in value in a rising uranium market.

- **Acquired the Hook-Carter property and the contiguous Coppin Lake property**

  In November 2016, Denison completed the acquisition of an immediate 80% ownership of the Hook-Carter property from ALX Uranium Corp. ("ALX") in exchange for the issuance of 7.5 million common shares of Denison, and an agreement to fund ALX's share of the first CAD$12.0 million in expenditures on the project. Denison also acquired the contiguous Coppin Lake property ("Coppin Lake") from AREVA Resources Canada Inc. ("ARC") and UEX Corporation, with ALX having agreed to acquire its proportional interest in the project from Denison under the terms of the Hook Carter acquisition. Taken together the Hook-Carter project (including the Coppin Lake claims) consists of 38 claims, totaling 19,573 hectares, and is located to the northeast and on trend of the Triple R deposit, Arrow deposit and Spitfire discovery in the southwestern portion of the Athabasca Basin region, in northern Saskatchewan. Hook-Carter offers Denison exposure to over 15 kilometres of strike length on the Patterson Lake Corridor and an opportunity to organically add a long-term asset in the western portion of the Athabasca Basin.

- **Entered into an agreement to option Moore Lake property to Skyharbour for cash and stock**

  In August 2016, Denison closed an agreement with Skyharbour Resources Ltd. ("Skyharbour") that grants Skyharbour an option to acquire a 100% interest in Denison's Moore Lake property, in exchange for 4,500,000 common shares of Skyharbour and cash payments totaling CAD$500,000 over the next five years. Skyharbour also agreed to spend CAD$3,500,000 on exploration at the Moore Lake property over the next five years and to grant Denison various back-in rights to re-acquire a 51% interest in the property.

- **Obtained financing for the Company's 2017 Canadian exploration activities**

  In May 2016, the Company completed a CAD$12.4 million bought deal private placement equity offering for the issuance of 15,127,805 common shares on a flow-through basis at a price of CAD$0.82 per share. The proceeds will be used to fund Canadian exploration activities through to the end of 2017.

ABOUT DENISON

Denison was formed under the laws of Ontario and is a reporting issuer in all Canadian provinces. Denison's common shares are listed on the Toronto Stock Exchange (the "TSX") under the symbol "DML" and on the NYSE MKT 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. In addition to its 60% owned Wheeler River project, which hosts the high grade Phoenix and Gryphon uranium deposits, Denison's exploration portfolio consists of numerous projects covering approximately 380,000 hectares in the Athabasca Basin region. 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 currently processing ore from the Cigar Lake mine under a toll milling agreement, plus a 25.17% interest in the Midwest deposit and a 63.01% interest in the J Zone deposit on the Waterbury Lake property. Both the Midwest and J Zone deposits are located within 20 kilometres of the McClean Lake mill.

Denison is engaged in mine decommissioning and environmental services through its Denison Environmental Services ("DES") division, which manages Denison's Elliot Lake reclamation projects and provides post-closure mine and maintenance services to a variety of industry and government clients.

Denison is also the manager of Uranium Participation Corporation ("UPC"), a publicly traded company listed on the TSX under the symbol "U", which invests in uranium oxide in concentrates ("U_3O_8") and uranium hexafluoride ("UF_6").

STRATEGY

Denison's strategy is focused on leveraging its uniquely diversified asset base to position the Company to take advantage of the strong long-term fundamentals of the uranium market. In past years, the Company has built one of the strongest portfolios of strategic uranium deposits, properties, and investments amongst junior uranium mining companies. Denison's assets are highlighted by a controlling interest in the Wheeler River project and a minority interest in an operating and licensed uranium milling facility, both located in the infrastructure rich eastern portion of the Athabasca Basin region. While active in exploring for new uranium discoveries in the region, Denison's present focus is on advancing the Wheeler River project to a development decision, with the potential to become the next large scale uranium producer in Canada. With a shortage of low cost uranium development projects in the global project pipeline, Denison is positioned to offer shareholders exposure to value creation through both the development of a potentially top tier asset, as well as a rising uranium price in future years.

URANIUM INDUSTRY OVERVIEW

In 2016, the uranium industry weathered one of the most difficult years in recent history. An oversupplied spot market put dramatic downward pressure on the spot price of U_3O_8, despite the announcement of various production curtailments from uranium producers. The spot price started the year at $34.25 per pound U_3O_8, and lost nearly 20% by the end of the first quarter of 2016, breaking through the $30.00 per pound U_3O_8 threshold. Following six months of steady price declines during the middle of the year, the spot price plummeted from $26.00 per pound U_3O_8 to a 12-year low near $18.00 per pound U_3O_8 by November 2016. At its low for the year, the spot price had fallen nearly 50% from where it started 2016 at $34.25 per pound U_3O_8. Needless to say, industry insiders have pointed to multiple reasons for the dramatic decline in spot prices during 2016 – including the disappointing rate of nuclear reactor restarts in Japan (following initial restarts in 2015, after the Fukushima Daichii nuclear incident led to a total shut down of nuclear power generation in Japan in 2011), the deferral of utility contracting expected to commence in 2017, and an abundance of secondary supplies entering the market (including underfeeding from under-utilized enrichment plants). Even the long-term contract price of uranium, which is typically less volatile than the spot price, fell over 30%, from a price of $44.00 per pound U_3O_8 at the beginning of the year, to end 2016 at $30.00 per pound U_3O_8.

Juxtaposed to statistics from the U.S. Energy Information Administration and American Nuclear Society regarding the fact that more new nuclear power capacity was added to the global electricity grid, on a net basis, during 2015 and again in 2016 than in any other year over the last 25 years, a steep decline in the uranium price during 2016 seems illogical. This view is bolstered by the fact that a uranium price in the low $20.00 per pound range renders even the lowest cost producing uranium mine in the world, according to UxC, to lose money on an all-in cost per pound basis. With demand for uranium forecasted to increase steadily through to 2030, meaningful new capacity coming onto the grid at present, and a uranium mining production pipeline that has been stagnated by several years while uranium prices fail to incentivize the majority of undeveloped uranium projects towards construction, logic would suggest that prices should be on the rise. Underpinning that logic, however, is the assumption that growing demand in the future translates into increased buying today, and that an oversupplied spot market with historically low prices will be fixed by opportunistic buying for long-term utility needs. Volumes in the spot market, however, remain relatively steady in the 30 - 45 million pounds U_3O_8 per year range, and long term utility contracting volumes sit at levels nearly 85% below the height of the market's annual contracting volumes from 2007 to 2012 (when annual contracting volumes reached as high as 250 million pounds U_3O_8 per year). Without meaningful sales volumes, a truly sustainable uranium price has been difficult to discover. Instead, sellers simply outnumber buyers and prices have been subject to downward pressure.

With the world's largest uranium producer, Kazatomprom, having announced (in early 2017) a 10% reduction in its planned production for 2017, the uranium market has finally started to show some signs of a potential turn-around. While the market remains oversupplied, a combination of production cuts from the world's largest producers, and a dysfunctional project pipeline that is unlikely to deliver meaningful new sources of primary supply to the market before 2025, has helped to buoy a recovery in the spot price through the end of 2016 and into early 2017. For a recovery to be sustained, however, utility buying must resume and contracting volumes must increase as utilities work towards securing over 800 million pounds U_3O_8 in uncovered uranium requirements for the period between 2017 and 2025. With few new sources of supply on the horizon over the next 8 to 10 years (and beyond), a significant contracting cycle is expected to lead to the realization that current uranium prices are well below the level required to incentivize most new sources of primary supply, thus leading to a potentially sustained market of rising prices as buyers are forced to bid up the price to secure available supplies of uranium or bring new sources of supply into the market.

Much of the uncovered future demand is estimated to come from non-U.S. utilities, as growth in nuclear energy is expected to be driven by increasing nuclear generating capacities in Asia – primarily from China, India and South Korea. According to the World Nuclear Association ("WNA"), as of March 1, 2017, China had 36 operable nuclear reactors (+6 from January 1, 2016) capable of producing 32.6 gigawatts of electricity. A further 21 reactors are under construction (-3 from January 1, 2016) and an additional 179 reactors are either planned or proposed (+3 from January 1, 2016). Ux Consulting Company, LLC ("UxC") estimates that 111 reactors are expected to be operable and capable of producing over 116 gigawatts of electricity in China by 2030. To achieve this level of production, China's fleet of nuclear reactors will have to increase by between 5 and 6 reactors each year for the next 14 years. The WNA is projecting a similar growth profile for India, where 22 reactors (+1 from January 1, 2016) were operable as of March 1, 2017, capable of producing 6.2 gigawatts of power. Taken together, 69 reactors are either under construction, planned or proposed in India (+ 3 from January 1, 2016). UxC estimates that India could have over 21 gigawatts of nuclear energy operable by 2030, representing over 3 times as much power capacity as is currently available from nuclear. To achieve this level of production, India's fleet of nuclear reactors will have to increase by at least one additional reactor each year over the next 14 years.

Although the uranium market is expected to remain oversupplied in the near term, the long term growth projections for the nuclear industry, combined with the expected depletion of uranium resources in operation today, continue to suggest that a significant long term supply shortage could emerge, even after factoring in new production sources that are expected to come online. With a sustained period of low commodity prices, the uranium mining industry has been challenged to discover and advance the new production sources necessary to meet the expected increase in demand in future years. This story remains unchanged, and accordingly higher prices are expected to be needed to justify the construction of new mines. In the absence of a significant price increase in the near term, it is possible that even the most ambitious development plans could leave the market with an unavoidable supply shortage as soon as the early 2020s.

SELECTED ANNUAL FINANCIAL INFORMATION

(in thousands, except for per share amounts)	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Continuing Operations:			
Total revenues	$ 13,833	$ 12,670	$ 9,619
Exploration and evaluation	$ (11,196)	$ (13,439)	$ (13,488)
Impairment of property, plant & equipment	$ (2,320)	$ (2,603)	$ (1,658)
Net loss	$ (11,699)	$ (16,717)	$ (18,485)
Basic and diluted loss per share	$ (0.02)	$ (0.03)	$ (0.04)
Discontinued Operations:			
Net loss	$ (5,644)	$ (34,843)	$ (13,218)
Basic and diluted loss per share	$ (0.1)	$ (0.07)	$ (0.03)

(in thousands)	As at December 31, 2016	As at December 31, 2015	As at December 31, 2014
Financial Position:			
Cash and cash equivalents	$ 11,838	$ 5,367	$ 18,640
Short term investments	$ -	$ 7,282	$ 4,381
Cash, cash equivalents and investments	$ 11,838	$ 12,649	$ 23,021
Working capital	$ 9,275	$ 12,772	$ 22,542
Property, plant and equipment	$ 187,982	$ 188,250	$ 270,388
Total assets	$ 217,423	$ 212,758	$ 311,330
Total long-term liabilities	$ 36,874	$ 38,125	$ 42,291

SELECTED QUARTERLY FINANCIAL INFORMATION

(in thousands, except for per share amounts)	2016 Q4	2016 Q3	2016 Q2	2016 Q1
Continuing Operations:				
Total revenues	$ 3,351	$ 3,489	$ 3,663	$ 3,330
Net loss	$ (916)	$ (2,506)	$ (3,832)	$ (4,445)
Basic and diluted loss per share	$ -	$ -	$ (0.01)	$ (0.01)
Discontinued Operations:				
Net income (loss)	$ (9,082)	$ 9,050	$ (450)	$ (5,162)
Basic and diluted income (loss) per share	$ (0.01)	$ 0.01	$ -	$ (0.01)

(in thousands, except for per share amounts)	2015 Q4	2015 Q3	2015 Q2	2015 Q1
Continuing Operations:				
Total revenues	$ 3,887	$ 3,526	$ 2,929	$ 2,328
Net loss	$ (5,274)	$ (3,608)	$ (3,982)	$ (3,853)
Basic and diluted loss per share	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)
Discontinued Operations:				
Net loss	$ (10,926)	$ (17,824)	$ (152)	$ (5,941)
Basic and diluted loss per share	$ (0.02)	$ (0.03)	$ -	$ (0.01)

Significant items causing variations in quarterly results

- The Company's toll milling revenues over the last several quarters have fluctuated due to the timing of uranium processing at the McClean Lake mill.
- Revenues from Denison Environmental Services fluctuate due to the timing of projects which vary throughout the year in the normal course of business.
- Exploration expenses are generally largest in first quarter and third quarter due to the timing of the winter and summer exploration programs in Saskatchewan.
- The Company's results are also impacted by other non-recurring events arising from its ongoing activities.

RESULTS OF CONTINUING 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 the McClean Lake uranium mill, one of the world's largest uranium processing facilities, which is currently processing ore from the Cigar Lake mine under a toll milling agreement. The MLJV is a joint venture between ARC with a 70% interest, Denison with a 22.5% interest and OURD (Canada) Co. Ltd. with a 7.5% interest.

The McClean Lake mill is operated by ARC and obtained regulatory authorization from the Canadian Nuclear Safety Commission ("CNSC"), in the second quarter of 2016, to increase its annual production capacity from 13 million pounds U_3O_8 to 24 million pounds U_3O_8. The expansion of the McClean Lake mill is substantially complete and remains fully funded by the CLJV.

During 2016, the McClean Lake mill processed ore received from the Cigar Lake mine and packaged approximately 17.3 million pounds U_3O_8 for the CLJV. The Company's share of toll milling revenue during 2016 totaled $4,598,000. In 2015, the mill packaged approximately 11.3 million pounds of U_3O_8 for the CLJV and the Company's share of toll milling revenue was $3,155,000.

Denison Environmental Services

Mine decommissioning and environmental services are provided through Denison's DES division – providing long-term care and maintenance for closed mine sites since 1997. With offices in Elliot Lake, Ontario, the Yukon Territory and Quebec, DES manages Denison's Elliot Lake reclamation projects and provides post-closure mine care and maintenance services to various customers.

Revenue from DES during 2016 was $7,751,000, compared to $7,607,000 in 2015. In 2016, DES experienced an increase in Canadian dollar revenues due to an increase in activity at certain care and maintenance sites, which was partly offset by the unfavourable fluctuation in foreign exchange rates applicable on the translation of revenues earned in Canadian dollars.

Management Services Agreement with Uranium Participation Corporation ("UPC")

Denison provides general administrative and management services to UPC. Management fees and commissions earned by the Company provide Denison with a source of cash flow to partly offset corporate administrative expenditures incurred by the Company. During the second quarter of 2016, the Company entered into a new three-year management services arrangement with UPC ("New UPC Agreement").

Revenue from the Company's management contract with UPC was $1,484,000 during 2016, compared to $1,822,000 in 2015. The decrease in revenues during 2016 was predominantly due to a reduction in the management fees earned based on UPC's monthly net asset value. UPC's balance sheet consists primarily of uranium held either in the form of U_3O_8 or UF_6, which is accounted for at fair value. The fair value of uranium holdings reduced significantly during 2016, as a result of an approximately 40% decline in uranium spot prices during the year. The decline in revenues was also impacted by unfavourable fluctuations in foreign exchange rates applicable to the translation of the Canadian dollar revenues and was partially offset by an increase in transaction-related commissions and one-time fees associated with the purchase of uranium and other management services.

CANADIAN MINERAL PROPERTY EXPLORATION & EVALUATION

During 2016, the Company continued to focus on its significant portfolio of projects in the eastern portion of the Athabasca Basin region in Saskatchewan. Denison's share of exploration and evaluation expenditures in 2016 was $11,196,000 (CAD$14,917,000) compared to expenditures in 2015 of $13,439,000 (CAD$17,036,000). During 2016, the Company's exploration and evaluation expenditures decreased as a result of a reduction in winter activities, compared to the prior year, and a favourable fluctuation in foreign exchange rates applicable on the translation of expenses incurred in Canadian dollars. The following table summarizes the activities that were completed during 2016.

CANADIAN EXPLORATION & EVALUATION ACTIVITIES			
Property	**Denison's ownership**	**Drilling in metres (m)**	**Other activities**
Wheeler River	60%(1)	47,169 (73 holes)	Completion of Preliminary Economic Assessment; Initial PFS activities; Geophysical surveys
Bachman Lake	100%	-	Geophysical surveys
Bell Lake	100%	2,382 (4 holes)	Geophysical surveys
Crawford Lake	100%	2,810 (4 holes)	Geophysical surveys
Hatchet Lake	70.11%(2)	2,040 (6 holes)	Geophysical surveys, Soil Sampling program
Mann Lake	30%	4,775 (7 holes)	-
Marten	50%(3)	1,021 (4 holes)	-
McClean Lake	22.50%	2,850 (7 holes)	-
Murphy Lake	78.96%(2)	3,695 (10 holes)	Geophysical surveys
Moon Lake South	nil(4)	516 (1 hole)	-
Moore Lake	100%(5)	-	Geophysical surveys
South Dufferin	100%	-	Soil Sampling Program
Torwalt Lake	100%	612 (2 holes)	-
Turkey Lake	100%	501 (4 holes)	-
Waterbury Lake	63.01%(6)	3,153 (8 holes)	Geophysical surveys
Wolly	22.76%(7)	5,339 (27 holes)	Geophysical surveys
Total		**76,863 (157 holes)**	

(1) See SUBSEQUENT EVENTS for discussion of the agreement entered into whereby Denison is expected to increase its ownership of the Wheeler River project to approximately 66% by the end of 2018.

(2) The Company's ownership in these projects is as at December 31, 2016. The partner in these projects, Eros Resources Corp. has elected not to fund the 2017 programs and will dilute their respective ownership interest. As a result, Denison's interest will increase.

(3) The Company has received notice from its partner that it intends to withdraw from the JV agreement related to this property. The effective date of the termination is March 17, 2017.

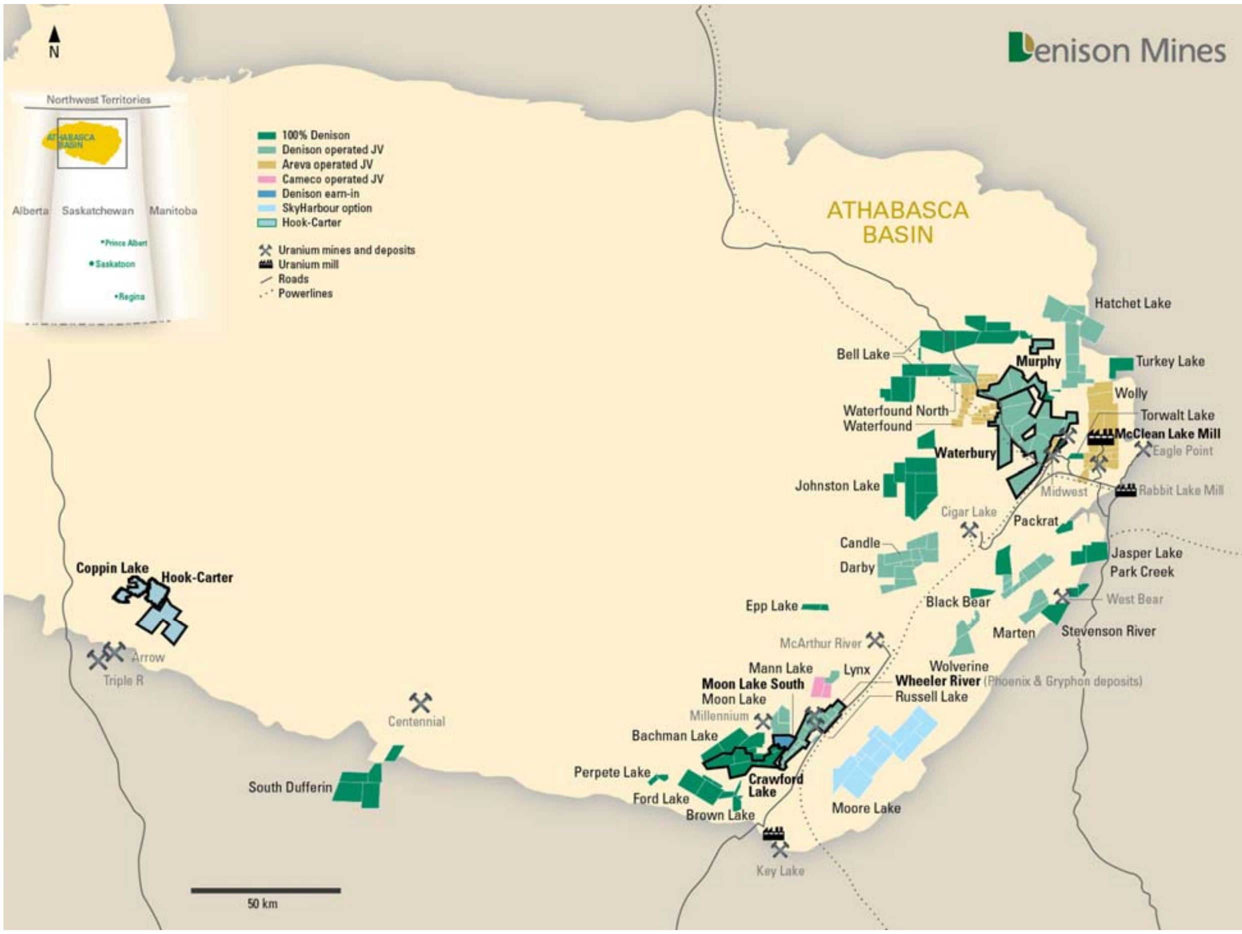
(4) The Company's ownership is as at December 31, 2016. Refer to Exploration Pipeline Properties below for further details. The property is currently owned by CanAlaska Uranium Ltd. and Denison is in the process of earning into an initial interest.

(5) Refer to Exploration Pipeline Properties below for details of option agreement entered into with Skyharbour Resources Ltd on the property.

(6) The Company earned an additional 1.46% interest in the Waterbury Lake property effective August 31, 2016. Refer to RELATED PARTY TRANSACTIONS below for further details.

(7) During 2016 Denison and ARC elected to fund their pro rata share of JCU's portion and therefore Denison's interest in the project increased from 22.5% to 22.76%.

Exploration spending in Canada is seasonal with spending higher during the winter exploration season (January to mid-April) and summer exploration season (June to mid-October) in the Athabasca Basin. The Company's land position in the Athabasca Basin, as of December 31, 2016, is illustrated below. Denison's high priority exploration properties are outlined in bold. The Company's Athabasca land package increased during the fourth quarter from 354,162 hectares (230 claims) to 371,744 hectares (252 claims) primarily due to the acquisition of the Hook-Carter and Coppin Lake claims.

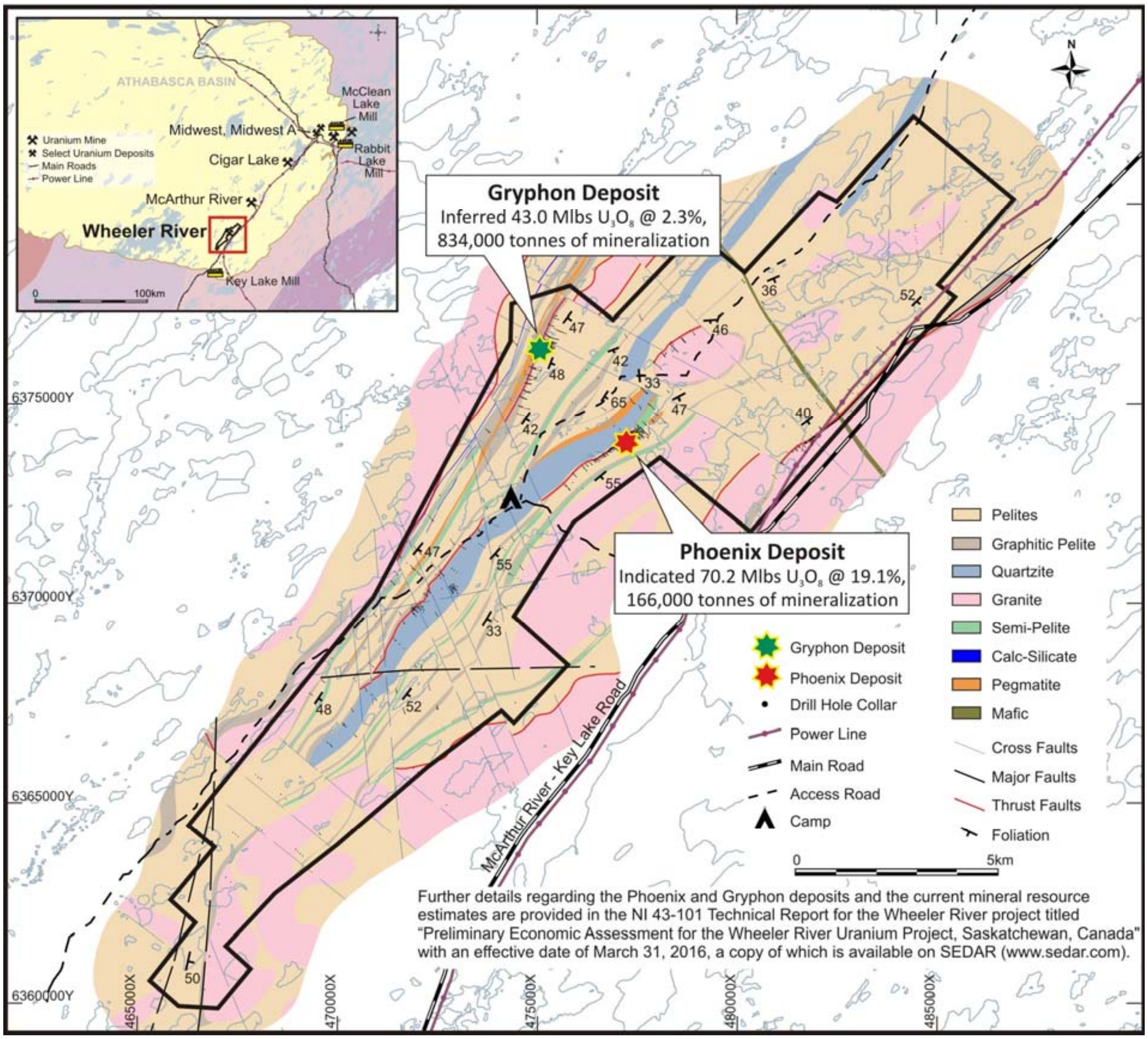


Wheeler River Project

The Wheeler River property is host to the high-grade Phoenix and Gryphon uranium deposits, discovered by Denison in 2008 and 2014 respectively. The Phoenix deposit is estimated to include indicated resources of 70.2 million pounds U_3O_8 (above a cut-off grade of 0.8% U_3O_8) based on 166,000 tonnes of mineralization at an average grade of 19.1% U_3O_8, and is the highest grade undeveloped uranium deposit in the world. The Gryphon deposit is hosted in basement rock, approximately 3 kilometres to the northwest of Phoenix, and is estimated to contain inferred resources of 43.0 million pounds U_3O_8 (above a cut-off grade of 0.2% U_3O_8) based on 834,000 tonnes of mineralization at an average grade of 2.3% U_3O_8.

The Wheeler River property lies between the McArthur River Mine and the Key Lake mill complex in the eastern portion of the Athabasca Basin in northern Saskatchewan – a well-established uranium mining district with infrastructure including the provincial power grid, all-weather provincial highways and haul roads, air transportation infrastructure and multiple uranium processing facilities, including the 22.5% Denison owned McClean Lake mill. The ore haul road and provincial power line between the McArthur River Mine and the Key Lake mill complex runs along the eastern side of the Wheeler River property. Denison is the operator of the Wheeler River project and holds a 60% interest, while Cameco holds a 30% interest and JCU (Canada) Exploration Company, Limited (“JCU”) holds a 10% interest. Further details regarding the Wheeler River Project are provided in the Company’s NI 43-101 technical report entitled “Preliminary Economic Assessment for the Wheeler River Uranium Project, Saskatchewan, Canada”, (the “PEA”) with an effective date of March 31, 2016. A copy of the PEA is available on the Company's website and on both SEDAR and EDGAR.

The Wheeler River property location and basement geology map is provided below.



Evaluation Program

During 2016, Denison's share of evaluation costs at Wheeler River amounted to $847,000 (2015 - $241,000) and was mainly related to the completion of the PEA and the initiation of Pre-feasibility study ("PFS") activities.

The PEA considers the potential economic merit of co-developing the high-grade Gryphon and Phoenix deposits as a single underground mining operation, and assumes processing at Denison's 22.5% owned McClean Lake mill, located in the infrastructure rich eastern portion of the Athabasca Basin. The strategic development plan is designed to minimize risk, generate higher up-front margins, and reduce initial capital funding requirements – by development of the conventionally mined basement hosted Gryphon deposit first, followed by the unconformity hosted Phoenix deposit. The plan also results in reduced project risk by utilizing existing infrastructure in the eastern Athabasca Basin, which includes excess milling capacity at the McClean Lake mill, as well as the provincial highways and power grid already in place.

PEA Results

The PEA resulted in a base case pre-tax Internal Rate of Return ("IRR") of 20.4%, an indicative post-tax IRR to Denison of 17.8%, and a pre-tax Net Present Value ("NPV") of CAD$513 million (Denison's share – CAD$308 million), based on a long term contract price for uranium of $44 per pound U_3O_8. The PEA also included a production scenario based on a uranium price of $62.60 per pound U_3O_8, resulting in a pre-tax IRR of 34.1% and a pre-tax NPV of CAD$1,420 million (Denison's share – CAD$852 million).

The PEA is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them to be categorized as mineral reserves, and there is no certainty that the PEA will be realized. Mineral resources are not mineral reserves and do not have demonstrated economic viability.

PFS Activities

In July 2016, Denison announced the initiation of a PFS for the Wheeler River project. An important step in completing the PFS involves increasing the level of confidence of the previously released inferred resources estimated for the Gryphon deposit to an indicated level. An infill drilling program was designed to achieve this objective by reducing the 50 x 50 metre drill spacing to an approximate 25 x 25 metre spacing across the A, B and C series lenses of the Gryphon deposit. The program, which is expected to require approximately 40 drill holes, includes delineation holes designed to potentially close-off areas where mineralization is still open. Refer to the Exploration Programs section below for results of the initial infill and delineation drill holes completed during the summer 2016 program.

Engineering Activities

As part of the PFS activities, the Company commenced engineering data collection programs at Wheeler River, including geotechnical and hydrogeological field studies. Geotechnical data collection programs were initiated to assess ground conditions in the mineralized zones as well as the surrounding host rock. This information will be used to guide the location of underground development and the design of ground support systems for both the shafts and the mine. This information is also expected to be used in the production planning process, including the determination of optimum stope sizes and mine production sequencing. By the end of the year, a substantial database of geotechnical information was obtained including:

- 1,650 metres of geotechnical logging of new cores at the Phoenix deposit;
- 33,000 metres of geotechnical logging from exploration drilling at Gryphon; and
- 3,800 metres of geotechnical logging of historic drill cores from both Phoenix and Gryphon.

Hydrogeological data collection was also initiated, during the year, to gather information on sub-surface water movement in the mineralized zones, host rock, and across major geological structures. Understanding these conditions at Wheeler River will help to avoid some of the challenges that have been experienced at other underground operations in the Athabasca Basin. The information collected will be used to: evaluate routine and potential non-routine water inflows to an underground operation; develop design criteria for mine dewatering and water treatment plant systems; and understand potential interactions of the project with the environment.

Similar to the geotechnical program, by the end of 2016 a substantial database of hydrogeological information was obtained including:

- 92 hydrogeological tests at both Gryphon and Phoenix, completed to better understand groundwater movement and flow paths, including tests in the sandstone, at the unconformity and in basement zones across geological structures;
- Surface water elevation surveys completed in over 180 boreholes;
- The collection of 20 sub-surface water samples for laboratory analysis; and
- The installation of two vibrating wire piezometers to facilitate sub-surface hydrogeological data collection during drilling and pumping programs.

In addition to the engineering field work described above, the Company also initiated engineering investigations into alternate mining methods at Phoenix, options for shaft and vent raise excavation at both Gryphon and Phoenix, and possible routes for a site access road from provincial highway 914.

Environmental Activities

During 2016, the Company commenced the collection of environmental baseline data to help characterize the existing environment in the project area. Thoroughly understanding and documenting the local environment is essential to assessing current and future project impacts. This data will form the foundation of the Environmental Assessment for the project. The information will also be used in the design of various aspects of the project, including the location and layout of site infrastructure, the location for treated effluent discharge and fresh water intake, and the designs of water treatment plants, waste storage facilities, and other infrastructure interacting with the environment. Programs conducted in 2016 and continuing into 2017 include:

- Aquatic environment: Lakes and streams near the project area are in the process of being characterized with key aspects including: water quality, water flow and water levels, lake sediment quality, benthic invertebrate communities, and fish communities;
- Terrestrial environment: Data regarding wildlife, vegetation and soils surrounding the project area is being captured and characterized;
- Waste rock geochemistry: Targeted core samples are being analyzed to determine potential acid and metal leaching potential from waste rock, which will be used in design of potential waste rock storage facilities;
- Atmospheric environment: Collection of air quality measurements was initiated to gather information on pre-development atmospheric conditions; and
- Heritage resources: Investigations are underway to determine the presence of heritage resources in the project area.

In addition to the environmental baseline programs, the company also initiated the community consultation and engagement process, including several meetings with key northern Saskatchewan communities.

Exploration Program

Denison's share of exploration costs at Wheeler River amounted to $4,802,000 during 2016 (2015 - $4,552,000). The Wheeler River summer drilling program was completed in October 2016. Final assay results were received in early November and were reported in Denison's press release dated November 17, 2017. Results for the summer 2016 drilling program are summarized below.

Extension of the Gryphon D Series Lenses

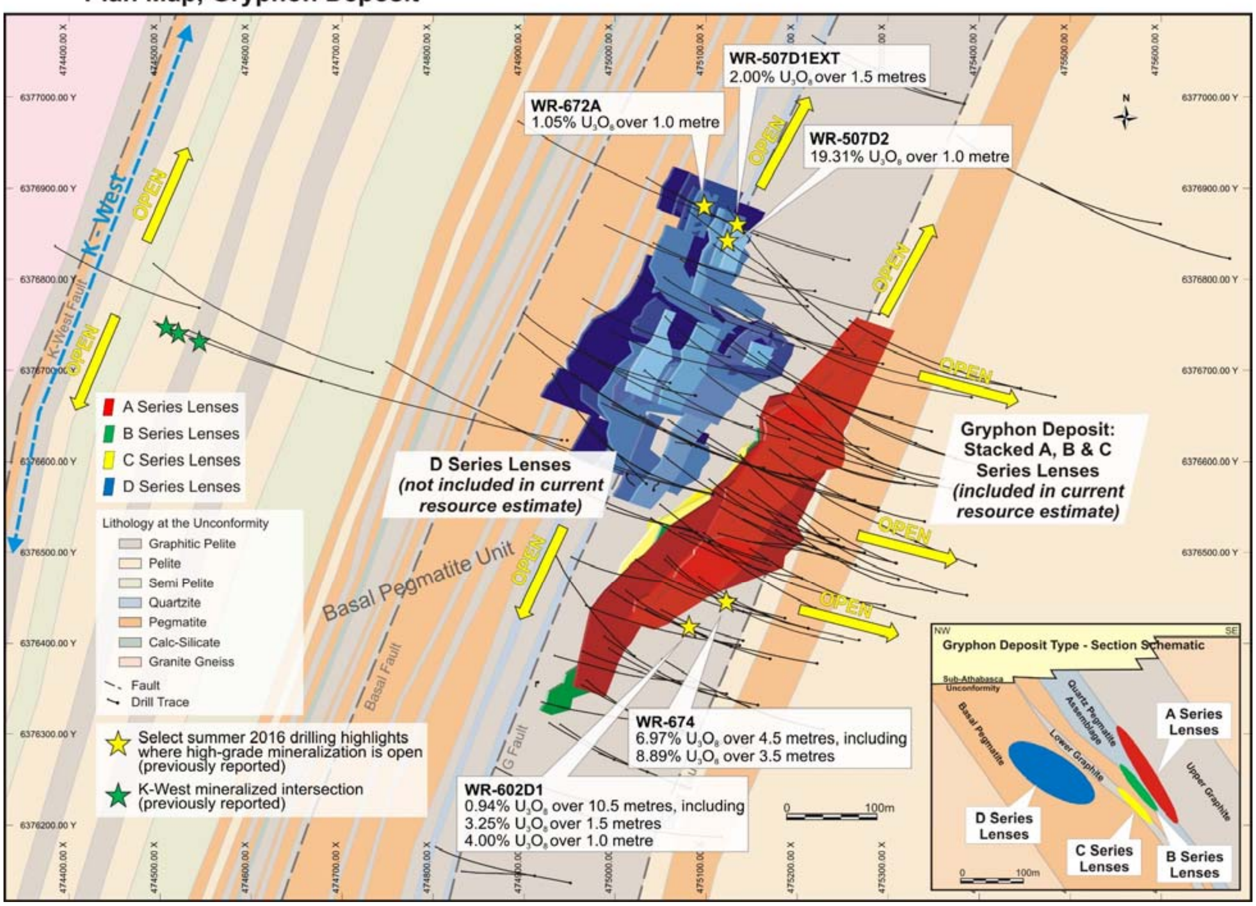
Following on from the discovery of the D Series lenses on Section 5200 GP during the winter 2016 exploration program, the lenses were successfully extended along strike to the northeast and southwest during the summer 2016 program. The D Series lenses are located within 200 meters north and northwest of the Gryphon deposit, within the pegmatite-dominated footwall (Basal Pegmatite), and are interpreted to occur as a series of stacked, parallel lenses conformable to the stratigraphy and dominant foliation - similar to the A, B and C Series lenses of the Gryphon deposit.

Highlight assay results from the 21 holes completed during the summer 2016 program, testing for D Series lens mineralization along strike to the northeast and southwest, are presented in the table below. The drill holes are orientated steeply toward the northwest and therefore test the entire package of prospective southeast dipping basement stratigraphy, including the Quartz-Pegmatite Assemblage which hosts the A and B Series lenses, the Lower Graphite which hosts the C Series lenses and the Basal Pegmatite which hosts the D Series lenses. The assay results indicate the D Series lens mineralization totals 330 meters in collective strike extent, with mineralization still open along strike in both directions. Highlight D Series lens intersections include 1.39% U_3O_8 over 5.0 metres in drill hole WR-671D1, 3.00% U_3O_8 over 1.0 metre in drill hole WR-669, and 2.93% U_3O_8 over 1.0 metre in WR-670. As noted, many of the mineralized intersections in the table below refer to mineralization intersected in the stratigraphic position of the A or B Series lenses outside of the current NI 43-101 mineral resource estimate. Of particular importance is drill hole WR-507D2, which intersected 19.31% U_3O_8 over 1.0 metre approximately 25 metres below the unconformity in the stratigraphic position of the A Series lenses. This intersection is open to the northeast along strike and down-plunge, with the potential to represent a new lens of high-grade mineralization.

HIGHLIGHTS OF DRILLING AND ASSAY RESULTS FOR DRILL HOLE TESTING FOR EXPANSION OF THE D SERIES LENSES				
Hole Number	From (m)	To (m)	Length[4] (m)	U_3O_8 (wt%)[1,2,3]
WR-669	747.2	748.2	1.0	3.00
WR-671[5]	584.5	585.5	1.0	1.61
WR-671D1	682.5	687.5	5.0	1.39
WR-671D2	659.0	660.0	1.0	1.09
WR-661	694.7	695.7	1.0	1.39
WR-670	651.5	652.5	1.0	2.93
WR-507D1EXT	723.0	724.5	1.5	1.95
WR-507D2[5]	581.0	582.0	1.0	19.31

Notes:
1. U_3O_8 is chemical assay of mineralized split core sample.
2. Composited above a cut-off grade of 0.05% U_3O_8.
3. Composites compiled using 1.0 metre minimum mineralization thickness and 2.0 metres maximum waste.
4. As the drill holes are oriented steeply toward the northwest and the basement mineralization is interpreted to dip moderately to the southeast, the true thickness of the mineralization is expected to be approximately 75% of the intersection lengths.
5. Mineralization intercept located in the stratigraphic position of the A or B series lenses.

Plan Map, Gryphon Deposit



Expansion of Gryphon A and B Series Lenses

Toward the end of the summer 2016 program, a total of six drill holes were completed, testing for extensions of mineralization up-dip (WR-673, WR-675 and WR675-D1) and down-dip (WR-674, WR-602D1 and WR-679) of the A and B Series lenses on the shallower, southwestern portion of the Gryphon deposit. The drill holes were spaced at a minimum of 50 metres apart and located approximately 50 metres from the previous drill holes that were used to define the current extents of the deposit. Apart from WR-679, all the holes intersected significant mineralization which remains open. Highlights of the assay results are provided in the table below.

HIGHLIGHTS OF DRILLING AND ASSAY RESULTS FOR DRILL HOLE TESTING FOR EXPANSION OF THE A AND B SERIES LENSES

Hole Number	From (m)	To (m)	Length[5] (m)	U_3O_8 (wt%)[1,2,4]
WR-602D1	693.3	703.8	10.5	0.94
(including)[3]	693.3	694.8	1.5	3.25
(including)[3]	698.8	699.8	1.0	4.00
WR-673	628.3	631.3	3.0	0.51
(including)[3]	628.3	629.3	1.0	1.31
WR-674[3]	742.0	743.0	1.0	1.19
(and)	746.0	750.5	4.5	6.97
(including)[3]	746.5	750.0	3.5	8.89
WR-675[3]	607.4	608.4	1.0	1.38

Notes:
1. U_3O_8 is chemical assay of mineralized split core sample.
2. Composited above a cut-off grade of 0.05% U_3O_8 unless otherwise indicated.
3. Composited above a cut-off grade of 1.0% U_3O_8.
4. Composites compiled using 1.0 metre minimum mineralization thickness and 2.0 metres maximum waste.
5. As the drill holes are oriented steeply toward the northwest and the basement mineralization is interpreted to dip moderately to the southeast, the true thickness of the mineralization is expected to be approximately 75% of the intersection lengths.

Gryphon Infill and Delineation Drilling

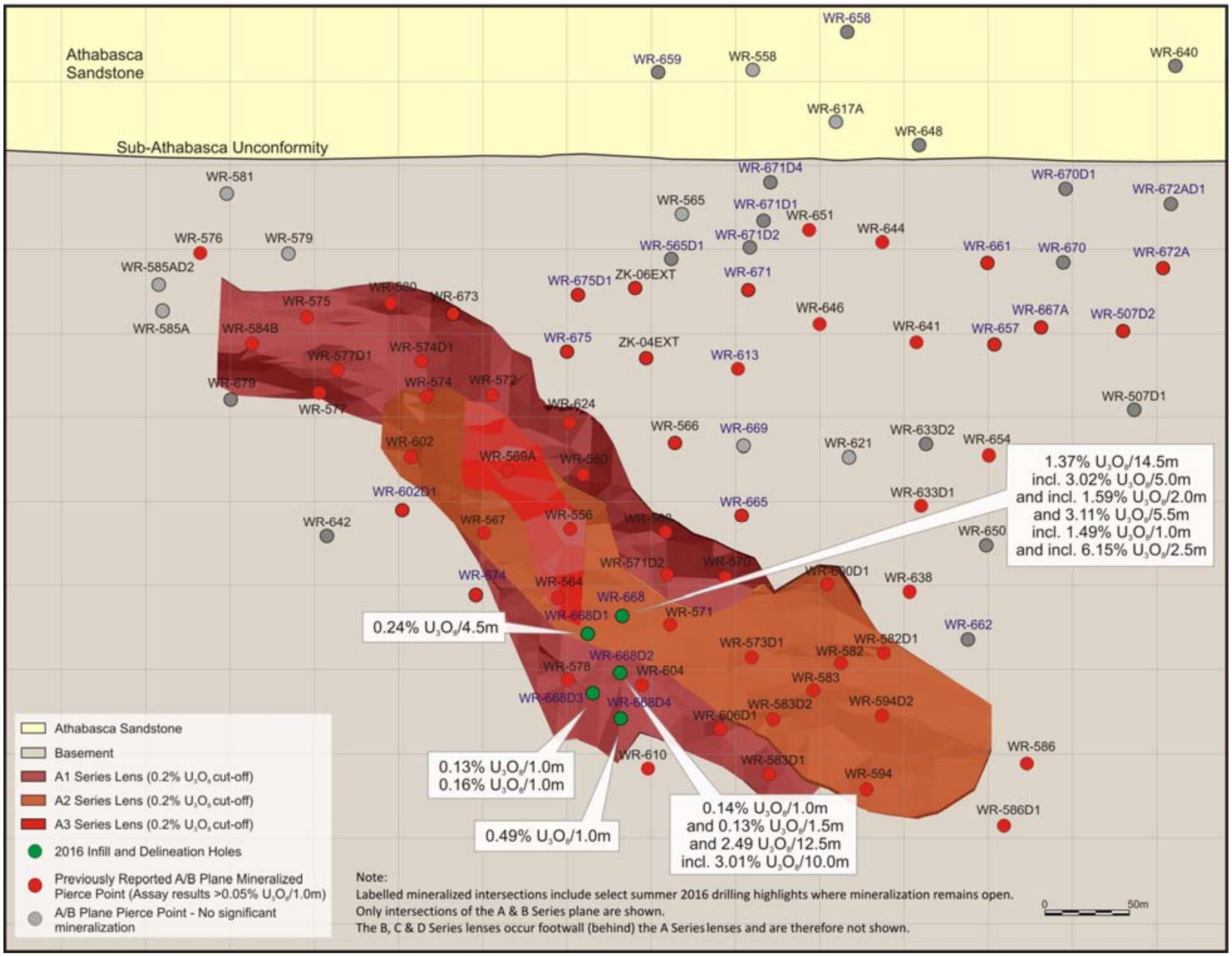
A total of five initial infill and delineation drill holes, totaling 2,620 metres, were completed as part of the summer 2016 program. The drill holes included a single parent hole (WR-668) and subsequent daughter holes (WR-668D1 to WR-668D4), which were drilled off of the parent hole using directional drilling technology. Highlight assay results for the initial five infill and delineation drill holes are provided in the table below and drill hole locations are shown in the inclined longitudinal section below.

HIGHLIGHTS OF DRILLING AND ASSAY RESULTS FOR INFILL AND DELINEATION DRILL HOLES ON THE GRYPHON DEPOSIT A AND B SERIES LENSES

Hole Number	From (m)	To (m)	Length[5] (m)	U_3O_8 (wt%)[1,2,4]
WR-668	754.8	769.3	14.5	1.37
(including)[3]	755.3	760.3	5.0	3.02
(including)[3]	765.3	767.3	2.0	1.59
(and)	772.7	778.2	5.5	3.11
(including)[3]	773.7	774.7	1.0	1.49
(including)[3]	775.2	777.7	2.5	6.15
WR-668D2	771.0	783.5	12.5	2.49
(including)[3]	773.0	783.0	10.0	3.01
WR-668	754.8	769.3	14.5	1.37

Notes:
1. U_3O_8 is chemical assay of mineralized split core sample.
2. Composited above a cut-off grade of 0.01% U_3O_8 unless otherwise indicated.
3. Composited above a cut-off grade of 1.0% U_3O_8.
4. Composites compiled using 1.0 metre minimum mineralization thickness and 2.0 metres maximum waste.
5. As the drill holes are oriented steeply toward the northwest and the basement mineralization is interpreted to dip moderately to the southeast, the true thickness of the mineralization is expected to be approximately 75% of the intersection lengths.

Inclined Longitudinal Section, Gryphon Deposit A Series Lenses



Mineralization at K-West

Mineralization was also intersected, during 2016, approximately 500 metres west of the Gryphon deposit, along the K-West conductive trend, which runs parallel to the K-North trend hosting the Gryphon deposit. Assay results confirmed weak uranium mineralization at K-West, in drill hole WR-663, including 0.06% U_3O_8 over 0.5 metres (from 826.3 to 826.8 metres), 0.06% U_3O_8 over 1.5 metres (from 858.2 to 859.7 metres) and 0.04% U_3O_8 over 0.5 metres (from 867 to 867.5 metres). The two follow-up drill holes, WR-676 and WR-663D1, were drilled approximately 50 metres up-dip and down-dip of WR-663 respectively, and did not encounter any significant mineralization; however, a similar extensive alteration zone was intersected, indicating continued potential for higher grades. The zone is open along strike within the basement and, given the proximity to Gryphon and similar favorable geological setting, additional follow-up is warranted.

Sampling and Assay Procedures

Drill core with anomalous total gamma radioactivity (>500 counts per second) was selected for sampling and uranium assay over 0.5 metre intervals. Sampling is undertaken on site by splitting the core in half, with one half submitted for analysis and the other half retained in the core box for future reference. Uranium assays are performed 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. Core recovery at Gryphon is typically 100% and therefore radiometric equivalent U_3O_8 grades ("eU_3O_8") are not required as a substitute for chemical U_3O_8 assays. In addition to internal checks by SRC Geoanalytical Laboratories, the Company has rigorous quality assurance and quality control ("QAQC") procedures including the insertion of standard reference materials, blanks and field duplicates. For further details on the assay and QAQC procedures see Denison's Annual Information Form dated March 24, 2016 on SEDAR (www.sedar.com).

Exploration Pipeline Properties

During 2016, the Company managed or participated in 12 other drilling exploration programs (9 operated by Denison) on the Company's pipeline properties, as reported in previous quarters. No field exploration programs were conducted during the fourth quarter; however, desk-top interpretations of 2016 results and planning for 2017 work programs was carried out. Exploration pipeline property highlights for 2016 include:

Waterbury Lake Project

Denison's 63.01% owned Waterbury Lake project, which includes the J-Zone uranium deposit, is located within 20 kilometres of the McClean Lake mill, and is situated near the Roughrider, Midwest and Midwest A deposits.

Denison completed the first phase of the 2016 exploration drilling program during the second quarter, comprising a total of 6 holes for 2,076 metres at the Oban target area. Two drill holes were completed to follow-up on the weak uranium mineralization intersected previously on the western portion of Oban, which included 0.079% U_3O_8 over 4.8 metres in drill hole WAT14-406A and 0.050% U_3O_8 over 1.5 metres in drill hole WAT14-407. The holes were successful in intersecting their respective targets, but no uranium mineralization was intersected. A further four drill holes tested the eastern portion of the Oban target area, which was surveyed with ground DC-IP resistivity in winter 2016. The targets included a basement resistivity low with weak sandstone 'breach' anomalies and the associated ground electromagnetic conductor. The survey outlined the continuation of the parallel set of east-west striking metasedimentary units that contains variably faulted graphitic pelites. The two holes drilled in the second quarter successfully intersected graphitic pelites, faulting, and associated alteration; however, no mineralization was encountered.

During the 2015 ground geophysics program, Denison identified the Hamilton Lake trend located on the western side of the property. An initial two-hole drill fence was completed during the third quarter of 2016, and identified features associated with unconformity-related uranium deposits – including highly altered and structured sandstone and graphitic basement rocks, an unconformity offset, and anomalous geochemistry including 8.3 ppm uranium over the basal 25 metres of sandstone and 0.5 metre intervals of 389 ppm and 299 ppm uranium immediately above the unconformity. The Hamilton Lake trend has an interpreted minimum strike length of 4.5 kilometres to the south of the two holes completed in 2016, and appears to continue for a further 9 kilometres to the north. The trend is considered highly prospective and no drilling has been conducted along this trend outside of the two holes completed in 2016.

Murphy Lake Project

Exploration drilling during 2016 extended the strike length of mineralization and strong sandstone alteration, originally encountered during the winter of 2015, from 200 to 850 metres. As outlined in Denison's press release dated April 21, 2016, highlight mineralized drill intercepts include 0.25% U_3O_8 over 6.0 metres (drill hole MP-15-03), 0.13% U_3O_8 over 14.5 metres (drill hole MP-16-11) and 0.19% eU_3O_8 over 2.9 metres drill hole (MP-16-08). The mineralization occurs at, or immediately above, the sub-Athabasca unconformity (similar to other Athabasca unconformity-hosted deposits) and is open along strike both to the east and to the west. The Murphy Lake property is located approximately 30 kilometres northwest of the McClean Lake mill and is a joint venture between Denison (78.96%) and Eros Resources Corp. (21.04%).

Crawford Lake and Moon Lake South Projects

Denison continues to receive encouraging results from the CR-3 conductive trend located on the Crawford Lake property (100% Denison) and the Moon Lake South property (Denison earn-in option, currently 100% owned by CanAlaska Uranium Ltd). The CR-3 trend is located approximately 2 kilometres west of the K-Trend – a highly prospective trend which hosts the Gryphon deposit on Denison's adjacent Wheeler River property. Drilling during 2016 at Crawford Lake identified strong alteration and significant structure along the CR-3 trend, both within the Athabasca sandstone and underlying graphitic basement rocks. An initial hole drilled at Moon Lake South in 2016 (MS-16-01) on the CR-3 trend intersected 0.1% U_3O_8 over 0.5 metres at the sub-Athabasca unconformity, and was encompassed by a significant sandstone alteration and geochemical halo (see Denison's press release dated April 21, 2016). The CR-3 trend has been interpreted over a distance of approximately nine kilometres with only six drill holes completed to date. The trend is completely untested to the northeast of drill hole MS-16-01 on the Moon Lake South property. Work planned for 2017 along the CR-3 conductive trend includes a resistivity survey at Moon Lake South during the winter and a four-hole summer drill program (2,300 metres) to test priority targets at both Crawford Lake and Moon Lake South.

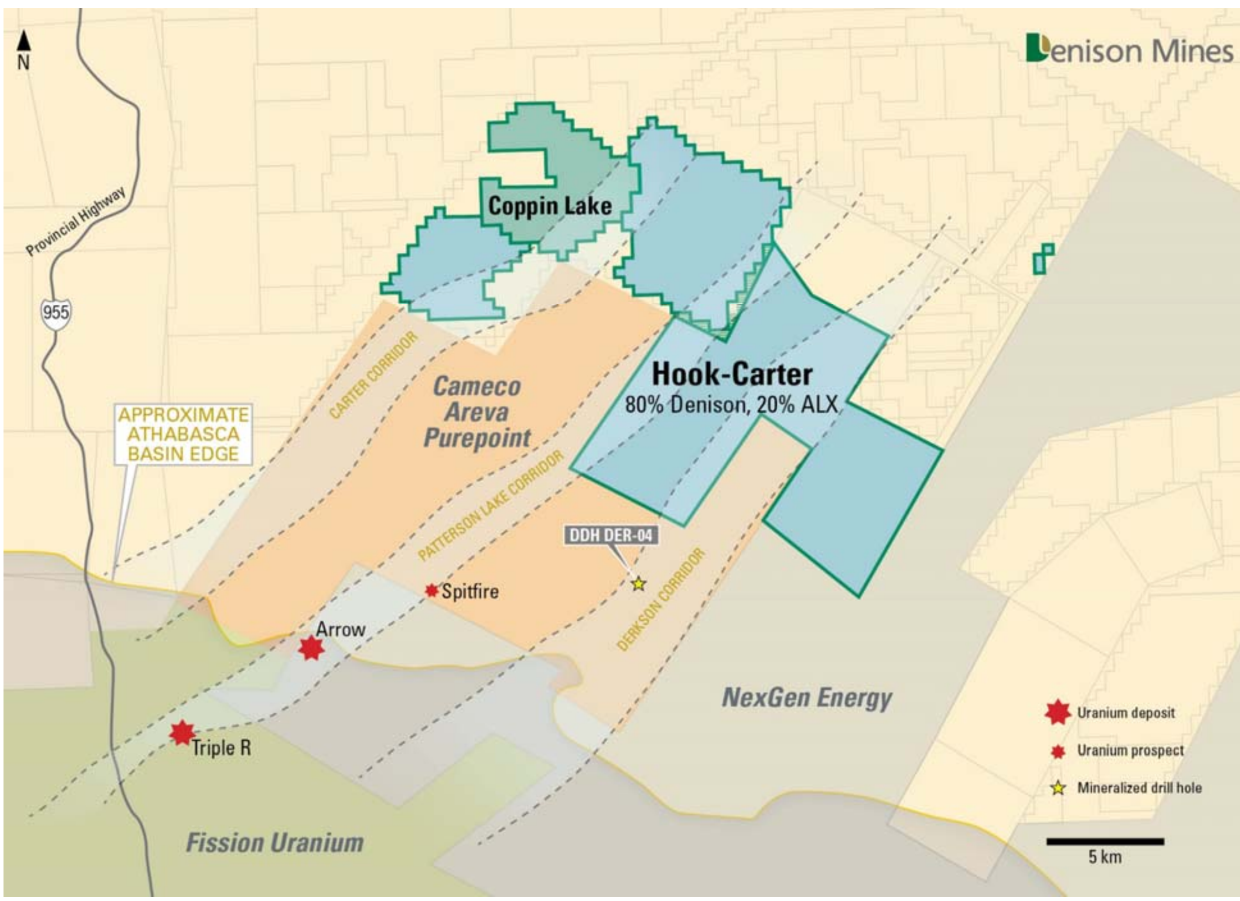
The option agreement for the Moon Lake South property was executed in January 2016 with CanAlaska Uranium Ltd. ("CanAlaska") to earn an interest in CanAlaska's 100% owned Moon Lake South project, located adjacent to Denison's

100% owned Crawford Lake property. Under the terms of the option, Denison can earn an initial 51% interest in the project by incurring CAD$200,000 in exploration expenditures by December 31, 2017, and it can increase its interest to 75% by incurring an additional CAD$500,000 in exploration expenditures by December 31, 2020. As at December 31, 2016, Denison had incurred CAD$139,000 in exploration expenditures on the Moon Lake South property.

Hook-Carter

In November 2016 Denison completed the acquisition of an immediate 80% ownership of the Hook-Carter property ("Hook Carter") from ALX Uranium Corp. ("ALX") (AL:TSX-V), in exchange for the issuance of 7.5 million common shares of Denison (the "Consideration Shares"). Under the terms of the acquisition, ALX retains a 20% interest in Hook Carter, and Denison agrees to fund ALX's share of the first CAD$12 million in expenditures on the property. The Consideration Shares are subject to a statutory hold period and an escrow arrangement, whereby 1/6th of the shares were released to ALX on closing, and a further 1/6th of the shares will be released from escrow in 6 month increments following the closing. Hook Carter consists of 28 claims, totaling 16,805 hectares, and is located near the southwestern margin of the Athabasca Basin, in northern Saskatchewan. The property is highlighted by 15 kilometres of strike potential along the prolific Patterson Lake Corridor – host to the recently discovered Triple R deposit (Fission Uranium Corp.), Arrow deposit (NexGen Energy Ltd.), and Spitfire discovery (Purepoint Uranium Group Inc., Cameco, and ARC) which occur within 8 to 20 kilometres of the Property.

In November 2016 Denison also completed the purchase of the Coppin Lake property ("Coppin Lake") from ARC and UEX Corporation for CAD$35,000 in cash and a 1.5% net smelter royalty. Coppin Lake is contiguous with Hook-Carter and comprises ten mineral claims covering an area of 2,768 hectares. The property covers approximately five kilometres of prospective strike on the Carter corridor. Under the terms of the Hook Carter acquisition, ALX has agreed to acquire an interest in Coppin Lake from Denison that is equal to ALX's interest in Hook Carter.



Moore Lake

In August 2016, the Company closed an option agreement with Skyharbour Resources Ltd. ("Skyharbour"), which grants Skyharbour an option to acquire a 100% interest in Denison's wholly owned Moore Lake property in exchange for cash, stock and exploration spending commitments. Denison received 4,500,000 common shares of Skyharbour and, under the terms of the agreement, expects to receive staged cash payments of CAD$500,000, in aggregate, over the next five years. Skyharbour must also spend CAD$3,500,000 in exploration expenditures on the property, over the same five year period, in order to complete the option.

Under the terms of the option agreement, Denison also maintains various back-in rights on the property to re-acquire a 51% interest in the property and is entitled to nominate a member to Skyharbour's Board of Directors as long as Denison maintains a minimum ownership position of 5%. As at December 31, 2016, Denison held an approximate 11.4% ownership interest in Skyharbour.

OPERATING EXPENSES

Canada Mining

Operating expenses of the Canadian mining segment include depreciation, development and standby costs, as well as certain adjustments to the estimates of future reclamation liabilities at McClean Lake, Midwest and Elliot Lake, if applicable.

Operating expenses in 2016 were $3,665,000, compared to $4,555,000 in 2015.

In 2016, operating expenses included depreciation of the McClean Lake mill of $2,411,000, as a result of processing approximately 17.3 million pounds U_3O_8 from the CLJV. In 2015, depreciation accounted for $1,627,000 with 11.3 million pounds U_3O_8 processed from the CLJV and 11,000 pounds U_3O_8 from the MLJV.

In 2016, the Company also recorded operating expenses related to an increase in the estimate of reclamation liabilities at Elliot Lake of $461,000 (2015 - $2,262,000) reflecting the impact of increased labour cost estimates and an increase in the discount rate applicable to the reclamation liability, compared to 2015, where the change was due to an increase in labour cost estimates coupled with a decrease in the discount rate. Refer to Contractual Obligations and Contingencies Section for further detail.

Environmental Services

Operating expenses during 2016 totaled $6,669,000, compared to $6,875,000 in 2015. The expenses relate primarily to care and maintenance and consulting services provided to clients, and include labour and other costs. The decline in operating expenses in 2016 compared to 2015 is predominantly due to the favourable fluctuation in foreign exchange rates applicable on the translation of expenses incurred in Canadian dollars.

GENERAL AND ADMINISTRATIVE EXPENSES

Total general and administrative expenses were $4,420,000 during 2016, compared to $5,826,000 in 2015. These costs are mainly 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 decrease in general and administrative expenses during 2016 was the result of a significant decrease in project costs associated with non-recurring corporate development initiatives undertaken in the prior year, combined with the impact of the favourable fluctuation in foreign exchange rates applicable on the translation of Canadian dollar expenses.

IMPAIRMENT

During 2016, the Company recognized impairment charges of $2,253,000 (2015 - $2,603,000) to impair the carrying value of two of its Canadian exploration properties (2015 – three Canadian exploration properties). The 2016 impairment charge included $2,174,000 recorded against the value of Moore Lake. The impairment of the Moore Lake property was based on the terms of the transaction between the Company and Skyharbour (refer to Exploration Pipeline Properties section above for details). The remaining recoverable amount for the Moore Lake property, estimated to be CAD$1,700,000, is based on a market-based fair value less costs of disposal assessment of the share and cash consideration to be received by the Company under the terms of the transaction. The remaining $79,000 impairment is the result of the Company's current intention to let the claims on one of its properties lapse in the normal course and to not carry out the required exploration programs or fund the deficiency deposits needed to maintain the claims. The

$nil recoverable amount of this property is based on a market-based fair value less costs of disposal assessment using unobservable inputs including the Company's data about the property and management's interpretation of that data. During 2016, the Company also recorded a $67,000 impairment charge related to the assets of the MLJV.

FOREIGN EXCHANGE INCOME AND EXPENSE

During 2016, a foreign exchange loss of $1,477,000 was recognized, compared with $2,122,000 in foreign exchange income in 2015. The decrease during 2016 is due primarily to unfavourable fluctuations in foreign exchange rates impacting the revaluation of intercompany advances and debt.

OTHER INCOME AND EXPENSES

During 2016, the Company recognized $1,473,000 in gains on investments carried at fair value, compared to losses of $346,000 during 2015. Gains and losses on investments carried at fair value are driven by the closing share price of the related investee at period end. The gain recorded in 2016 is predominantly driven by a favourable mark-to-market adjustment on the Company's investments in GoviEx warrants. Refer to SALE OF AFRICAN-BASED URANIUM INTERESTS below for further details. The loss in 2015 was predominantly driven by unfavourable mark-to-market adjustments in several equity investments, one of which has subsequently been sold.

EQUITY SHARE OF INCOME FROM ASSOCIATES

During 2016, the Company recorded its equity share of income in its associate GoviEx, of $453,000. The amount is comprised of an equity loss of $96,000, which is based on the Company's share of the change in GoviEx's net assets since the date of the investment in the second quarter of 2016. In addition, the Company recorded a dilution gain of $549,000 as the result of the financing, in which the Company did not take part, completed by GoviEx in the fourth quarter - having the effect of reducing the Company's position in GoviEx from 24.59%, at the date of the transaction, to approximately 20.68% at year-end. See SALE OF AFRICAN-BASED URANIUM INTERESTS below for further details of the transaction with GoviEx.

INCOME TAX RECOVERY AND EXPENSE

Income tax recovery in 2016 totaled $3,955,000, compared to an income tax recovery of $3,769,000 in 2015. The increase in the income tax recovery in 2016 was mainly due to a reduced deferred tax expense recognized on the renunciation of tax-attributes related to 2016 expenditures, as compared to the deferred tax expense recognized on the renunciation of 2015 expenditures.

DISCONTINUED OPERATIONS

Sale of African-Based Uranium Interests

In June 2016, GoviEx and Denison completed the Africa Transaction to combine their respective African uranium mineral interests under the direct ownership of GoviEx. Pursuant to the Africa Transaction, GoviEx acquired Denison's wholly owned subsidiary, Rockgate Capital Corp., which held all of Denison's Africa-based uranium interests (collectively "DML Africa"), in exchange for 56,050,450 common shares ("Consideration Shares") and 22,420,180 common share purchase warrants ("Consideration Warrants") of GoviEx.

Each Consideration Warrant is convertible into one common share of GoviEx at a price of $0.15 per share for a period of three years. The Consideration Warrants include an acceleration clause, which provide that in the event that the closing price of GoviEx's common shares on the TSX Venture Exchange is equal to or greater than CAD$0.24 per share for a period of 15 consecutive trading days, GoviEx may provide holders of the Consideration Warrants with written notice that holders have 30 days to exercise the Consideration Warrants on the original terms, failing which the exercise price of the Consideration Warrants will be increased to $0.18 per share and the term of the Consideration Warrants will be reduced by six months.

As part of the Africa Transaction, GoviEx undertook a concurrent equity financing by means of a non-brokered private placement (the "GoviEx Concurrent Financing"), in which Denison provided the lead order for the private placement of $500,000 for 9,093,571 common shares ("Concurrent Shares") and 9,093,571 common share purchase warrants ("Concurrent Warrants"). Each Concurrent Warrant is convertible into one common share of GoviEx for a period of three years, at a price of $0.12 per share until June 10, 2018 and thereafter at a price of $0.14 per share. The Concurrent Warrants include an acceleration clause, which provide that in the event that the closing price of GoviEx's common shares on the TSX Venture Exchange is equal to or greater than CAD$0.20 per share for a period of 15 consecutive trading days, GoviEx may provide holders of the Concurrent Warrants with written notice that holders have 60 days to exercise the Concurrent Warrants on the original terms, failing which the Concurrent Warrants will expire unexercised.

At December 31, 2016, Denison holds a total of 65,144,021 common shares of GoviEx or approximately 20.68% of GoviEx's issued and outstanding common shares and a total of 31,513,751 common share purchase warrants. GoviEx is a publicly traded company and is listed on the TSX Venture Exchange under the symbol "GXU".

For so long as Denison holds at least 5% of the issued and outstanding common shares of GoviEx, Denison will have the right to appoint one director to the GoviEx board of directors and will have the right to participate in future GoviEx equity financings in order to maintain its pro-rata ownership. Denison's nominee director, Mr. David Cates, President and Chief Executive Officer of Denison, has been appointed to the GoviEx board of directors.

Loss on sale of African-Based Uranium Interests

Upon the sale of the Company's African interests to GoviEx during the second quarter, the Company recognized a loss on disposal of the Africa mining division of $102,000, which includes $637,000 of cumulative foreign currency losses recognized as translational foreign exchange losses in the period of disposal. The total consideration received at fair value amounted to $4,946,000 and includes the fair value of the GoviEx Consideration Shares received of $3,954,000, the fair value of GoviEx consideration warrants received of $1,162,000, less transaction costs of $170,000. The carrying value of net assets disposed of totaled $4,411,000 and was mainly comprised of mineral properties in Mali, Namibia and Zambia of $3,427,000.

The fair value of the GoviEx Consideration Shares received was determined using GoviEx's closing share price on June 10, 2016 of CAD$0.09 per share converted to USD using the June 10, 2016 foreign exchange rate of 0.7839. The fair value of the GoviEx Consideration Warrants received, $1,162,000 or $0.0518 per warrant, was determined using the Black-Scholes option pricing model.

Operating Expenses

In preparation for the Africa Transaction, the Company continued with its objective to maintain its interests in Zambia, Mali and Namibia in good standing during the first half of 2016. Operating expenses in Africa during 2016 totaled $64,000 (2015 - $302,000), consisting mainly of camp costs incurred on the Falea project in Mali in the first half of 2016. Operating expenses during 2015 consisted mainly of camp costs incurred on the Falea project in Mali and community aid programs in Zambia.

Exploration Expenditures

Exploration expenses in Africa during 2016 were $74,000 (2015 - $818,000). Exploration expenses in both 2016 and 2015 included exploration staff personnel costs for the Mutanga Project in Zambia and the Falea Project in Mali. Additional expenses in 2015 included an excavator trenching program at the Mutanga Project in Zambia and airborne geophysical (VTEM) survey, soil sampling, scintillometer prospecting and geological mapping at the Falea Project in Mali.

General and Administrative Expenses

General and administrative expenses in Africa during 2016 totaled $280,000 (2015 - $637,000). General and administrative expenses in both 2016 and 2015 were mainly comprised of personnel and office expenses.

Impairment – Mineral Properties

During 2016, the Company recognized $nil impairment charges (2015 - $25,164,000) for its African mineral properties. The impairment charges in 2015 were based on a market-based fair value less costs of disposal analysis of the Falea, Dome, and Mutanga projects carried out when the Company decided to cease exploration activity in Africa and focus on its core projects in the Athabasca Basin.

Foreign Exchange Income and Expense

During 2016, foreign exchange losses of $5,154,000 were recognized (2015 – $18,164,000). The losses are due primarily to fluctuations in foreign exchange rates impacting the revaluation of US dollar intercompany advances and debt for the Company's African related operations.

Sale of Mongolian Interests

In November 2015, Denison completed the sale of its interest in the Gurvan Saihan Joint Venture ("GSJV") to Uranium Industry a.s. ("Uranium Industry"), of the Czech Republic, pursuant to an amended and restated share purchase agreement entered into on November 25, 2015 (the "GSJV Agreement"). Under the terms of the GSJV Agreement, Denison received $1.25 million in initial payments during 2015, and the right to receive additional contingent consideration of up to $12.0 million, for total consideration of $13.25 million. The contingent consideration is comprised of $10,000,000, payable within 60 days of the issuance of certain mining licenses (the "Mining License Receivable") and up to an additional $2,000,000 within 365 days following the attainment of certain production targets on the mining licenses (the "Production Threshold Consideration"), each as more particularly described in Denison's press release dated December 1, 2015.

In July 2016, the Mineral Resources Authority of Mongolia ("MRAM") issued letters to the GSJV notifying it of its intention to grant mining licenses to the GSJV for the Hairhan, Haraat, Gurvan Saihan and Ulzit projects. In September 2016, the mining license certificates for all four projects were formally issued.

As a result, in the third quarter of 2016 the Company recognized the $10,000,000 fair value of the Mining License Receivable and it also recognized a corresponding gain on sale, net of additional applicable transaction costs. The original due date for payment of the Mining License Receivable by Uranium Industry was in November 2016.

Pursuant to a subsequent extension agreement between Uranium Industry and the Company, the payment due date of the Mining License Receivable was extended from November 16, 2016 to July 16, 2017 ("Extension Agreement"). As consideration for the extension, Uranium Industry has 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 $100,000 instalment amount towards the balance of the Mining License Receivable amount. The first payment under the Extension Agreement was due on or before January 31, 2017. The required payments were not made and Uranium Industry is now in default of both the GSJV Agreement and the Extension Agreement.

On February 24, 2017, the Company served notice to Uranium Industry that it was in default of its obligations under the GSJV Agreement and the Extension Agreement and that the Mining License Receivable and all interest payable thereon are immediately due and payable. The Company intends to explore all proceedings available to it to pursue the collection of the Mining License Receivable amount.

In light of the uncertainty regarding collectability, Denison has impaired the $10,000,000 Mining License Receivable to $nil in the fourth quarter, resulting in an adjustment to the previously recognized net gain on sale. The adjustment to the net gain on sale has been presented within discontinued operations as it directly relates to the proceeds realized to date on the sale of the Mongolia Mining Division to Uranium Industry. Accordingly, any subsequent payments realized on the impaired receivable will be recognized within discontinued operations. The Production Threshold Consideration also continues to be fair valued at $nil and will be re-measured at each subsequent reporting date.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were $11,838,000 at December 31, 2016 compared with $5,367,000 at December 31, 2015. At December 31, 2015, the company also held investments in Guaranteed Investment Certificates ("GICs") of $7,282,000, which are categorized as short term investments on the balance sheet.

The increase in cash and cash equivalents of $6,471,000 was due to net cash used in operations of $8,130,000, more than offset by net cash provided by investing activities of $5,787,000, net cash provided by financing activities of $8,805,000, and a net foreign exchange gain on the translation of foreign currency balances at period end of $9,000.

Net cash used in operating activities of $8,130,000 during 2016 is comprised of a net loss for the period adjusted for non-cash items and changes in working capital items.

Net cash provided by investing activities of $5,787,000 consists of cash provided by the maturity of debt instrument investments (GICs) of $7,763,000 and proceeds from the sale of equity instruments of $760,000, offset by cash used to acquire property, plant and equipment of $1,266,000, cash used in the divestiture of Denison's African assets of $830,000, cash used to purchase GoviEx common shares and warrants of $500,000, and an increase of $195,000 in restricted cash and investments. Property, plant and equipment expenditures include $589,000 to acquire an additional 1.46% interest in the Waterbury Lake property. As at December 31, 2016, the Company holds an ownership interest of 63.01% in the Waterbury Lake property. Refer to TRANSACTIONS WITH RELATED PARTIES for further details.

Net cash provided by financing activities of $8,805,000 largely reflects the net proceeds received from the Company's May 2016 private placement issuance of 15,127,805 common shares on a flow-through basis, at a price of CAD$0.82 per share, for gross proceeds of CAD$12.4 million. The proceeds will be used to fund the Company's Canadian exploration programs through to the end of 2017. As at December 31, 2016, the Company has spent CAD$154,000 toward its obligation to spend CAD$12.4 million on eligible Canadian exploration expenses associated with this financing.

As at December 31, 2016, the Company has fulfilled its obligation to spend CAD$15,000,000 on eligible Canadian exploration expenses under the flow-through share financing completed in May 2015.

The Company holds the large majority of its cash, cash equivalents, and investments in Canadian dollars. As at December 31, 2016, the Company's cash and cash equivalents amounts to approximately CAD$15.9 million.

Refer to 2017 OUTLOOK for details of the Company's working capital requirements for the next twelve months.

Subsequent to year-end, the Company has closed a CAD$43.5 million financing arrangement with APG that is repayable from the Company's future share of the MLJV toll milling revenue. Further, subsequent to year-end, the Company announced that it has entered into an agreement with Paradigm Capital Inc. to complete a bought-deal private placement of 18,337,000 common shares of the Company, for gross proceeds of CAD$20 million. Refer to SUBSEQUENT EVENTS for further details of these transactions. Refer to RISK FACTORS for a discussion of circumstances that could affect the Company's future sources of funding.

Revolving Term Credit Facility

On January 31, 2017, the Company entered into an agreement with the Bank of Nova Scotia to amend the terms of a revolving term credit facility entered into in 2016 and to extend the maturity date to January 31, 2018 ("2017 Credit Facility"). Under the 2017 Credit Facility, the Company has access to letters of credit of up to CAD$24,000,000, which is fully utilized for non-financial letters of credit in support of reclamation obligations.

Amongst the amendments included in the 2017 Credit Facility, a restrictive covenant to maintain CAD$5,000,000 on deposit with the Bank of Nova Scotia, has been replaced with a pledge of CAD$9,000,000 in restricted cash in the form of GICs to be held with the Bank of Nova Scotia as collateral against the credit facility. The 2017 Credit Facility is subject to letter of credit fees of 0.4% on the first CAD$9,000,000 (collateralized by the restricted cash), and 2.4% on the remaining CAD$15,000,000 of letters of credit issued under the facility.

Contractual Obligations and Contingencies

The Company has the following contractual obligations at December 31, 2016:

(in thousands)	Total	1 Year	2-3 Years	4-5 Years	After 5 Years
Debt Obligations	$ 276	$ 276	$ –	$ –	$ –
Operating Leases and other commitments	$ 1,092	$ 182	$ 318	$ 286	$ 306

Reclamation Sites

The Company periodically reviews the anticipated costs of decommissioning and reclaiming its mill and mine sites as part of its environmental planning process. The Company's reclamation liability, at December 31, 2016, is estimated to be $20,965,000, which is expected to be sufficient to cover the projected future costs for reclamation of the Company's mill and mine operations. There can be no assurance, however, that the ultimate cost of such reclamation obligations will not exceed the estimated liability contained in the Company's financial statements.

<u>Elliot Lake</u> – The Elliot Lake uranium mine was closed in 1992 and capital works to decommission the site were completed in 1997. The remaining provision is for the estimated cost of monitoring the Tailings Management Areas at the Denison and Stanrock sites and for treatment of water discharged from these areas. The Company conducts its activities at both sites pursuant to licenses issued by the CNSC. In the fourth quarter of 2016, an adjustment of $461,000 was made to the reclamation liability to reflect the Company's best estimate of the present value of the total reclamation cost that will be required in the future. Spending on restoration activities at the Elliot Lake sites is funded from monies in the Elliot Lake reclamation trust fund. At December 31, 2016, the amount of restricted cash and investments relating to the Elliot Lake Reclamation Trust fund was $2,213,000.

McClean Lake and Midwest – The McClean Lake and Midwest operations are subject to environmental regulations as set out by the Saskatchewan government and the CNSC. Cost estimates of future decommissioning and reclamation activities are prepared every 5 years and filed with the applicable regulatory authorities for approval. During 2015, an adjustment of $2,264,000 was made to the reclamation liability based on the preliminary plan submitted in the CNSC in November 2015. In March 2016, a final reclamation plan was submitted, incorporating comments received from the applicable regulatory authorities. As a result, during the first quarter, an adjustment of $71,000 was made to increase the reclamation liability, to reflect the Company's best estimate of its share of the present value of its total future reclamation cost that will be required in the future. At December 31, 2016, the Company reduced the liability by $21,000 to reflect changes in the long-term discount rate used to estimate the present value of the reclamation liability. The majority of the reclamation costs are expected to be incurred between 2037 and 2055.

Under the *Mineral Industry Environmental Protection Regulations, 1996*, the Company is required to provide its pro-rata share of financial assurances to the Province. Under the March 2016 approved plan, the Company increased its financial assurance to CAD$24,135,000. The Company has in place irrevocable standby letters of credit from The Bank of Nova Scotia in favour of Saskatchewan's Ministry of Environment in the amount of CAD$24,135,000. At present, to provide the required standby letters of credit, the Company is utilizing the full capacity of the 2017 Credit Facility and has committed an additional CAD$135,000 with the Bank of Nova Scotia as restricted cash collateral.

FINANCIAL INSTRUMENTS

(in thousands)	Financial Instrument Category (1)	Fair Value Hierarchy	December 31, 2016 Fair Value	December 31, 2015 Fair Value
Financial Assets:				
Cash and equivalents	Category D		$ 11,838	$ 5,367
Trade and other	Category D		2,403	4,826
Investments				
Equity instruments (shares)	Category A	Level 1	1,228	460
Equity instruments (warrants)	Category A	Level 2	2,517	24
Equity instruments (shares)	Category B	Level 1	15	12
Debt instruments	Category A	Level 1	-	7,282
Restricted cash and equivalents				
Elliot Lake reclamation trust fund	Category C		2,213	2,040
Reclamation letter of credit collateral	Category C		101	-
			$ 20,315	$ 20,011
Financial Liabilities:				
Account payable and accrued liabilities	Category E		4,141	4,574
Debt obligations	Category E		276	300
			$ 4,417	$ 4,874

(1) Financial instrument designations are as follows: Category A=Financial assets and liabilities at fair value through profit and loss; Category B=Available for sale investments; Category C=Held to maturity investments; Category D=Loans and receivables; and Category E=Financial liabilities at amortized cost.

The Company is exposed to credit risk and liquidity risk in relation to its financial instruments. Its credit risk in relation to its cash and equivalents, debt instruments and restricted cash and equivalents is limited by dealing with credit worthy financial institutions. The Company's trade and other receivables balance relates to a small number of customers who are credit worthy and with whom the Company has established a relationship through its past dealings.

Liquidity risk, in which the Company may encounter difficulties in meeting obligations associated with its financial liabilities as they become due, is managed through the Company's planning and budgeting process which determines the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there is sufficient committed capital to meet its short-term business requirements, taking into account its anticipated cash flows from operations, its holdings of cash and equivalents and debt instruments and its access to credit facilities and capital markets, if required.

The Company's investments that are designated as financial assets at fair value through profit or loss have resulted in other income of $1,473,000 during 2018, compared to expenses of $346,000 during 2015.

The Company's investments designated as available for sale have resulted in an unrealized gains recognized in accumulated other comprehensive income of $3,000 for 2016, compared to unrealized losses of $4,000 for 2015.

TRANSACTIONS WITH RELATED PARTIES

Uranium Participation Corporation

The Company is a party to a management services agreement with UPC. The initial management services agreement with UPC expired on March 31, 2016 and a new management services agreement was entered into, effective April 1, 2016 for a term of three years. Under the new agreement, Denison receives the following fees from UPC: a) a base fee of CAD$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 CAD$100 million and up to and including CAD$500 million, and (ii) 0.2% per annum of UPC's total assets in excess of CAD$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.

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

(in thousands)	Year Ended December 31, 2016	Year Ended December 31, 2015
Management Fee Revenue		
Base and variable fees	$ 1,291	$ 1,747
Discretionary fees	77	-
Commission fees	116	75
	$ 1,484	$ 1,822

At December 31, 2016, accounts receivable includes $160,000 (December 31, 2015: $157,000) due from UPC with respect to the fees and transactions discussed above.

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

In June 2009, Denison completed definitive agreements with KEPCO including a long-term offtake agreement (which has been assigned to Energy Fuels Inc. ("EFR") as part of the U.S. Mining Division transaction completed in June 2012) and a strategic relationship agreement. Pursuant to the strategic relationship agreement, KEPCO is entitled to subscribe for additional common shares in Denison's future share offerings. The strategic relationship agreement also provides KEPCO with a right of first opportunity if Denison intends to sell any of its substantial assets, a right to participate in certain purchases of substantial assets which Denison proposes to acquire and a right to nominate one director to Denison's board so long as its share interest in Denison is above 5.0%.

As at December 31, 2016, KEPCO, through its subsidiaries including KHNP, holds an aggregate of 58,284,000 shares of Denison representing a share interest of approximately 10.8%.

At December 31, 2016, Denison also holds a 60% interest in Waterbury Lake Uranium Corporation ("WLUC") and a 63.01% interest in Waterbury Lake Uranium Limited Partnership ("WLULP"), entities whose key asset is the Waterbury Lake property. The other 40% and 36.99% respective interests in these entities is held by a consortium of investors ("KWULP") of which KHNP is now the primary holder. KEPCO also transferred its ownership interest in KWULP to KHNP in December 2016. When a spending program is approved by the participants, each participant is required to fund these entities based upon its respective ownership interest. Spending program approval requires 75% of the voting interest.

In January 2014, Denison agreed to allow KWULP to defer a decision regarding its funding obligation to WLUC and WLULP until September 30, 2015 and to not be immediately diluted as per the dilution provisions in the relevant agreements ("Dilution Agreement"). Instead, under the Dilution Agreement, dilution would be applied as at September 30, 2015 and in each subsequent period, if applicable. In exchange, Denison received authorization to approve spending programs on the property, up to an aggregate CAD$10,000,000, until September 30, 2016, without obtaining approval from 75% of the voting interest. In December 2016, Denison and KWULP agreed to extend Denison's authorization under the Dilution Agreement to approve spending for an additional year, to September 30, 2017.

In September 2015, KWULP notified Denison that it would not fund its deferred funding obligation for 2015 and that it would accept dilution to its interest in the WLULP in 2015 and 2016 under the Dilution Agreement. As a result, in 2015 Denison funded the entire 2015 program and earned an additional 1.55% interest in the Waterbury Lake project, which resulted in Denison recording its increased pro-rata share of the net assets of Waterbury Lake, the majority of which relates to an addition to mineral property assets of $836,000.

In 2016, Denison again funded 100% of the approved fiscal 2016 program for Waterbury Lake, and KWULP continued to dilute its interest in the WLULP. As a result, in 2016 Denison earned an additional 1.46% interest in the WLULP, which resulted in Denison recording its increased pro-rata share of the net assets of Waterbury Lake, the majority of which relates to an addition to mineral property assets of $589,000.

Other

All services and transactions with the following related parties listed below were made on terms equivalent to those that prevail with arm's length transactions:

- During 2016, the Company incurred investor relations, administrative service fees and other expenses of $140,000 (2015: $159,000) with Namdo Management Services Ltd, which shares a common director with Denison. These services were incurred in the normal course of operating a public company.

- During 2016, the Company incurred office expenses of $23,000 with Lundin S.A, a company which provides office and administration services to the executive chairman, other directors and management of Denison. No similar services were provided during 2015. At December 31, 2016, an amount of $6,000 was due to this company.

- During 2015, the Company incurred legal fees of $548,000 with Cassels Brock & Blackwell, LLP, a law firm at which a former member of Denison's Board of Directors was a partner. These services and associated costs were mainly related to various acquisition initiatives and internal re-organization activities done by the Company. At December 31, 2015, an amount of $12,000 was due to this legal firm. This law firm was not a related party for the duration of 2016.

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)	December 31, 2016	December 31, 2015
Salaries and short-term employee benefits	$ 1,163	$ 1,391
Share-based compensation	262	370
Termination benefits	-	314
	$ 1,425	$ 2,075

OFF-BALANCE SHEET ARRANGEMENTS

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

SUBSEQUENT EVENTS

Agreement to Increase Ownership of Wheeler River Project up to 66%

On January 10, 2017, Denison executed an agreement with the partners of the WRJV, which will allow Denison to increase its ownership in the WRJV from 60% up to approximately 66% by the end of fiscal 2018. Under the terms of the agreement, the partners have agreed to allow for a one-time election by Cameco to fund 50% of its ordinary 30% share of the WRJV expenses for fiscal 2017 and 2018. The shortfall in Cameco's contribution will be funded by Denison, in exchange for a transfer of a portion of Cameco's interest in the WRJV. Accordingly, Denison’s share of the WRJV expenses will be 75% in fiscal 2017 and 2018.

In connection with the agreement, the partners have approved a CAD$12.5 million budget for the WRJV for fiscal 2017 and have also agreed to propose a budget for fiscal 2018 that will not exceed CAD$15.6 million (being 125% of the approved budget for 2017). Based on the approved fiscal 2017 budget, and the maximum allowed fiscal 2018 budget, Denison expects its ownership interest in the WRJV to increase to approximately 66% by December 31, 2018.

Financing Arrangement with Anglo Pacific Group PLC

On February 13, 2017, Denison closed a financing arrangement with Anglo Pacific Group PLC (“APG”), and its wholly owned subsidiary Centaurus Royalties Ltd. (“Centaurus”) for aggregate gross proceeds to Denison of CAD$43,500,000 (the “APG Financing”).

The financing is comprised of the following elements: (1) a 13 year limited recourse lending arrangement involving a loan from APG to 9373721 Canada Inc. (“SPV”)(the “APG Loan”) and a further loan from SPV to Denison Mines Inc. (“DMI”)(the “SPV Loan”), each for CAD$40,800,000 (collectively, the “Lending Arrangement”); and (2) CAD$2,700,000 in proceeds from the sale, to Centaurus, of a stream equal to Denison’s 22.5% share of proceeds from the toll milling of Cigar Lake ore by the McClean Lake mill for specified Cigar Lake toll milling throughput in excess of 215 million pounds U_3O_8 after July 1, 2016 (the “Stream Arrangement”). DMI and SPV are both wholly owned subsidiaries of Denison.

Additional details of the financing are as follows:

- *No Warranty of the Future Rate of Production* - No warranty is provided by Denison (including DMI and SPV) to APG (including Centaurus), under the terms of the Lending Arrangement or the Stream Arrangement, regarding: the future rate of production at the Cigar Lake mine and / or the McClean Lake mill; or the amount or collectability of proceeds to be received by the MLJV in respect of toll milling of Cigar Lake ore.
- *APG Loan Details* - The APG Loan will accrue interest at a rate of 10% per annum and does not have a predetermined principal repayment schedule. The APG Loan is secured by a first priority interest in the assets of SPV which will essentially consist of the SPV Loan to DMI.
- *SPV Loan Details* - The SPV Loan will accrue interest at a rate of approximately 10% per annum and does not have a predetermined principal repayment schedule. The SPV Loan is limited in its recourse against DMI such that it is generally repayable only to the extent of Denison’s share of the toll milling revenues earned by the MLJV from the processing of the first 215 million pounds of U_30_8 from Cigar Lake ore on or after July 1, 2016. Denison will guarantee the limited recourse loan repayments and will grant a second ranking pledge of its share of DMI to secure performance by DMI of its obligations to pay the SPV Loan. The share pledge is second ranking to Denison’s existing pledge of its shares of DMI to the Bank of Nova Scotia (“BNS”) under the terms of its Letters of Credit Facility.

Immediately on receipt of the proceeds from the APG Loan, SPV repaid APG CAD$2,939,000 representing the Cigar Lake tolling milling cash receipts received by Denison in respect of toll milling activity for the period July 1, 2016 to December 31, 2016.

In connection with the closing of the financing, Denison reimbursed APG for $100,000 in due diligence expenses and granted 1,673,077 share purchase warrants in satisfaction of a CAD$435,000 arrangement fee payable to APG. The warrants have an exercise price of CAD$1.27 per share and will be exercisable for a period of 3 years from the date of closing of the financing.

Common Share and Flow Through Share Issues

On February 16, 2017, Denison announced that it has entered into an agreement with Paradigm Capital Inc., on behalf of a syndicate of underwriters (together the “Underwriters”), under which the Underwriters have agreed to purchase, in aggregate, 18,337,000 shares of Denison for gross proceeds of CAD$20,000,290.

The aggregate share offering is comprised of the following three elements: (1) a “Common Share” offering, which consists of 5,790,000 common shares of Denison at a price of CAD$0.95 per share for gross proceeds of CAD$5,500,500; (2) a “Tranche A Flow-Through” offering which consists of 8,482,000 flow-through shares at a price of CAD$1.12 per share for gross proceeds of CAD$9,499,840; and (3) a “Tranche B Flow-Through” offering which consists of 4,065,000 flow-through shares at a price of CAD$1.23 per share for gross proceeds of CAD$4,999,950.

Denison has granted the Underwriters an option to increase the gross proceeds of the offering by up to 15%, which is exercisable, in whole or in part, at any time during the period that is 48 hours prior to the closing date. The Underwriter's option is exercisable in common shares only. The closing of the offering is expected to occur on or about March 9, 2017.

OUTSTANDING SHARE DATA

At March 8, 2017, there were 540,773,902 common shares issued and outstanding, stock options outstanding for 6,082,089 Denison common shares, and 1,673,077 share purchase warrants outstanding for a total of 548,529,068 common shares on a fully-diluted basis.

OUTLOOK FOR 2017

Following the sale of the Company's African interests, and the decision to initiate a PFS for the Wheeler River project after the completion of a successful PEA in 2016, the Company's plans for 2017 are focused on the activities necessary to position it as the next uranium producer in Canada. The 2017 winter exploration program commenced in January with a heavy concentration of the Company's budget and activities centred on the advancement of the Company's 60% owned flagship Wheeler River project.

(in thousands)		2017 BUDGET
Canada (1)		
Development & Operations		(2,390)
Mineral Property Exploration & Evaluation		(10,890)
		(13,280)
Other (1)		
UPC Management Services		930
DES Environmental Services		1,320
Corporate Administration & Other		(4,030)
		(1,780)
Total(2)	**$**	**(15,060)**

(1) Budget figures have been converted using a US$ to CAD$ exchange rate of 1.33.
(2) Only material operations shown.

Mineral Property Exploration & Evaluation

The Company's budget for exploration and evaluation activities in 2017 is approximately $10.9 million (CAD$14.5 million). Including partner's share of expenses, the projected 2017 exploration and evaluation work program is budgeted to be CAD$20.5 million, and is expected to include approximately 68,000 metres of drilling across eight of Denison's projects. The budget is focused on the Company's 60% owned flagship Wheeler River project, where Denison's share of exploration and evaluation activities is expected to be $7.1 million (CAD$9.4 million). Consistent with past years, the majority of the exploration activity will occur during the winter and summer months, resulting in higher levels of expenditures in the first and third quarters. Evaluation activities are expected to continue at the Wheeler River project throughout the year.

Wheeler River

In April 2016, Denison released a PEA for the Wheeler River project, and later in 2016 a Pre-Feasibility Study ("PFS") was initiated, with completion originally expected in mid-2017. Since the PEA was released, Denison completed a highly successful 2016 exploration drilling program, which identified additional mineralization in the immediate vicinity of the Gryphon deposit – including the newly discovered D Series lenses to the northwest and the up-dip and down-dip expansion of the A and B Series lenses. These discoveries have the potential to materially increase the estimated mineral resources at Gryphon, which could extend the mine life in the economic model for the Gryphon deposit and ultimately improve the economics of the project. As a result, the Company's original plan for completing infill drilling at the Gryphon deposit during the first half of 2017 has been modified to allow for additional exploration and infill drilling throughout the 2017 winter and summer field seasons. Consequently, the completion of the PFS has also been deferred from the second half of 2017 to the first half of 2018.

Work planned for Wheeler River in 2017 is expected to not only advance the project towards the completion of a PFS, but will also go towards increasing Denison's interest in the project, under the terms of an agreement reached between the partners of the WRJV, whereby Denison will fund 50% of Cameco's ordinary share of joint venture expenditures in 2017 and 2018 in order to increase its interest in the project to up to approximately 66% (currently 60%) by the end of 2018. Specific work planned for Wheeler River during 2017 was announced in Denison's press release dated January 17, 2016, and is summarized below.

- *Project Development*

Project development field programs, including environmental and engineering data collection programs required for the PFS and Environmental Assessment process, commenced at Wheeler River in June 2016 (see Denison's press release dated November 2, 2016 for a detailed update). Existing data collection programs will continue during 2017 and additional programs, including metallurgical testing and analysis, will be initiated. Further engineering studies related to shaft sinking methodologies, mining methods and water treatment will also be initiated in 2017. In addition, Denison expects to continue to advance and strengthen relationships with various northern communities throughout the year.

- *Gryphon Infill Drilling*

Concurrent with project development field programs, infill drilling will continue at the Gryphon deposit in 2017 in order to upgrade the inferred resources to an indicated level of confidence, which is required for the completion of a PFS. This drilling program involves increasing the previous 50 x 50 metre drill spacing to an approximate 25 x 25 metre spacing across the previously defined A, B and C Series lenses of the Gryphon deposit. An initial set of five infill drill holes was completed during 2016, and approximately 35 infill drill holes are expected to be completed during 2017 to achieve the 25 x 25 metre spacing. The directional drilling method utilized during 2016, which demonstrated significant cost savings and reliable accuracy, will continue in 2017.

- *Gryphon Exploration Drilling*

Exploration drilling outside of the Gryphon deposit during 2016 resulted in the discovery of (1) a series of new high grade lenses of mineralization approximately 200 metres northwest of the Gryphon deposit (termed the D Series lenses), which have been delineated over approximately 330 metres of strike length, and (2) high grade intersections down-dip and along strike of the Gryphon deposit A and B Series lenses (see Denison's press release dated November 17, 2016). These high grade results are located outside of the previously released inferred resources, in areas that remain open for further expansion and constitute priority target areas for drill testing in 2017.

Exploration Pipeline Properties

While focused on advancing Wheeler River in 2017, Denison remains active on a select group of high-priority exploration pipeline projects – each with the potential to deliver a meaningful new discovery of uranium mineralization in the Athabasca Basin region.

Denison-Operated Projects

Exploration drill programs are planned on five high-priority Denison-operated exploration pipeline projects – including the recently acquired Hook-Carter project, which is located in the western portion of the Athabasca Basin, as well as the Waterbury Lake, Murphy Lake, Crawford Lake, and Moon Lake South projects, which are each located in the infrastructure rich eastern portion of the Athabasca Basin.

- *Hook-Carter Project*

Denison's work plan for Hook-Carter in 2017 includes initial ground resistivity and electromagnetic surveying during winter, followed by a reconnaissance five-hole drill program (2,700 metres) during the summer months. Work is expected to be focused on the southwestern portion of the property on the Patterson Lake Corridor, where Athabasca sandstone thicknesses vary between 250 and 450 metres. The Patterson Lake Corridor is host to the Arrow deposit, Triple R deposit, and the Spitfire discovery, all of which are located within 8 to 20 kilometres of the southwestern boundary of the Hook-Carter project.

- *Waterbury Lake Project*

A winter drill program of approximately nine holes (4,650 metres) is planned to test priority resistivity targets along the extensive Hamilton Lake trend, where anomalous unconformity-related uranium was discovered in 2016 while completing the first drilling on the entire trend, with a two-hole reconnaissance drill fence.

- *Murphy Lake Project*

A drilling program consisting of a total of eight drill holes (3,200 metres) is planned for the winter of 2017, and is expected to test high-priority geophysical and geological targets along strike of a previously discovered zone of mineralization and alteration, which was extended to approximately 850 metres in strike length during the 2016 exploration drilling program.

- *Crawford Lake and Moon Lake South Projects*

Work planned for 2017 is centred on the CR-3 conductive trend, and includes a resistivity survey at Moon Lake South during the winter, as well as a four-hole summer drill program (2,300 metres) designed to test priority targets along the CR-3 trend at both Crawford Lake and Moon Lake South.

Non-Operated Projects

Drilling programs are also planned in 2017 for joint venture projects operated by ARC, including 4,500 metres of drilling in approximately 15 holes at Wolly (22.76% Denison), and 4,800 metres of drilling in approximately 18 holes at McClean Lake (22.5% Denison). Denison will not participate in the Wolly or Waterfound (also operated by ARC) joint ventures during 2017, and will be subject to minimal dilution as a result. No field exploration work is planned for the Cameco operated Mann Lake joint venture (30% Denison), with only desktop review activities expected in 2017.

MANAGEMENT AND ENVIRONMENTAL SERVICES

Net management fees expected for 2017 from the management services agreement with UPC are budgeted at $0.9 million (CAD$1.2 million). A portion of the management fees earned from UPC are based on UPC's net asset value, and thus the uranium spot price. Denison's budget for 2017 assumes a uranium spot price of $20.50 per pound U_3O_8. Each $5 per pound U_3O_8 increase is expected to translate into approximately $0.2 million (CAD$0.3 million) in additional management fees to Denison.

Revenue from operations at DES during 2017 is budgeted to be $7.3 million (CAD$9.8 million) and operating, overhead and capital expenditures are budgeted to be $6.0 million (CAD$8.0 million).

CORPORATE ADMINISTRATION AND OTHER

Corporate administration expenses are budgeted to be $3.7 million (CAD$4.9 million) in 2017 and include head office salaries and benefits, office costs, audit and regulatory costs, legal fees, investor relations expenses and all other costs related to operating a public company with listings in Canada and the United States.

In addition to Corporate administration expenses in 2017, letter of credit and standby fees relating to the 2017 Credit Facility are expected to be approximately $375,000 (CAD$500,000).

ADDITIONAL INFORMATION

CONTROLS AND PROCEDURES

The Company carried out an evaluation, under the supervision and with the participation of its management, including the President and Chief Executive Officer and the Vice-President Finance and Chief Financial Officer, of the effectiveness of the design and operation of the Company's "disclosure controls and procedures" (as defined in the Exchange Act Rule 13a-15(e)) as of the end of the period covered by this report. Based upon that evaluation, the President and Chief Executive Officer and the Vice-President Finance and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective as of December 31, 2016.

The Company's management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. Management conducted an evaluation of the effectiveness of internal control over financial reporting based on the *Internal Control – Integrated Framework, 2013* issued by the Committee of Sponsoring

Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2016.

There has not been any change in the Company's internal control over financial reporting that occurred during 2016 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates and judgements that affect the amounts reported. It also requires management to exercise judgement in applying the Company's accounting policies. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, taking into account previous experience. Although the Company regularly reviews the estimates and judgements made that affect the financial statements, actual results may be materially different.

Significant estimates and judgements made by management relate to:

(a) Determination of a Mineral Property being Sufficiently Advanced

The Company follows a policy of capitalizing non-exploration related expenditures on properties it considers to be sufficiently advanced. Once a mineral property is determined to be sufficiently advanced, that determination is irrevocable and the capitalization policy continues to apply over the life of the property. In determining whether or not a mineral property is sufficiently advanced, management considers a number of factors including, but not limited to: current uranium market conditions, the quality of resources identified, access to the resource, the suitability of the resource to current mining methods, ease of permitting, confidence in the jurisdiction in which the resource is located and milling complexity.

Many of these factors are subject to risks and uncertainties that can support a "sufficiently advanced" determination as at one point in time but not support it at another. The final determination requires significant judgment on the part of the Company's management and directly impacts the carrying value of the Company's mineral properties.

(b) Mineral Property Impairment Reviews and Impairment Adjustments

Mineral properties are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. When an indicator is identified, the Company determines the recoverable amount of the property, which is the higher of an asset's fair value less costs of disposal and value in use. An impairment loss is recognized if the carrying value exceeds the recoverable amount. The recoverable amount of a mineral property may be determined by reference to estimated future operating results and discounted net cash flows, current market valuations of similar properties or a combination of the above. In undertaking this review, management of the Company is required to make significant estimates of, amongst other things: reserve and resource amounts, future production and sale volumes, forecast commodity prices, future operating, capital and reclamation costs to the end of the mine's life and current market valuations from observable market data which may not be directly comparable. These estimates are subject to various risks and uncertainties, which may ultimately have an effect on the expected recoverable amount of a specific mineral property asset. Changes in these estimates could have a material impact on the carrying value of the mineral property amounts and the impairment losses recognized.

(c) Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are computed in respect of taxes that are based on taxable profit. Taxable profit will often differ from accounting profit and management may need to exercise judgement to determine whether some taxes are income taxes (and subject to deferred tax accounting) or operating expenses.

Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the temporary differences between accounting carrying values and tax basis are expected to be recovered or settled. The determination of the ability of the Company to utilize tax loss carry forwards to offset deferred tax liabilities requires management to exercise judgment and make certain assumptions about the future performance of the Company. Management is required to assess whether it is "probable" that the Company will benefit from these prior losses and other deferred tax assets. Changes in economic conditions, commodity prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing the losses.

(d) Reclamation Obligations

Asset retirement obligations are recorded as a liability when the asset is initially constructed or a constructive or legal obligation exists and typically involve identifying costs to be incurred in the future and discounting them to the present using an appropriate discount rate for the liability. The determination of future costs involves a number of estimates relating to timing, type of costs, mine closure plans, and review of potential methods and technical advancements. Furthermore, due to uncertainties concerning environmental remediation, the ultimate cost of the Company's decommissioning liability could differ materially from amounts provided. The estimate of the Company's obligation is subject to change due to amendments to applicable laws and regulations and as new information concerning the Company's operations becomes available. The Company is not able to determine the impact on its financial position, if any, of environmental laws and regulations that may be enacted in the future.

NEW ACCOUNTING PRONOUNCEMENTS

Accounting Standards Issued But Not Yet Applied

The Company has not yet adopted the following new accounting pronouncements which are effective for fiscal periods of the Company beginning on or after January 1, 2017:

International Accounting Standard 7, Statement of Cash Flows ("IAS 7") – Amendments

IAS 7 requires an entity to present a statement of cash flows as an integral part of its primary financial statements. Cash flows are classified and presented into operating activities (either using the "direct" or "indirect" method), investing activities and financing activities, with the latter two categories generally presented on a gross basis. The amendments require additional disclosures with respect to changes in liabilities arising from financing activities. It is effective for annual periods beginning on or after January 1, 2017.

The Company has early adopted the amendments to this standard and has added additional continuity schedule disclosures for the change in Debt Obligation liabilities.

International Financial Reporting Standard 9, Financial Instruments ("IFRS 9")

In July 2014, the IASB published the final version of IFRS 9 Financial Instruments ("IFRS 9"), which brings together the classification, measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 replaces the multiple classifications for financial assets in IAS 39 with a single principle based approach for determining the classification of financial assets based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The final version of IFRS 9 is effective for periods beginning on or after January 1, 2018; however, it is available for early adoption.

The Company has not evaluated the impact of adopting this standard.

International Financial Reporting Standard 15, Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Under IFRS 15, revenue is recognized when a customer obtains control of a good or service. The standard replaces IAS 18 "Revenue" and IAS 11"Construction Contracts" and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted.

The Company has not evaluated the impact of adopting this standard.

International Financial Reporting Standard 16, Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16 which replaces existing standards and interpretations under IAS 17 "Leases". IFRS 16 requires all leases, including financing and operating leases, to be reported on the balance sheet with the intent of providing greater transparency for a company's lease assets and liabilities. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted.

The Company has not evaluated the impact of adopting this standard.

RISK FACTORS

There are a number of factors that could negatively affect Denison's business and the value of Denison's common shares, including the factors listed below. The following information pertains to the outlook and conditions currently known to Denison that could have a material impact on the financial condition of Denison. Other factors may arise in the future that are currently not foreseen by management of Denison, which may present additional risks in the future. Current and prospective security holders of Denison should carefully consider these risk factors.

Nature of Exploration and Development

Exploration for and development of mineral properties is speculative, and involves significant uncertainties and financial risks that even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are commercially mineable or ultimately developed into producing mines. Major expenses may be required to establish mineral reserves by drilling, constructing mining and processing facilities at a site, developing metallurgical processes and extracting uranium from ore. It is impossible to ensure that the Denison's current exploration and development programs will result in profitable commercial mining operations.

Denison's current and future uranium production is dependent in part on the successful development of new ore bodies and/or expansion of existing mining operations. The economic feasibility of development projects is based upon many factors, including, among others: the accuracy of mineral reserve and resource estimates; metallurgical recoveries; capital and operating costs of such projects; government regulations relating to prices, taxes, royalties, infrastructure, land tenure, land use, importing and exporting, and environmental protection; and uranium prices, which are historically cyclical. Development projects are also subject to the successful completion of engineering studies, issuance of necessary governmental permits and availability of adequate financing.

Development projects have no operating history upon which to base estimates of future cash flow. Denison's estimates of mineral reserves and resources and cash operating costs are, to a large extent, based upon detailed geological and engineering analysis. Denison also conducts economic analyses and feasibility studies which derive estimates of capital and operating costs based upon many factors, including, among others: anticipated tonnage and grades of ore to be mined and processed; the configuration of the ore body; ground and mining conditions; expected recovery rates of the uranium from the ore; and alternate mining methods.

The results of economic analyses for Denison's projects may be preliminary in nature and could include inferred mineral resources, which are considered too speculative geologically to have the economic considerations applied that would enable them to be categorized as mineral reserves. There is no certainty that any forecasts in an economic analysis, including the PEA and the results of the planned PFS for Wheeler River, would be realizable or that any resources would ever be upgraded to reserves. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

It is possible that actual costs and economic returns of current and new mining operations may differ materially from Denison's best estimates. It is not unusual in the mining industry for new mining operations to experience unexpected problems during the start-up phase, take much longer than originally anticipated to bring into a producing phase, and to require more capital than anticipated.

Benefits Not Realized From Transactions

Denison has completed a number of transactions over the last several years, including without limitation the acquisition of International Enexco Ltd, the acquisition of Fission Energy Corp., the acquisition of JNR Resources Inc., the sale of the its mining assets and operations located in the United States to Energy Fuels Inc. the sale of its interest in the GSJV, the sale of its interest in Rockgate Capital Corp., the optioning of the Moore Lake property to Skyharbour, and entering into the APG Financing. Despite Denison's belief that these transactions, and others which may be completed in the future, will be in Denison's best interest and benefit the Company and Denison's shareholders, Denison may not realize the anticipated benefits of such transactions or realize the full value of the consideration paid or received to complete the transactions. This could result in significant accounting impairments or write-downs of the carrying values of mineral properties or other assets and could adversely impact the Company and the price of its common shares.

Inability to Expand and Replace Mineral Reserves and Resources

Denison's mineral reserves and resources at its McClean Lake, Midwest, Wheeler River, and Waterbury Lake projects are Denison's future sources of uranium concentrates. Unless other mineral reserves or resources are discovered, Denison's sources of future production for uranium concentrates will decrease over time when its current mineral reserves and resources are depleted. There can be no assurance that Denison's future exploration, development and acquisition efforts will be successful in replenishing its mineral reserves and resources. In addition, while Denison believes that many of its properties will eventually be put into production, there can be no assurance that they will be put into production or that they will be able to replace production in future years.

Imprecision of Mineral Reserve and Resource Estimates

Mineral reserve and resource figures are estimates, and no assurances can be given that the estimated levels of uranium will be produced or that Denison will receive the prices assumed in determining its mineral reserves and resources. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While Denison believes that the mineral reserve and resource estimates included are well established and reflect management's best estimates, by their nature, mineral reserve and resource estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable. Furthermore, market price fluctuations, as well as increased capital or production costs or reduced recovery rates, may render mineral reserves and resources containing lower quantities or lower grades of mineralization uneconomic, and may ultimately result in a restatement of mineral reserves and resources. The evaluation of mineral reserves or resources is always influenced by economic and technological factors, which may change over time.

Volatility and Sensitivity to Market Prices

The long and short term market prices of U_3O_8 affect the value of Denison's mineral resources and the market price of Denison's common shares. Historically, these prices have fluctuated and have been and will continue to be affected by numerous factors beyond Denison's control.

Such factors include, among others: demand for nuclear power, political and economic conditions in uranium producing and consuming countries, public and political response to nuclear incidents, reprocessing of used reactor fuel and the re-enrichment of depleted uranium tails, sales of excess civilian and military inventories (including from the dismantling of nuclear weapons) by governments and industry participants, uranium supplies from other secondary sources, and production levels and costs of production from primary uranium suppliers.

Public Acceptance of Nuclear Energy and Competition from Other Energy Sources

Growth of the uranium and nuclear power industry will depend upon continued and increased acceptance of nuclear technology as a clean means of generating electricity. Because of unique political, technological and environmental factors that affect the nuclear industry, including the risk of a nuclear incident, the industry is subject to public opinion risks that could have an adverse impact on the demand for nuclear power and increase the regulation of the nuclear power industry. Nuclear energy competes with other sources of energy, including oil, natural gas, coal and hydro-electricity. These other energy sources are, to some extent, interchangeable with nuclear energy, particularly over the longer term. Sustained lower prices of oil, natural gas, coal and hydroelectricity may result in lower demand for uranium concentrates. Technical advancements in renewable and other alternate forms of energy, such as wind and solar power, could make these forms of energy more commercially viable and put additional pressure on the demand for uranium concentrates.

Current estimates project significant increases in the world's nuclear power generating capacities, primarily as a result of a significant number of nuclear reactors that are under construction, planned, or proposed in China, India and various other countries around the world. Market projections for future demand for uranium are based on various assumptions regarding the rate of construction and approval of new nuclear power plants, as well as continued public acceptance of nuclear energy around the world. The rationale for adopting nuclear energy can be varied, but often includes the clean and environmentally friendly operation of nuclear power plants, as well as the affordability and round-the-clock reliability of nuclear power. A change in public sentiment regarding nuclear energy could have a material impact on the number of nuclear power plants under construction, planned or proposed, which could have a material impact on the market's and the Company's expectations for the future demand for uranium and the future price of uranium.

Market Price of Shares

Securities of mining companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic conditions in North America and globally, and market perceptions of the attractiveness of particular industries. The price of Denison's securities is also likely to be significantly affected by short-term changes in commodity prices, other mineral prices, currency exchange fluctuation, or changes in its financial condition or results of operations as reflected in its periodic earnings reports and/or news releases. Other factors unrelated to the performance of Denison that may have an effect on the price of the securities of Denison include the following: the extent of analytical coverage available to investors concerning the business of Denison; lessening in trading volume and general market interest in Denison's securities; the size of Denison's public float and its inclusion in market indices may limit the ability of some institutions to invest in Denison's securities; and a substantial decline in the price of the securities of Denison that persists for a significant period of time could cause Denison's securities to be delisted from an exchange. If an active market for the securities of Denison does not continue, the liquidity of an investor's investment may be limited and the price of the securities of the Company may decline such that investors may lose their entire investment in the Company. As a result of any of these factors, the market price of the securities of Denison at any given point in time may not accurately reflect the long-term value of Denison. Securities class-action litigation often has been brought against companies following periods of volatility in the market price of their securities. Denison may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Dilution from Further Equity Financing

If Denison raises additional funding by issuing additional equity securities, such financing may substantially dilute the interests of shareholders of Denison and reduce the value of their investment.

Reliance on Other Operators

At some of its properties, Denison is not the operator and therefore is not in control of all of the activities and operations at the site. As a result, Denison is and will be, to a certain extent, dependent on the operators for the nature and timing of activities related to these properties and may be unable to direct or control such activities.

As an example, ARC is the operator and majority owner of the MLJV and Midwest joint venture in Saskatchewan, Canada. The McClean Lake mill employs unionized workers who work under collective agreements. ARC, as the operator, is responsible for all dealings with unionized employees. ARC may not be successful in its attempts to renegotiate the collective agreements, which may impact mill and mining operations. Similarly, ARC is responsible for all licensing and dealings with various regulatory authorities. Any lengthy work stoppages, or disruption to the operation of the mill or mining operations as a result of a licensing matter or regulatory compliance may have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Property Title Risk

The Company has investigated its rights to explore and exploit all of its material properties and, to the best of its knowledge, those rights are in good standing. However, no assurance can be given that such rights will not be revoked, or significantly altered, to its detriment. There can also be no assurance that the Company's rights will not be challenged or impugned by third parties, including the Canadian, provincial, and local governments, as well as the First Nations and Métis.

There is also a risk that Denison's title to, or interest in, its properties may be subject to defects or challenges. This may be true particularly in countries where there may be less developed legal systems or where ownership interests may become subject to political interference or changes in laws. If such defects cover a material portion of Denison's property, they could materially and adversely affect Denison's results of operations and financial condition, its reported mineral reserves and resources or its long term business prospects.

Competition for Properties

Significant competition exists for the limited supply of mineral lands available for acquisition. Many participants in the mining business include large, established companies with long operating histories. The Company may be at a disadvantage in acquiring new properties as competitors may have greater financial resources and more technical staff. Accordingly, there can be no assurance that the Company will be able to compete successfully to acquire new properties or that any such acquired assets would yield resources or reserves or result in commercial mining operations.

Global Financial Conditions

Global financial conditions continue to be subject to volatility arising from international geopolitical developments and global economic phenomenon, as well as general financial market turbulence. Access to public financing and credit can be negatively impacted by the effect of these events on Canadian and global credit markets. The health of the global financing and credit markets may impact the ability of Denison to obtain equity or debt financing in the future and the terms at which financing or credit is available to Denison. These increased levels of volatility and market turmoil could adversely impact Denison's operations and the trading price of the common shares.

Ability to Maintain Obligations under the 2017 Credit Facility and Other Debt

Denison is required to satisfy certain financial covenants in order to maintain its good standing under the 2017 Credit Facility. Denison is also subject to a number of restrictive covenants under the APG Financing. Denison may from time to time enter into other arrangements to borrow money in order to fund its operations and expansion plans, and such arrangements may include covenants that have similar obligations or that restrict its business in some way. Events may occur in the future, including events out of Denison's control that would cause Denison to fail to satisfy its obligations under the 2017 Credit Facility, APG Financing or other debt instruments. In such circumstances, the amounts drawn under Denison's debt agreements may become due and payable before the agreed maturity date, and Denison may not have the financial resources to repay such amounts when due. The 2017 Credit Facility and APG Financing are secured by DMI's main properties by a pledge of the shares of DMI. If Denison were to default on its obligations under the 2017 Credit Facility, APG Financing or other secured debt instruments in the future, the lender(s) under such debt instruments could enforce their security and seize significant portions of Denison's assets.

Change of Control Restrictions

The APG Financing and certain other of Denison's agreements contain provisions that could adversely impact Denison in the case of a transaction that would result in a change of control of Denison or certain of its subsidiaries. In the event that consent is required from our counterparty and our counterparty chooses to withhold its consent to a merger or acquisition, then such party could seek to terminate certain agreements with Denison, including certain agreements forming part of the APG Financing or require Denison to buy the counterparty's rights back from them, which could adversely affect Denison's financial resources and prospects. If applicable, these restrictive contractual provisions could delay or discourage a change in control of our company that could otherwise be beneficial to Denison or its shareholders.

Capital Intensive Industry and Uncertainty of Funding

The exploration and development of mineral properties and the ongoing operation of mines requires a substantial amount of capital and may depend on Denison's ability to obtain financing through joint ventures, debt financing, equity financing or other means. General market conditions, volatile uranium markets, a claim against the Company, a significant disruption to the Company's business or operations or other factors may make it difficult to secure financing necessary for the expansion of mining activities or to take advantage of opportunities for acquisitions. There is no assurance that the Company will be successful in obtaining required financing as and when needed on acceptable terms.

Decommissioning and Reclamation

As owner of the Elliot Lake decommissioned sites and part owner of the McClean Lake mill, McClean Lake mines, the Midwest uranium project and certain exploration properties, and for so long as the Company remains an owner thereof, the Company is obligated to eventually reclaim or participate in the reclamation of such properties. Most, but not all, of the Company's reclamation obligations are secured, and cash and other assets of the Company have been reserved to secure this obligation. Although the Company's financial statements record a liability for the asset retirement obligation, and the bonding requirements are generally periodically reviewed by applicable regulatory authorities, there can be no assurance or guarantee that the ultimate cost of such reclamation obligations will not exceed the estimated liability contained on the Company's financial statements.

As Denison's properties approach or go into decommissioning, regulatory review of the Company's decommissioning plans may result in additional decommissioning requirements, associated costs and the requirement to provide additional financial assurances. It is not possible to predict what level of decommissioning and reclamation (and financial assurances relating thereto) may be required from Denison in the future by regulatory authorities.

Technical Innovation and Obsolescence

Requirements for Denison's products and services may be affected by technological changes in nuclear reactors, enrichment and used uranium fuel reprocessing. These technological changes could reduce the demand for uranium or reduce the value of Denison's environmental services to potential customers. In addition, Denison's competitors may adopt technological advancements that give them an advantage over Denison.

Mining and Insurance

Denison's business is capital intensive and subject to a number of risks and hazards, including environmental pollution, accidents or spills, industrial and transportation accidents, labour disputes, changes in the regulatory environment, natural phenomena (such as inclement weather conditions, earthquakes, pit wall failures and cave-ins) and encountering unusual or unexpected geological conditions. Many of the foregoing risks and hazards could result in damage to, or destruction of, Denison's mineral properties or processing facilities, personal injury or death, environmental damage, delays in or interruption of or cessation of production from Denison's mines or processing facilities or in its exploration or development activities, delay in or inability to receive regulatory approvals to transport its uranium concentrates, or costs, monetary losses and potential legal liability and adverse governmental action. In addition, due to the radioactive nature of the materials handled in uranium mining and processing, additional costs and risks are incurred by Denison on a regular and ongoing basis.

Although Denison maintains insurance to cover some of these risks and hazards in amounts it believes to be reasonable, such insurance may not provide adequate coverage in the event of certain circumstances. No assurance can be given that such insurance will continue to be available, that it will be available at economically feasible premiums or that it will provide sufficient coverage for losses related to these or other risks and hazards.

Denison may be subject to liability or sustain loss for certain risks and hazards against which it cannot insure or which it may reasonably elect not to insure because of the cost. This lack of insurance coverage could result in material economic harm to Denison.

Dependence on Issuance of License Amendments and Renewals

ARC maintains the regulatory licenses in order to operate the McClean Lake mill, all of which are subject to renewal from time to time and are required in order for the mill to operate in compliance with applicable laws and regulations. In addition, depending on ARC's or the Company's business requirements, it may be necessary or desirable to seek amendments to one or more of its licenses from time to time. While ARC and the Company have been successful in renewing its licenses on a timely basis in the past and in obtaining such amendments as have been necessary or desirable, there can be no assurance that such license renewals and amendments will be issued by applicable regulatory authorities on a timely basis or at all in the future.

Governmental Regulation and Policy Risks

Uranium mining and milling operations and exploration activities, as well as the transportation and handling of the products produced are subject to extensive regulation by state, provincial and federal governments. Such regulations relate to production, development, exploration, exports, imports, taxes and royalties, labour standards, occupational health, waste disposal, protection and remediation of the environment, mine decommissioning and reclamation, mine safety, toxic substances, transportation safety and emergency response, and other matters. Compliance with such laws and regulations has increased the costs of exploring, drilling, developing, constructing, operating and closing Denison's mines and processing facilities. It is possible that, in the future, the costs, delays and other effects associated with such laws and regulations may impact Denison's decision with respect to exploration and development properties, whether to proceed with exploration or development, or that such laws and regulations may result in Denison incurring significant costs to remediate or decommission properties that do not comply with applicable environmental standards at such time. Denison expends significant financial and managerial resources to comply with such laws and regulations. Denison anticipates it will have to continue to do so as the historic trend toward stricter government regulation may continue. Because legal requirements are frequently changing and subject to interpretation, Denison is unable to predict the ultimate cost of compliance with these requirements or their effect on operations. Furthermore, future changes in governments, regulations and policies, such as those affecting Denison's mining operations and uranium transport could materially and adversely affect Denison's results of operations and financial condition in a particular period or its long term business prospects.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions. These actions may result in orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Companies engaged in uranium exploration operations may be required to compensate others who suffer loss or damage by reason of such activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Worldwide demand for uranium is directly tied to the demand for electricity produced by the nuclear power industry, which is also subject to extensive government regulation and policies. The development of mines and related facilities is contingent upon governmental approvals that are complex and time consuming to obtain and which, depending upon the location of the project, involve multiple governmental agencies. The duration and success of such approvals are subject to many variables outside Denison's control. Any significant delays in obtaining or renewing such permits or licenses in the future could have a material adverse effect on Denison. In addition, the international marketing of uranium is subject to governmental policies and certain trade restrictions. Changes in these policies and restrictions may adversely impact Denison's business.

Aboriginal Title and Consultation Issues

First Nations and Métis title claims as well as related consultation issues may impact Denison's ability and that of its joint venture partners to pursue exploration, development and mining at its Saskatchewan properties. Pursuant to historical treaties, First Nations bands in Northern Saskatchewan ceded title to most traditional lands but continue to assert title to the minerals within the lands. Managing relations with the local native bands is a matter of paramount importance to Denison. There may be no assurance however that title claims as well as related consultation issues will not arise on or with respect to the Company's properties.

Anti-Bribery and Anti-Corruption Laws

The Company is subject to anti-bribery and anti-corruption laws, including the Corruption of Foreign Public Officials Act (Canada). Failure to comply with these laws could subject the Company to, among other things, reputational damage, civil or criminal penalties, other remedial measures and legal expenses which could adversely affect the Company's business, results from operations, and financial condition. It may not be possible for the Company to ensure compliance with anti-bribery and anti-corruption laws in every jurisdiction in which its employees, agents, sub-contractors or joint venture partners are located or may be located in the future.

Environmental, Health and Safety Risks

Denison has expended significant financial and managerial resources to comply with environmental protection laws, regulations and permitting requirements in each jurisdiction where it operates, and anticipates that it will be required to continue to do so in the future as the historical trend toward stricter environmental regulation may continue. The uranium industry is subject to, not only the worker health, safety and environmental risks associated with all mining businesses, including potential liabilities to third parties for environmental damage, but also to additional risks uniquely associated with uranium mining and processing. The possibility of more stringent regulations exists in the areas of worker health and safety, the disposition of wastes, the decommissioning and reclamation of mining and processing sites, and other environmental matters each of which could have a material adverse effect on the costs or the viability of a particular project.

Denison's facilities operate under various operating and environmental permits, licenses and approvals that contain conditions that must be met, and Denison's right to continue operating its facilities is, in a number of instances, dependent upon compliance with such conditions. Failure to meet any such condition could have a material adverse effect on Denison's financial condition or results of operations.

Although the Company believes its operations are in compliance, in all material respects, with all relevant permits, licenses and regulations involving worker health and safety as well as the environment, there can be no assurance regarding continued compliance or ability of the Company to meet stricter environmental regulation, which may also require the expenditure of significant additional financial and managerial resources.

Mining companies are often targets of actions by non-governmental organizations and environmental groups in the jurisdictions in which they operate. Such organizations and groups may take actions in the future to disrupt Denison's operations. They may also apply pressure to local, regional and national government officials to take actions which are adverse to Denison's operations. Such actions could have an adverse effect on Denison's ability to produce and sell its products, and on its financial position and results.

Information Systems and Cyber Security

The Company's operations depend upon the availability, capacity, reliability and security of its information technology (IT) infrastructure, and its ability to expand and update this infrastructure as required, to conduct daily operations. Denison relies on various IT systems in all areas of its operations, including financial reporting, contract management, exploration and development data analysis, human resource management, regulatory compliance and communications with employees and third parties.

These IT systems could be subject to network disruptions caused by a variety of sources, including computer viruses, security breaches and cyber-attacks, as well as network and/or hardware disruptions resulting from incidents such as unexpected interruptions or failures, natural disasters, fire, power loss, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures.

The ability of the IT function to support the Company's business in the event of any such event and the ability to recover key systems from unexpected interruptions cannot be fully tested. There is a risk that, if such an event actually occurs, the Company's continuity plan may not be adequate to immediately address all repercussions of the disaster. In the event of a disaster affecting a data centre or key office location, key systems may be unavailable for a number of days, leading to inability to perform some business processes in a timely manner. As a result, the failure of Denison's IT systems or a component thereof could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

Although to date the Company has not experienced any material losses relating to cyber-attacks or other information security breaches, there can be no assurance that the Company will not incur such losses in the future. Unauthorized access to Denison's IT systems by employees or third parties could lead to corruption or exposure of confidential, fiduciary or proprietary information, interruption to communications or operations or disruption to the Company's business activities or its competitive position. Further, disruption of critical IT services, or breaches of information security, could have a negative effect on the Company's operational performance and its reputation. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority.

The Company applies technical and process controls in line with industry-accepted standards to protect information, assets and systems; however these controls may not adequately prevent cyber-security breaches. There is no assurance that the Company will not suffer losses associated with cyber-security breaches in the future, and may be required to expend significant additional resources to investigate, mitigate and remediate any potential vulnerabilities. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Dependence on Key Personnel and Qualified and Experienced Employees

Denison's success depends on the efforts and abilities of certain senior officers and key employees. Certain of Denison's employees have significant experience in the uranium industry, and the number of individuals with significant experience in this industry is small. While Denison does not foresee any reason why such officers and key employees will not remain with Denison, if for any reason they do not, Denison could be adversely affected. Denison has not purchased key man life insurance for any of these individuals.

Denison's success also depends on the availability of qualified and experienced employees to work in Denison's operations and Denison's ability to attract and retain such employees.

Conflicts of Interest

Some of the directors and officers of Denison are also directors of other companies that are similarly engaged in the business of acquiring, exploring and developing natural resource properties. Such associations may give rise to conflicts of interest from time to time. In particular, one of the consequences would be that corporate opportunities presented to a director or officer of Denison may be offered to another company or companies with which the director or officer is associated, and may not be presented or made available to Denison. The directors of Denison are required by law to act honestly and in good faith with a view to the best interests of Denison, to disclose any interest which they may have in any project or opportunity of Denison, and to abstain from voting on such matter. Conflicts of interest that arise will be subject to and governed by the procedures prescribed in the Company's Code of Ethics and by the Ontario Business Corporations Act ("OBCA").

Disclosure and Internal Controls

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. Disclosure controls and procedures are designed to ensure that information required to be disclosed by a company in reports filed with securities regulatory agencies is recorded, processed, summarized and reported on a timely basis and is accumulated and communicated to the company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of reporting, including financial reporting and financial statement preparation.

Potential Influence of KEPCO and KHNP

As at the date hereof, KEPCO holds indirectly a large shareholding in Denison and is contractually entitled to Board representation. Provided KEPCO holds over 5% of Denison's common shares, it is entitled to nominate one director for election to the Board at any shareholder meeting. In connection with its transfer of its indirect interest in Denison to its subsidiary, KHNP, KEPCO nominated a representative of KHNP in 2017.

KEPCO's shareholding level gives it a large vote on decisions to be made by shareholders of Denison, and its right to nominate a director may give KEPCO influence on decisions made by Denison's Board. Although KEPCO's or KHNP's director nominee, as applicable, will be subject to duties under the OBCA to act in the best interests of Denison as a whole, such director nominee is likely to be an employee of KEPCO or KHNP and he or she may give special attention to KEPCO's or KHNP's interests as an indirect shareholder. The interests of KEPCO and KHNP as indirect shareholders of Denison may not always be consistent with the interests of Denison's other shareholders.

The KEPCO strategic relationship agreement also includes provisions that will provide KEPCO with a right of first offer for certain asset sales and the right to be approached to participate in certain potential acquisitions. The right of first offer and participation right of KEPCO may negatively affect Denison's ability or willingness to entertain certain business opportunities, or the attractiveness of Denison as a potential party for certain business transactions. KEPCO's large shareholding block may also make Denison less attractive to third parties considering an acquisition of Denison if those third parties are not able to negotiate terms with KEPCO to support such an acquisition.

QUALIFIED PERSON

The disclosure regarding the PEA was reviewed and approved by Peter Longo, P. Eng, MBA, PMP, Denison's Vice-President, Project Development, who is a Qualified Person in accordance with the requirements of NI 43-101. The balance of the disclosure of scientific and technical information regarding Denison's properties in the MD&A was prepared by or reviewed by Dale Verran, MSc, Pr.Sci.Nat., the Company's Vice President, Exploration, a Qualified Person in accordance with the requirements of NI 43-101. For a description of the quality assurance program and quality control measures applied by Denison, please see Denison's Annual Information Form dated March 24, 2016 available under Denison's profile on SEDAR at www.sedar.com, and 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 United States Private Securities Litigation Reform Act of 1995 and similar 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: the likelihood of completing and benefits to be derived from corporate transactions; including the potential for receipt of any contingent payments; use of proceeds of financing activities; the estimates of Denison's mineral reserves and mineral resources; exploration, development and expansion plans and objectives, including the results of the PEA, the completion of the PFS, and statements regarding anticipated budgets, fees and expenditures; 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 and exploration; expectations regarding the toll milling of Cigar Lake ores; expectations regarding revenues and expenditures from operations at DES; capital expenditure programs, estimated exploration and development expenditures and reclamation costs and Denison's share of same; expectations of market prices and costs; supply and demand for uranium; possible impacts of litigation and regulatory actions on Denison. 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. 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 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 this MD&A 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: This MD&A may use the terms "measured", "indicated" and "inferred" mineral resources. United States investors are advised that while such terms are recognized and required by Canadian regulations, the United States Securities and Exchange Commission does not recognize them. "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.**

Responsibility for Financial Statements

The Company's management is responsible for the integrity and fairness of presentation of these consolidated financial statements. The consolidated financial statements have been prepared by management, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, for review by the Audit Committee and approval by the Board of Directors.

The preparation of financial statements requires the selection of appropriate accounting policies in accordance with International Financial Reporting Standards and the use of estimates and judgements by management to present fairly and consistently the consolidated financial position of the Company. Estimates are necessary when transactions affecting the current period cannot be finalized with certainty until future information becomes available. In making certain material estimates, the Company's management has relied on the judgement of independent specialists.

The Company's management has developed and maintains a system of internal accounting controls to ensure, on a reasonable and cost-effective basis, that the financial information is timely reported and is accurate and reliable in all material respects and that the Company's assets are appropriately accounted for and adequately safeguarded.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, our independent auditor. Its report outlines the scope of its examination and expresses its opinions on the consolidated financial statements and internal control over financial reporting.

David D. Cates
President and Chief Executive Officer

Gabriel (Mac) McDonald
Vice-President Finance and Chief Financial Officer

March 8, 2017

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. Management conducted an evaluation of the effectiveness of internal control over financial reporting based on the *Internal Control – Integrated Framework, 2013* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2016.

The effectiveness of the Company's internal control over financial reporting as at December 31, 2016 has been audited by PricewaterhouseCoopers LLP, our independent auditor, as stated in its report which appears herein.

Changes to Internal Control over Financial Reporting

There has not been any change in the Company's internal control over financial reporting that occurred during 2016 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

March 8, 2017

Independent Auditor's Report

To the Shareholders of
Denison Mines Corp.

We have completed integrated audits of Denison Mines Corp.'s and its subsidiaries' December 31, 2016 and December 31, 2015 consolidated financial statements and their internal control over financial reporting as at December 31, 2016. Our opinions, based on our audits, are presented below.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Denison Mines Corp. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015 and the consolidated statements of income (loss) and comprehensive income (loss), changes in equity and cash flow for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Canadian generally accepted auditing standards also require that we comply with ethical requirements.

An audit involves performing procedures to obtain audit evidence, on a test basis, about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting principles and policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Denison Mines Corp. and its subsidiaries as at December 31, 2016 and December 31, 2015 and their financial performance and their cash flows for the years then in accordance with IFRS as issued by the IASB.

PricewaterhouseCoopers LLP
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Report on internal control over financial reporting
We have also audited Denison Mines Corp's and its subsidiaries' internal control over financial reporting as at December 31, 2016, based on criteria established in Internal Control - Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management's responsibility for internal control over financial reporting
Management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting.

Auditor's responsibility
Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control, based on the assessed risk, and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our audit opinion on the company's internal control over financial reporting.

Definition of internal control over financial reporting
A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent limitations
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Opinion
In our opinion, Denison Mines Corp. and its subsidiaries maintained, in all material respects, effective internal control over financial reporting as at December 31, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by COSO.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Consolidated Statements of Financial Position

(Expressed in thousands of U.S. dollars except for share amounts)		At December 31 2016		At December 31 2015
ASSETS				
Current				
Cash and cash equivalents (note 6)	$	11,838	$	5,367
Investments (note 9)		-		7,282
Trade and other receivables (note 7)		2,403		4,826
Inventories (note 8)		2,381		2,256
Prepaid expenses and other		491		619
		17,113		20,350
Non-Current				
Inventories-ore in stockpiles (note 8)		1,562		1,515
Investments (note 9)		3,760		496
Investments in associates (note 10)		4,692		-
Restricted cash and investments (note 11)		2,314		2,040
Property, plant and equipment (note 12)		187,982		188,250
Intangibles (note 13)		-		107
Total assets	$	217,423	$	212,758
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	4,141	$	4,574
Current portion of long-term liabilities:				
Post-employment benefits (note 14)		186		217
Reclamation obligations (note 15)		1,388		624
Debt obligations (note 16)		276		300
Other liabilities (note 17)		1,847		1,863
		7,838		7,578
Non-Current				
Post-employment benefits (note 14)		1,646		2,172
Reclamation obligations (note 15)		19,577		18,836
Other liabilities (note 17)		630		652
Deferred income tax liability (note 18)		15,021		16,465
Total liabilities		44,712		45,703
EQUITY				
Share capital (note 19)		1,140,631		1,130,779
Contributed surplus (note 21)		54,306		53,965
Deficit		(961,440)		(944,097)
Accumulated other comprehensive loss (note 22)		(60,786)		(73,592)
Total equity		172,711		167,055
Total liabilities and equity	$	217,423	$	212,758
Issued and outstanding common shares (note 19)		540,722,365		518,438,669

Commitments and contingencies (note 27)
Subsequent events (note 29)

The accompanying notes are an integral part of the consolidated financial statements

On behalf of the Board of Directors:

William A. Rand
Director

Catherine J.G. Stefan
Director

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

(Expressed in thousands of U.S. dollars except for share and per share amounts)		Year Ended December 31 2016		Year Ended December 31 2015
REVENUES (note 24)	$	13,833	$	12,670
EXPENSES				
Operating expenses (note 23, 24)		(10,622)		(12,106)
Exploration and evaluation (note 24)		(11,196)		(13,439)
General and administrative (note 24)		(4,420)		(5,826)
Impairment of property, plant and equipment (note 12)		(2,320)		(2,603)
Foreign exchange		(1,477)		2,122
Other income (expense) (note 23)		906		(590)
		(29,129)		(32,442)
Loss before finance charges, equity accounting		(15,296)		(19,772)
Finance expense (note 23)		(811)		(714)
Equity share of income of associate (note 10)		453		-
Loss before taxes		(15,654)		(20,486)
Income tax recovery (expense) (note 18):				
Deferred		3,955		3,769
Loss from continuing operations		(11,699)		(16,717)
Net loss from discontinued operations (note 5)		(5,644)		(34,843)
Net loss for the period	$	(17,343)	$	(51,560)
Other comprehensive income (loss) (note 22):				
Items that may be reclassified to loss:				
Unrealized gain (loss) on investments-net of tax				
Continuing operations		3		(4)
Unamortized experience gain – post employment liability				
Continuing operations		428		-
Foreign currency translation change				
Continuing operations		6,155		(38,580)
Discontinued operations		6,220		(9,149)
Comprehensive loss for the period	$	(4,537)	$	(99,293)
Basic and diluted net income (loss) per share:				
Continuing operations	$	(0.02)	$	(0.03)
Discontinued operations	$	(0.01)	$	(0.07)
All operations	$	(0.03)	$	(0.10)
Weighted-average number of shares outstanding (in thousands):				
Basic and diluted		529,053		513,415

The accompanying notes are an integral part of the consolidated financial statements

Consolidated Statements of Changes in Equity

(Expressed in thousands of U.S. dollars)	Year Ended December 31 2016	December 31 2015
Share capital		
Balance-beginning of period	$ 1,130,779	$ 1,120,758
Share issues-net of issue costs	8,841	11,318
Flow-through share premium	(1,843)	(2,028)
Shares issued on acquisition of Hook Carter property	2,854	-
Share options exercised-cash	-	5
Share options exercised-non cash	-	4
Share purchase warrants exercised-cash	-	406
Share purchase warrants exercised–non-cash	-	316
Balance-end of period	1,140,631	1,130,779
Share purchase warrants		
Balance-beginning of period	-	376
Warrants exercised	-	(316)
Warrants expired	-	(60)
Balance-end of period	-	-
Contributed surplus		
Balance-beginning of period	53,965	53,321
Stock-based compensation expense	341	588
Share options exercised-non-cash	-	(4)
Warrants expired	-	60
Balance-end of period	54,306	53,965
Deficit		
Balance-beginning of period	(944,097)	(892,537)
Net loss	(17,343)	(51,560)
Balance-end of period	(961,440)	(944,097)
Accumulated other comprehensive loss		
Balance-beginning of period	(73,592)	(25,859)
Unrealized gain (loss) on investments	3	(4)
Unamortized experience gain – post employment liability	428	-
Foreign currency translation	13,012	(61,399)
Foreign currency translation realized in net income (loss)	(637)	13,670
Balance-end of period	(60,786)	(73,592)
Total Equity		
Balance-beginning of period	$ 167,055	$ 256,059
Balance-end of period	$ 172,711	$ 167,055

The accompanying notes are an integral part of the consolidated financial statements

Consolidated Statements of Cash Flow

(Expressed in thousands of U.S. dollars)	Year Ended December 31 2016	Year Ended December 31 2015
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss for the period	$ (17,343)	$ (51,560)
Items not affecting cash and cash equivalents:		
Depletion, depreciation, amortization and accretion	4,024	3,626
Impairment of property, plant and equipment (note 12)	2,320	27,767
Stock-based compensation	341	588
Loss on divestiture of Africa Mining Division (note 5)	102	-
Gain on divestiture of Mongolia Mining Division (note 5)	-	(8,374)
Losses (gains) on property, plant and equipment disposals	113	(85)
Losses (gains) on investments	(1,473)	346
Losses on reclamation obligation revisions	461	2,262
Equity loss of associate	96	-
Dilution loss (gain) of associate	(549)	-
Non-cash inventory adjustments	-	169
Deferred income tax recovery	(3,955)	(3,769)
Foreign exchange losses	6,631	13,169
Change in non-cash working capital items (note 23)	1,102	(1,872)
Net cash used in operating activities	(8,130)	(17,733)
INVESTING ACTIVITIES		
Divestiture of asset group, net of cash and cash equivalents divested:		
Africa Mining Division (note 5)	(830)	-
Mongolia Mining Division (note 5)	-	897
Sale and maturity of investments	8,523	4,033
Purchase of investments	(500)	(8,134)
Expenditures on property, plant and equipment	(1,266)	(1,987)
Proceeds on sale of property, plant and equipment	55	115
Increase in restricted cash and investments	(195)	(346)
Net cash provided by (used in) investing activities	5,787	(5,422)
FINANCING ACTIVITIES		
Issuance of debt obligations	312	340
Repayment of debt obligations	(348)	(64)
Issuance of common shares for:		
New share issues-net of issue costs (note 19)	8,841	11,318
Share options exercised (note 19)	-	5
Share purchase warrants exercised (note 19)	-	406
Net cash provided by financing activities	8,805	12,005
Increase (decrease) in cash and cash equivalents	6,462	(11,150)
Foreign exchange effect on cash and cash equivalents	9	(2,123)
Cash and cash equivalents, beginning of period	5,367	18,640
Cash and cash equivalents, end of period	$ 11,838	$ 5,367
Supplemental cash flow disclosure:		
Interest paid	$ 3	$ 2
Income taxes paid	-	-

The accompanying notes are an integral part of the consolidated financial statements

Notes to the consolidated financial statements for the years ended December 31, 2016 and 2015

(Expressed in U.S. dollars except for shares and per share amounts)

1. NATURE OF OPERATIONS

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

The Company has a 60% interest in the Wheeler River Joint Venture ("WRJV"), 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 provides toll milling services to the Cigar Lake Joint Venture ("CLJV") under the terms of a toll milling agreement between the parties. In addition, the Company has varying ownership interests in a number of development and exploration projects located in Canada.

The Company provides mine decommissioning and decommissioned site monitoring services to third parties through its Denison Environmental Services ("DES") division and is also the manager of Uranium Participation Corporation ("UPC"), a publicly-listed investment holding company formed to invest substantially all of its assets in uranium oxide concentrates ("U_3O_8") and uranium hexafluoride ("UF_6"). The Company has no ownership interest in UPC but receives fees for management services and commissions from the purchase and sale of U_3O_8 and UF_6 by UPC.

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.

References to "2016" and "2015" refer to the year ended December 31, 2016 and the year ended December 31, 2015 respectively.

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Company's presentation currency is U.S dollars.

These financial statements were approved by the board of directors for issue on March 8, 2017.

3. ACCOUNTING POLICIES AND COMPARATIVE NUMBERS

Significant Accounting Policies

The significant accounting policies used in the preparation of these consolidated financial statements are described below:

(a) Consolidation

The financial statements of the Company include the accounts of DMC and its subsidiaries and joint operations. Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group and are deconsolidated from the date that control ceases. Intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated.

Joint operations include various mineral property interests which are held through option or contractual agreements. These arrangements involve joint control of one or more of the assets acquired or contributed for the purpose of the joint operation. The consolidated financial statements of the Company include its share of the assets in such joint operations, together with its share of the liabilities, revenues and expenses arising jointly or otherwise from those operations. All such amounts are measured in accordance with the terms of each arrangement.

(b) Investment in Associates

An associate is an entity over which the Company has significant influence and is neither a subsidiary, nor an interest in a joint operation. Significant influence is the ability to participate in the financial and operating policy decisions of the entity without having control or joint control over those policies.

Associates are accounted for using the equity method. Under this method, the investment in associates is initially recorded at cost and adjusted thereafter to record the Company's share of post-acquisition earnings or loss of the associate as if the associate had been consolidated. The carrying value of the investment 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. Dilution gains or losses arising from changes in the interest in investments in associates are recognized in the statement of income or loss.

The Company assesses at each period-end whether there is any objective evidence that its investment in associate is impaired. If impaired, the carrying value of the Company's share of the underlying assets of the associate is written down to its estimated recoverable amount, being the higher of fair value less costs of disposal or value in use, and charged to the statement of income or loss.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each entity in the DMC group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Primary and secondary indicators are used to determine the functional currency. Primary indicators include the currency that mainly influences sales prices, labour, material and other costs. Secondary indicators include the currency in which funds from financing activities are generated and in which receipts from operating activities are usually retained. Typically, the local currency has been determined to be the functional currency of Denison's entities.

The consolidated financial statements are presented in U.S. dollars, unless otherwise stated.

The financial statements of entities that have a functional currency different from the presentation currency of DMC ("foreign operations") are translated into U.S. dollars as follows: assets and liabilities-at the closing rate at the date of the statement of financial position, and income and expenses-at the average rate of the period (as this is considered a reasonable approximation to actual rates). All resulting changes are recognized in other comprehensive income or loss as cumulative foreign currency translation adjustments.

When the Company disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income or loss related to the foreign operation are recognized in the statement of income or loss as translational foreign exchange gains or losses.

(ii) Transactions and balances

Foreign currency transactions are translated into an entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in the statement of income or loss as transactional foreign exchange gains or losses.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less which are subject to an insignificant risk of changes in value.

(e) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligations specified in the contract is discharged, cancelled or expires.

At initial recognition, the Company classifies its financial instruments in the following categories:

(i) Financial assets and liabilities at fair value through profit or loss ("FVPL")

A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of income or loss. Gains and losses arising from changes in fair value are presented in the statement of income or loss in the period in which they arise.

(ii) Available-for-sale investments

Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from re-measurement are recognized in other comprehensive income or loss. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income or loss to the statement of income or loss.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that are intended to be held to maturity. Held-to-maturity investments are initially recognized at fair value plus transaction costs and subsequently measured at amortized cost using the effective interest method less a provision for impairment.

(iv) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the amount expected to be received, less a discount (when material) to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

(v) Financial liabilities at amortized cost

Financial liabilities are initially recognized at the amount required to be paid, less a discount (when material) to reduce the financial liabilities to fair value. Subsequently, financial liabilities are measured at amortized cost using the effective interest method.

The Company has designated its financial assets and liabilities as follows:

(i) "Cash and cash equivalents" and "Trade and other receivables" are classified as loans and receivables and are measured at amortized cost using the effective interest rate method, with the exception of contingent consideration which is classified as a financial asset at fair value through profit and loss (note 3(t)). Interest income is recorded in net income through finance income (expense), as applicable;
(ii) A portion of "Investments" are classified as FVPL and any period change in fair value is recorded in net income within other income (expense). The remaining amount is classified as available-for-sale and any period change in fair value is recorded in other comprehensive income. When the investment's value becomes impaired, the loss is recognized in net income within other income (expense) in the period of impairment;
(iii) "Restricted cash and investments" is classified as held-to-maturity investments; and
(iv) "Accounts payable and accrued liabilities" and "Debt obligations" are classified as other financial liabilities and are measured at amortized cost using the effective interest rate method. Interest expense is recorded in net income through finance income (expense), as applicable.

(f) Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset (other than a financial asset classified as fair value through profit and loss) is impaired. Objective evidence of an impairment loss includes: i) significant financial difficulty of the debtor; ii) delinquencies in interest or principal payments; iii) increased probability that the borrower will enter bankruptcy or other financial reorganization; and (iv) in the case of equity investments, a significant or prolonged decline in the fair value of the security below its cost.

If such evidence exists, the Company recognizes an impairment loss, as follows:

(i) Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

(ii) Available-for-sale financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of income. This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to net income.

(g) Inventories

Expenditures, including depreciation, depletion and amortization of production assets, incurred in the mining and processing activities that will result in the future concentrate production are deferred and accumulated as ore in stockpiles and in-process and concentrate inventories. These amounts are carried at the lower of average costs or net realizable value ("NRV"). NRV is the difference between the estimated future concentrate price (net of selling costs) and estimated costs to complete production into a saleable form.

Stockpiles are comprised of coarse ore that has been extracted from the mine and is available for further processing. Mining production costs are added to the stockpile as incurred and removed from the stockpile based upon the average cost per tonne of ore produced from mines considered to be in commercial production. The current portion of ore in stockpiles represents the amount expected to be processed in the next twelve months.

In-process and concentrate inventories include the cost of the ore removed from the stockpile, a pro-rata share of the amortization of the associated mineral property, as well as production costs incurred to process the ore into a saleable product. Processing costs typically include labor, chemical reagents and directly attributable mill overhead expenditures. Items are valued at weighted average cost.

Materials and other supplies held for use in the production of inventories are carried at average cost and are not written down below that cost if the finished products in which they will be incorporated are expected to be sold at or above cost. However, when a decline in the price of concentrates indicates that the cost of the finished products exceeds net realizable value, the materials are written down to net realizable value. In such circumstances, the replacement cost of the materials may be the best available measure of their net realizable value.

(h) Property, plant and equipment

Property, plant and equipment are recorded at acquisition or production cost and carried net of depreciation and impairments. Cost includes expenditures incurred by the Company that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of income during the period in which they are incurred.

Depreciation is calculated on a straight line or unit of production basis as appropriate. Where a straight line methodology is used, the assets are depreciated to their estimated residual value over an estimated useful life which ranges from three to twenty years depending upon the asset type. Where a unit of production methodology is used, the assets are depreciated to their estimated residual value over the useful life defined by management's best estimate of recoverable reserves and resources in the current mine plan. When assets are retired or sold, the resulting gains or losses are reflected in the statement of income or loss as a component of other income or expense. The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. Residual values, method of depreciation and useful lives of the assets are reviewed at least annually and adjusted if appropriate.

Where straight-line depreciation is utilized, the range of useful lives for various asset classes is generally as follows:

Buildings	15 - 20 years;
Production machinery and equipment	5 - 7 years;
Other	3 - 5 years;

(i) Mineral property acquisition, exploration, evaluation and development costs

Costs relating to the acquisition of acquired mineral rights and acquired exploration rights are capitalized.

Exploration expenditures are expensed as incurred.

Evaluation expenditures are expensed as incurred, until an area of interest is considered by management to be sufficiently advanced. Once this determination is made, the area of interest is classified as an evaluation stage mineral property, a component of the Company's mineral properties, and all further non-exploration expenditures for the current and subsequent periods are capitalized. These expenses include further evaluation expenditures such as mining method selection and optimization, metallurgical sampling test work and costs to further delineate the ore body to a higher confidence level.

Once commercial and technical viability has been established for a property, the property is classified as a development stage mineral property and all further development costs are capitalized to the asset. Further development costs include costs related to constructing a mine, such as shaft sinking and access, lateral development, drift development, engineering studies and environmental permitting, infrastructure development and the costs of maintaining the site until commercial production.

Such capital costs represent the net expenditures incurred and capitalized as at the balance sheet date and do not necessarily reflect present or future values.

Once a development stage mineral property goes into commercial production, the property is classified as "Producing" and the accumulated costs are amortized over the estimated recoverable resources in the current mine plan using a unit of production basis. Commercial production occurs when a property is substantially complete and ready for its intended use.

Proceeds received from the sale of an interest in a property are credited against the carrying value of the property, with any difference recorded as a gain or loss on sale.

(j) Identifiable Intangible assets

The Company's identifiable intangible assets are stated at cost less accumulated amortization. These assets are capitalized and amortized on a straight-line basis in the statement of income or loss over the period of their expected useful lives. The useful lives of the assets are reviewed at least annually and adjusted if appropriate.

(k) Impairment of non-financial assets

Property, plant and equipment and intangible assets are assessed at the end of each reporting period to determine if there is any indication that the asset may be impaired. If any such indication exists, an estimate of the recoverable amount of the asset is made. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash inflows or CGUs. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use (being the present value of the expected future cash flows of the relevant asset or CGU, as determined by management). An impairment loss is recognized for the amount by which the CGU's carrying amount exceeds its recoverable amount.

Mineral property assets are tested for impairment using the impairment indicators under IFRS 6 "Exploration for and Evaluation of Mineral Resources" up until the commercial and technical feasibility for the property is established. From that point onwards, mineral property assets are tested for impairment using the impairment indicators of IAS 36 “Impairment of Assets”.

(l) Employee benefits

(i) Post-employment benefit obligations

The Company assumed the obligation of a predecessor company to provide life insurance, supplemental health care and dental benefits, excluding pensions, to its former Canadian employees who retired from active service prior to 1997. The estimated cost of providing these benefits is actuarially determined using the projected benefits method and is recorded on the balance sheet at its estimated present value. The interest cost on this unfunded liability is being accreted over the remaining lives of this retiree group. Experience gains and losses are being deferred as a component of accumulated other comprehensive income or loss and are adjusted, as required, on the obligations re-measurement date.

(ii) Stock-based compensation

The Company uses a fair value-based method of accounting for stock options to employees and to non-employees. The fair value is determined using the Black-Scholes option pricing model on the date of the grant. The cost is recognized on a graded method basis, adjusted for expected forfeitures, over the applicable vesting period as an increase in stock-based compensation expense and the contributed surplus account. When such stock options are exercised, the proceeds received by the Company, together with the respective amount from contributed surplus, are credited to share capital.

(iii) Termination benefits

The Company recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing benefits as a result of an offer made to encourage voluntary termination. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

(m) Reclamation provisions

Reclamation provisions, any legal and constructive obligation related to the retirement of tangible long-lived assets, are recognized when such obligations are incurred and if a reasonable estimate of the value can be determined. These obligations are measured initially at the present value of expected cash flows using a pre-tax discount rate reflecting risks specific to the liability and the resulting costs are capitalized and added to the carrying value of the related assets. In subsequent periods, the liability is adjusted for the accretion of the discount and the expense is recorded in the statement of income or loss. Changes in the amount or timing of the underlying future cash flows or changes in the discount rate are immediately recognized as an increase or decrease in the carrying amounts of the related asset and liability. These costs are amortized to the results of operations over the life of the asset. Reductions in the amount of the liability are first applied against the amount of the net reclamation asset on the books with any excess value being recorded in the statement of income or loss.

The Company’s activities are subject to numerous governmental laws and regulations. Estimates of future reclamation liabilities for asset decommissioning and site restoration are recognized in the period when such liabilities are incurred. These estimates are updated on a periodic basis and are subject to changing laws, regulatory requirements, changing technology and other factors which will be recognized when appropriate. Liabilities related to site restoration include long-term treatment and monitoring costs and incorporate total expected costs net of recoveries. Expenditures incurred to dismantle facilities, restore and monitor closed resource properties are charged against the related reclamation and remediation liability.

(n) Provisions

Provisions for restructuring costs and legal claims, where applicable, are recognized in liabilities when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management’s best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material. The Company performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts.

(o) Current and Deferred Income tax

Current income tax payable is based on taxable income for the period. Taxable income differs from income as reported in the statement of income or loss because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income taxes are accounted for using the balance sheet liability method. Deferred income tax assets and liabilities are computed based on temporary differences between the financial statement carrying values of the existing assets and liabilities and their respective income tax bases used in the computation of taxable income. Computed deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable income nor the accounting income. Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and investments, and interests in joint ventures, except where the Company is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also recorded within equity.

Income tax assets and liabilities are offset when there is a legally enforceable right to offset the assets and liabilities and when they relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

(p) Flow-Through Common Shares

The Company's Canadian exploration activities have been financed in part through the issuance of flow-through common shares whereby the Canadian income tax deductions relating to these expenditures are claimable by the subscribers and not by the Company. The proceeds from issuing flow-through shares are allocated between the offering of shares and the sale of tax benefits. The allocation is based on the difference ("premium") between the quoted price of the Company's existing shares and the amount the investor pays for the actual flow-through shares. A liability is recognized for the premium when the shares are issued, and is extinguished when the tax effect of the temporary differences, resulting from the renunciation, is recorded - with the difference between the liability and the value of the tax assets renounced being recorded as a deferred tax expense. The tax effect of the renunciation is recorded at the time the Company makes the renunciation to its subscribers – which may differ from the effective date of renunciation. If the flow-through shares are not issued at a premium, a liability is not established, and on renunciation the full value of the tax assets renounced is recorded as a deferred tax expense.

(q) Revenue recognition

Revenue from the sale of mineral concentrates is recognized when it is probable that the economic benefits will flow to the Company. This is generally the case once delivery has occurred, the sales price and costs incurred with respect to the transaction can be measured reliably and collectability is reasonably assured. For uranium, revenue is typically recognized when delivery is evidenced by book transfer at the applicable uranium storage facility.

Revenue from toll milling services is recognized as material is processed in accordance with the specifics of the applicable toll milling agreement. Revenue and unbilled accounts receivable are recorded as related costs are incurred, using billing formulas included in the applicable toll milling agreement.

Revenue on environmental service contracts is recognized using the percentage of completion method, whereby sales, earnings and unbilled accounts receivable are recorded as related costs are incurred. Earnings rates are adjusted periodically as a result of revisions to projected contract revenues and estimated costs of completion. Losses, if any, are recognized fully when first anticipated. Revenues from engineering services are recognized as the services are provided in accordance with customer agreements.

Management fees from UPC are recognized as management services are provided under the contract on a monthly basis. Commission revenue earned on acquisition or sale of U_3O_8 and UF_6 on behalf of UPC (or other parties where Denison acts as an agent) is recognized on the date when title passes.

(r) Earnings (loss) per share

Basic earnings per share ("EPS") is calculated by dividing the net income or loss for the period attributable to equity owners of DMC by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method.

(s) Discontinued Operations

A discontinued operation is a component of the Company that has either been disposed of or that is classified as held for sale. A component of the Company is comprised of operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Company. Net income or loss of a discontinued operation and any gain or loss on disposal are combined and presented as net income or loss from discontinued operations, net of tax, in the statement of income or loss.

(t) Contingent Consideration

Contingent consideration receivable on the sale of assets is recognized, as a financial asset through income or loss, at fair value on the date of sale. Subsequent changes to the fair value of contingent consideration will be recognized in the statement of income or loss at each reporting date and on settlement.

Accounting Standards Issued But Not Yet Applied

The Company has not yet adopted the following new accounting pronouncements which are effective for fiscal periods of the Company beginning on or after January 1, 2017:

International Accounting Standard 7, Statement of Cash Flows ("IAS 7") – Amendments

IAS 7 requires an entity to present a statement of cash flows as an integral part of its primary financial statements. Cash flows are classified and presented into operating activities (either using the "direct" or "indirect" method), investing activities and financing activities, with the latter two categories generally presented on a gross basis. The amendments require additional disclosures with respect to changes in liabilities arising from financing activities. It is effective for annual periods beginning on or after January 1, 2017.

The Company has early adopted the amendments to this standard and has added additional continuity schedule disclosures to its Debt Obligation liability movements (see note 16).

International Financial Reporting Standard 9, Financial Instruments ("IFRS 9")

In July 2014, the IASB published the final version of IFRS 9 Financial Instruments ("IFRS 9"), which brings together the classification, measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 replaces the multiple classifications for financial assets in IAS 39 with a single principle based approach for determining the classification of financial assets based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The final version of IFRS 9 is effective for periods beginning on or after January 1, 2018; however, it is available for early adoption.

The Company has not evaluated the impact of adopting this standard.

International Financial Reporting Standard 15, Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Under IFRS 15, revenue is recognized when a customer obtains control of a good or service. The standard replaces IAS 18 "Revenue" and IAS 11"Construction Contracts" and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted.

The Company has not evaluated the impact of adopting this standard.

International Financial Reporting Standard 16, Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16 which replaces existing standards and interpretations under IAS 17 "Leases". IFRS 16 requires all leases, including financing and operating leases, to be reported on the balance sheet with the intent of providing greater transparency on a company's lease assets and liabilities. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted.

The Company has not evaluated the impact of adopting this standard.

Comparative Numbers – Change in Presentation due to Discontinued Operations

On June 10, 2016, the Company completed a transaction with GoviEx Uranium Inc. ("GoviEx") to sell all of its mining assets and operations located in Africa. On November 30, 2015, the Company completed a transaction with Uranium Industry a.s. ("Uranium Industry") to sell all of its mining assets and operations located in Mongolia. Refer to note 5 for more information on both transactions. The Company is accounting for both sales as discontinued operations and has adjusted the presentation of its consolidated statement of comprehensive income (loss) in accordance with its accounting policy for discontinued operations. Adjustments have also been made to the supplemental note disclosure relating to the statement of comprehensive income (loss). The consolidated statements of financial position and the consolidated statement of cash flows have not been revised.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates and judgements that affect the amounts reported. It also requires management to exercise judgement in applying the Company's accounting policies. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances taking into account previous experience. Although the Company regularly reviews the estimates and judgements made that affect these financial statements, actual results may be materially different.

Significant estimates and judgements made by management relate to:

(a) Determination of a Mineral Property being Sufficiently Advanced

The Company follows a policy of capitalizing non-exploration related expenditures on properties it considers to be sufficiently advanced. Once a mineral property is determined to be sufficiently advanced, that determination is irrevocable and the capitalization policy continues to apply over the life of the property. In determining whether or not a mineral property is sufficiently advanced, management considers a number of factors, including, but not limited to: current uranium market conditions, the quality of resources identified, access to the resource, the suitability of the resource to current mining methods, ease of permitting, confidence in the jurisdiction in which the resource is located and milling complexity.

Many of these factors are subject to risks and uncertainties that can support a "sufficiently advanced" determination as at one point in time but not support it at another. The final determination requires significant judgment on the part of the Company's management and directly impacts the carrying value of the Company's mineral properties.

(b) Mineral Property Impairment Reviews and Impairment Adjustments

Mineral properties are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. When an indicator is identified, the Company determines the recoverable amount of the property, which is the higher of an asset's fair value less costs of disposal and value in use. An impairment loss is recognized if the carrying value exceeds the recoverable amount. The recoverable amount of a mineral property may be determined by reference to estimated future operating results and discounted net cash flows, current market valuations of similar properties or a combination of the above. In undertaking this review, management of the Company is required to make significant estimates of, amongst other things: reserve and resource amounts, future production and sale volumes, forecast commodity prices, future operating, capital and reclamation costs to the end of the mine's life and current market valuations from observable market data which may not be directly comparable. These estimates are subject to various risks and uncertainties, which may ultimately have an effect on the expected recoverable amount of a specific mineral property asset. Changes in these estimates could have a material impact on the carrying value of the mineral property amounts and the impairment losses recognized.

(c) Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are computed in respect of taxes that are based on taxable profit. Taxable profit will often differ from accounting profit and management may need to exercise judgement to determine whether some taxes are income taxes (and subject to deferred tax accounting) or operating expenses.

Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the temporary differences between accounting carrying values and tax basis are expected to be recovered or settled. The determination of the ability of the Company to utilize tax loss carry forwards to offset deferred tax liabilities requires management to exercise judgment and make certain assumptions about the future performance of the Company. Management is required to assess whether it is "probable" that the Company will benefit from these prior losses and other deferred tax assets. Changes in economic conditions, commodity prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing the losses.

(d) Reclamation Obligations

Asset retirement obligations are recorded as a liability when the asset is initially constructed or a constructive or legal obligation exists and typically involve identifying costs to be incurred in the future and discounting them to the present using an appropriate discount rate for the liability. The determination of future costs involves a number of estimates relating to timing, type of costs, mine closure plans, and review of potential methods and technical advancements. Furthermore, due to uncertainties concerning environmental remediation, the ultimate cost of the Company's decommissioning liability could differ materially from amounts provided. The estimate of the Company's obligation is subject to change due to amendments to applicable laws and regulations and as new information concerning the Company's operations becomes available. The Company is not able to determine the impact on its financial position, if any, of environmental laws and regulations that may be enacted in the future.

5. DISCONTINUED OPERATIONS

Discontinued Operation – Africa Mining Division

On June 10, 2016, the Company completed a transaction with GoviEx Uranium Inc. ("GoviEx") to sell its mining assets and operations located in Africa (the "Africa Mining Division"). The primary assets of the African Mining Division at that time were the mineral property rights for the Falea, Mutanga and Dome projects.

Under the terms of the transaction, GoviEx acquired Denison's wholly owned subsidiary, Rockgate Capital Corp, which held all of the assets of the African Mining Division, in exchange for 56,050,450 common shares (the "Consideration Shares") of GoviEx plus 22,420,180 share purchase warrants (the "Consideration Warrants"). Each Consideration Warrant is convertible into one common share of GoviEx for a period of three years at a price of $0.15 per share. The Consideration Warrants include an acceleration clause based on GoviEx's share price, which, if triggered, give the holders 30 days within which to exercise the Consideration Warrants under the terms outlined above. If the holders do not exercise within that period, the exercise price of the Consideration Warrants increases to $0.18 per share and the term is reduced by six months.

At closing, Denison ensured that the Africa Mining Division was capitalized with a minimum working capital of $700,000 and it provided the lead order, representing approximately 22.7% of the total financing, in a concurrent equity financing by GoviEx done in conjunction with the transaction. Under the concurrent equity financing by GoviEx, Denison acquired an additional 9,093,571 units of GoviEx for $500,000. Each unit consists of one common share ("Concurrent Share") and one common share purchase warrant ("Concurrent Warrant"). Each Concurrent Warrant is convertible into one common share of GoviEx for a period of three years at a price of $0.12 per share until June 10, 2018 and $0.14 per share thereafter. The Concurrent Warrants include an acceleration clause based on GoviEx's share price, which, if triggered, give the holders 60 days within which to exercise the Concurrent Warrants under the terms outlined above. If the holders do not exercise within that period, the Concurrent Warrants will expire unexercised.

After the completion of the transaction and concurrent equity financing, Denison holds 65,144,021 of the outstanding shares of GoviEx (which equated to approximately 24.59% of GoviEx's issued and outstanding shares at June 10, 2016) and it is entitled to appoint one director to the GoviEx board so long as its share interest in GoviEx is 5% or higher. At December 31, 2016, Denison's share interest has been diluted to 20.68% due to the impact of a December 2016 financing by GoviEx in which Denison did not participate (see note 10).

Denison has reported the value attributed to the Consideration Warrants and the Concurrent Warrants as a component of "Investments" (see note 9) while the value attributed to the Consideration Shares and the Concurrent Shares is reported within "Investment in Associates" (see note 10). Denison is accounting for its share investment in GoviEx using the equity method.

The details of the net assets of the African Mining Division sold to GoviEx on June 10, 2016 are as follows:

(in thousands, except share amounts)		2016
Consideration received at fair value:		
Fair value of 56,050,450 GoviEx Consideration Shares received	$	3,954
Fair value of 22,420,180 GoviEx Consideration Warrants received		1,162
Transaction costs		(170)
Consideration received at fair value	$	4,946
Net assets disposed of at carrying value:		
Cash and cash equivalents	$	(660)
Prepaid and other current assets		(109)
Property, plant and equipment		
Plant and equipment		(258)
Mineral properties-Mali, Namibia and Zambia		(3,427)
Total assets		(4,454)
Accounts payable and accrued liabilities		43
Net assets disposed of at carrying value	$	(4,411)
Cumulative foreign currency loss translation adjustment realized in income		(637)
Loss on disposal of Africa Mining Division	$	(102)

The fair value of the GoviEx Consideration Shares received was determined using GoviEx's closing share price on June 10, 2016 of CAD$0.09 per share converted to USD using the June 10, 2016 foreign exchange rate of 0.7839.

The fair value of the GoviEx Consideration Warrants received totaled $1,162,000 or $0.0518 per warrant. The fair value was determined using the Black-Scholes option pricing model with the following assumptions: risk-free rate of 0.50%, expected stock price volatility of 151.97%, expected life of 3.0 years and expected dividend yield of nil%. No fair value adjustment has been made for the acceleration clause included in the Consideration Warrants.

The loss on disposal of $102,000 includes $637,000 of cumulative foreign currency losses recognized as translational foreign exchange losses in the period of disposal.

The consolidated statement of income (loss) for the Africa Mining Division discontinued operation for 2016 and 2015 is as follows:

(in thousands)	Year Ended December 31 2016	Year Ended December 31 2015
Expenses		
Operating expenses	$ (64)	$ (302)
Exploration and evaluation	(74)	(818)
General and administrative	(280)	(637)
Impairment of property, plant and equipment	-	(25,164)
Foreign exchange		
Transactional	(5,154)	(18,154)
Translational	-	(10)
Other income (expense)		
Gains on disposal of plant and equipment	49	65
Other	(19)	-
Loss before taxes	(5,542)	(45,020)
Income tax recovery (expense)	-	-
Net loss for the period	(5,542)	(45,020)
Loss on disposal	(102)	-
Loss from discontinued operations	$ (5,644)	$ (45,020)

Cash flows for the Africa Mining Division discontinued operation for 2016 and 2015 is as follows:

(in thousands)	Year Ended December 31 2016	Year Ended December 31 2015
Cash inflow (outflow):		
Operating activities	$ (442)	$ (1,513)
Investing activities	(854)	(209)
Net cash outflow for the period	$ (1,296)	$ (1,722)

Discontinued Operation - Mongolia Mining Division

On November 30, 2015, the Company completed its transaction with Uranium Industry to sell all of its mining assets and operations located in Mongolia (the “Mongolia Mining Division”) pursuant to an amended and restated share purchase agreement entered into on November 25, 2015 (the “GSJV Agreement”). The primary assets of the Mongolia Mining Division 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 $1,250,000 prior to closing and the rights to receive additional contingent consideration of $12,000,000. The contingent consideration is payable as follows:

- $5,000,000 (the “First Contingent Payment”) within 60 days of the issuance of a mining license for an area covered by any of the exploration licenses in the Mongolia Mining Division (the “First Project”);
- $5,000,000 (the “Second Contingent Payment”) within 60 days of the issuance of a mining license for an area covered by any of the other exploration licenses held by the Mongolia Mining Division (the “Second Project”);
- $1,000,000 (the “Third Contingent Payment”) within 365 days following the production of an aggregate of 1,000 pounds U_3O_8 from the operation of the First Project; and
- $1,000,000 (the “Fourth Contingent Payment”) within 365 days following the production of an aggregate of 1,000 pounds U_3O_8 from the operation of the Second Project.

On December 2, 2015, Uranium Industry submitted applications for mining licenses for all four projects to the Mongolian government. On July 22, 2016, the Mineral Resources Authority of Mongolia ("MRAM") issued letters to the Gurvan Saihan Joint Venture ("GSJV") notifying it of its intention to grant mining licenses to the GSJV for the Hairhan, Haraat, Gurvan Saihan and Ulzit projects. On September 20, 2016, the mining license certificates for all four projects were formally issued, triggering the First Contingent Payment and the Second Contingent Payment (collectively, the "Mining License Receivable").

In the third quarter of 2016, the Company recognized the $10,000,000 fair value of the Mining License Receivable and it also recognized a corresponding gain on sale, net of additional applicable transaction costs. The original due date for payment of the Mining License Receivable by Uranium Industry was November 16, 2017.

Pursuant to a subsequent extension agreement between Uranium Industry 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, Uranium Industry 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 $100,000 instalment amount towards the balance of the Mining License Receivable amount. The first payment under the Extension Agreement was due on or before January 31, 2017. The required payments were not made and Uranium Industry is now in default of both the GSJV Agreement and the Extension Agreement.

On February 24, 2017, the Company served notice to Uranium Industry that it was in default of its obligations under the GSJV Agreement and the Extension Agreement and that the Mining License Receivable and all interest payable thereon are immediately due and payable. The Company intends to explore all proceedings available to it to pursue the collection of the Mining License Receivable amount.

In light of the uncertainty regarding collectability, Denison has impaired the $10,000,000 Mining License Receivable amount to $nil in the fourth quarter of 2016, resulting in an adjustment to the previously recognized net gain on sale. The adjustment to the net gain on sale has been presented within discontinued operations as it directly relates to the proceeds realized to date on the sale of the Mongolia Mining Division to Uranium Industry. Accordingly, any subsequent payments realized on the impaired receivable will be recognized within discontinued operations. The production related contingent consideration amounts continue to be fair valued at $nil and will be re-measured at each subsequent reporting date.

The details of the net assets of the Mongolia Mining Division sold to Uranium Industry on November 30, 2015 are as follows:

(in thousands, except share amounts)		2015
Consideration received or receivable at fair value:		
Cash consideration prior to closing	$	1,250
Fair value of contingent consideration owing		-
Transaction costs		(337)
Consideration received or receivable at fair value	$	913
Net assets disposed of at carrying value:		
Cash	$	(16)
Property, plant and equipment		
Plant and equipment		(90)
Mineral properties-Mongolia		(6,130)
Total assets		(6,236)
Accounts payable and accrued liabilities		17
Net assets disposed of at carrying value	$	(6,219)
Cumulative foreign currency gain translation adjustment	$	13,680
Gain on disposal of Mongolia Mining Division	$	8,374

The consolidated statement of income (loss) for the Mongolia Mining Division discontinued operation for 2015 is as follows:

(in thousands)		Year Ended December 31 2015
Expenses		
Operating expenses	$	(15)
Mineral property exploration		(384)
General and administrative		(692)
Foreign exchange		
Transactional		2,873
Other income (expense)		
Other		20
		1,802
Income before finance charges		1,802
Finance income		1
Income before taxes		1,803
Income tax recovery (expense)		-
Net income for the period		1,803
Gain on disposal		8,374
Income from discontinued operations	$	10,177

The gain on disposal of $8,374,000 in 2015 includes $13,680,000 of cumulative foreign currency gains recognized as translational foreign exchange gains in the period of disposal.

Cash flows for the Mongolia Mining Division discontinued operation for 2015 is as follows:

(in thousands)		Year Ended December 31 2015
Cash inflow (outflow):		
Operating activities	$	(1,060)
Investing activities		(523)
Net cash outflow for the period	$	(1,583)

6. CASH AND CASH EQUIVALENTS

The cash and cash equivalent balance consists of:

(in thousands)		At December 31 2016		At December 31 2015
Cash	$	5,159	$	3,092
Cash in MLJV and MWJV		1,160		9
Cash equivalents		5,519		2,266
	$	11,838	$	5,367

Cash equivalents consist of various investment savings account instruments and money market funds all of which are readily convertible into cash.

7. TRADE AND OTHER RECEIVABLES

The trade and other receivables balance consists of:

(in thousands)	At December 31 2016	At December 31 2015
Trade receivables	$ 1,792	$ 1,860
Receivables in MLJV and MWJV	583	2,824
Sales tax receivables	18	8
Sundry receivables	10	134
	$ 2,403	$ 4,826

8. INVENTORIES

The inventories balance consists of:

(in thousands)	At December 31 2016	At December 31 2015
Uranium concentrates and work-in-progress	$ 392	$ 380
Inventory of ore in stockpiles	1,562	1,515
Mine and mill supplies	1,989	1,876
	$ 3,943	$ 3,771
Inventories-by duration:		
Current	$ 2,381	$ 2,256
Long term-ore in stockpiles	1,562	1,515
	$ 3,943	$ 3,771

Long-term ore in stockpile inventory represents an estimate of the amount of ore on the stockpile in excess of the next twelve months of planned mill production.

9. INVESTMENTS

The investments balance consists of:

(in thousands)	At December 31 2016	At December 31 2015
Investments:		
Equity instruments-fair value through profit and loss	$ 3,745	$ 484
Equity instruments-available for sale	15	12
Debt instruments-fair value through profit and loss	-	7,282
	$ 3,760	$ 7,778
Investments-by duration		
Current	$ -	$ 7,282
Long-term	3,760	496
	$ 3,760	$ 7,778

At December 31, 2016, investments include equity instruments in publicly-traded companies with a fair value of $3,760,000 (December 31, 2015: $496,000) and debt instruments with a fair value of $Nil (December 31, 2015: $7,282,000). The debt instruments at December 31, 2015 consist of guaranteed investment certificates ("GIC's") with rates of interest ranging between 1.15% to 1.80% and maturity dates occurring up to May 2016.

Investment Purchases, Sales, Maturities, Impairments and Other Movements

During 2016, the Company received GoviEx Consideration Warrants valued at $1,162,000 in connection with the sale of the Africa Mining Division and received shares of Skyharbour Resources Ltd. Valued at $1,242,000 pursuant to an option agreement involving Denison's Moore Lake property (see note 12). The Company purchased GoviEx Concurrent Warrants at a cost of $215,000. During 2015, the Company purchased debt instruments, consisting of GIC's, at a cost of $8,134,000.

During 2016, the Company had debt instrument maturities of $7,763,000 and sold equity instruments for $760,000. During 2015, the Company had debt instrument maturities of $4,029,000 and sold equity instruments for $4,000.

10. INVESTMENT IN ASSOCIATES

The investment in associates balance consists of:

(in thousands)		At December 31 2016		At December 31 2015
Investment in associates-by investee:				
GoviEx	$	4,692	$	-
	$	4,692	$	-

A summary of the investment in GoviEx is as follows:

(in thousands)		
Balance-December 31, 2015	$	-
Investment at cost:		
Acquisition of 56,050,450 Consideration Shares (note 5)		3,954
Purchase of 9,093,571 Concurrent Shares (note 5)		285
Share of equity loss		(96)
Dilution gain		549
Balance-December 31, 2016	$	4,692

GoviEx is a mineral resource company focused on the exploration and development of its uranium properties located in Africa. GoviEx maintains a head office located in Canada and is a public company listed on the TSX Venture Exchange. At December 31, 2016, Denison holds a 20.68% interest in GoviEx and has one director appointed to the GoviEx board of directors. Through the extent of its share ownership interest and its seat on the board of directors, Denison has the ability to exercise significant influence over GoviEx and accordingly, is using the equity method to account for this investment.

The trading price of GoviEx on December 31, 2016 was CAD$0.15 per share which corresponds to a quoted market value of CAD$9,772,000 ($7,278,000) for the Company's investment in GoviEx common shares.

The following table is a summary of the consolidated financial information of GoviEx on a 100% basis taking into account adjustments made by Denison for equity accounting purposes for fair value adjustments and differences in accounting policy. A reconciliation of GoviEx's summarized information to Denison's investment carrying value is also included.

(in thousands)	At December 31 2016	At Acquisition [1]
Total current assets	$ 4,480	$ 2,701
Total non-current assets	23,937	23,952
Total current liabilities	(7,220)	(430)
Total non-current liabilities	(503)	(8,983)
Total net assets	$ 20,694	$ 17,240

	6 Months Ended December 31,2016
Revenue	$ -
Net loss	(392)
Other comprehensive income (loss)	$ -

Reconciliation of GoviEx net assets to Denison investment carrying value:	
Net assets of GoviEx – at acquisition	$ 17,240
Share issue proceeds	3,440
Contributed surplus change	95
Share-based payment reserve change	311
Net loss	(392)
Net assets of GoviEx – at December 31, 2016	$ 20,694
Denison ownership interest	20.68%
Denison share of net assets of GoviEx	4,280
Other adjustments	412
Investment in GoviEx	$ 4,692

(1) Based on available June 30, 2016 financial information.

11. RESTRICTED CASH AND INVESTMENTS

The Company has certain restricted cash and investments deposited to collateralize a portion of its reclamation obligations. The restricted cash and investments balance consists of:

(in thousands)	At December 31 2016	At December 31 2015
Cash	$ 277	$ 234
Investments	2,037	1,806
	$ 2,314	$ 2,040
Restricted cash and investments-by item:		
Elliot Lake reclamation trust fund	$ 2,213	$ 2,040
Reclamation letter of credit collateral	101	-
	$ 2,314	$ 2,040

The investments at December 31, 2016 consist of a term deposit and a guaranteed investment certificate.

Elliot Lake Reclamation Trust Fund

The Company has the obligation to maintain its decommissioned Elliot Lake uranium mine pursuant to a Reclamation Funding Agreement effective December 21, 1995 (“Agreement”) with the Governments of Canada and Ontario. The Agreement, as further amended in February 1999, requires the Company to maintain funds in the Reclamation Trust Fund equal to estimated reclamation spending for the succeeding six calendar years, less interest expected to accrue on the funds during the period. Withdrawals from this Reclamation Trust Fund can only be made with the approval of the Governments of Canada and Ontario to fund Elliot Lake monitoring and site restoration costs.

In 2016, the Company deposited an additional $555,000 (CAD$762,000) into the Elliot Lake Reclamation Trust Fund and withdrew $472,000 (CAD$622,000). In 2015, the Company deposited an additional $832,000 (CAD$1,042,000) into the Elliot Lake Reclamation Trust Fund and withdrew $511,000 (CAD$651,000).

Reclamation Letter of Credit Collateral

In 2016, the Company deposited $105,000 (CAD$135,000) with the Bank of Nova Scotia as cash collateral for the portion of its issued reclamation letters of credit in excess of the collateral available under its line of credit (see notes 14 and 15).

12. PROPERTY, PLANT AND EQUIPMENT

The property, plant and equipment balance consists of:

(in thousands)		At December 31 2016		At December 31 2015
Plant and equipment:				
Cost	$	72,601	$	72,716
Construction-in-progress		4,821		4,542
Accumulated depreciation		(12,609)		(11,640)
Net book value	$	64,813	$	65,618
Mineral properties:				
Cost	$	123,340	$	122,797
Accumulated amortization		(171)		(165)
Net book value	$	123,169	$	122,632
Net book value	$	187,982	$	188,250

The plant and equipment continuity summary is as follows:

(in thousands)		Cost		Accumulated Amortization / Depreciation		Net Book Value
Plant and equipment:						
Balance-January 1, 2015	$	89,940	$	(12,205)	$	77,735
Additions		604		-		604
Amortization		-		(82)		(82)
Asset divestitures (note 5)		(260)		170		(90)
Depreciation		-		(2,216)		(2,216)
Disposals		(423)		393		(30)
Reclamation adjustment (note 15)		2,186		78		2,264
Foreign exchange		(14,789)		2,222		(12,567)
Balance-December 31, 2015	$	77,258	$	(11,640)	$	65,618
Additions		536		-		536
Amortization		-		(140)		(140)
Asset divestitures (note 5)		(1,358)		1,100		(258)
Depreciation		-		(2,812)		(2,812)
Disposals		(1,231)		1,063		(168)
Impairment		(67)		-		(67)
Reclamation adjustment (note 15)		(90)		140		50
Foreign exchange		2,374		(320)		2,054
Balance-December 31, 2016	$	77,422	$	(12,609)	$	64,813

The mineral property continuity summary is as follows:

(in thousands)	Cost	Accumulated Amortization	Net Book Value
Mineral properties:			
Balance-January 1, 2015	$ 192,851	$ (198)	$ 192,653
Additions	1,436	-	1,436
Asset divestitures (note 5)	(6,130)	-	(6,130)
Impairment	(27,767)	-	(27,767)
Foreign exchange	(37,593)	33	(37,560)
Balance-December 31, 2015	$ 122,797	$ (165)	$ 122,632
Additions	3,586	-	3,586
Asset divestitures (note 5)	(3,427)	-	(3,427)
Impairment	(2,253)	-	(2,253)
Recoveries	(1,242)	-	(1,242)
Foreign exchange	3,879	(6)	3,873
Balance-December 31, 2016	$ 123,340	$ (171)	$ 123,169

Plant and Equipment - Mining

The Company has a 22.5% interest in the McClean Lake mill located in the Athabasca Basin of Saskatchewan, Canada. A toll milling agreement has been signed with the participants in the CLJV that provides for the processing of the future output of the Cigar Lake mine at the McClean Lake mill, for which the owners of the McClean Lake mill receive a toll milling fee and other benefits. In determining the units of production amortization rate for the McClean Lake mill, the amount of production attributable to the mill assets has been adjusted to include Denison's expected share of mill feed related to the CLJV toll milling contract.

In March 2014, the first ore from the Cigar Lake mine was received at the mill. In September 2014, after being on stand-by since August 2010, milling activities were restarted at the McClean Lake mill and uranium packaging began in October 2014 and has continued during 2015 and 2016.

During 2016, the Company recorded an impairment charge of $67,000 associated with the planned decommissioning and disposal of certain of its mining and milling assets at the McClean Lake site.

Plant and Equipment - Services and Other

The environmental services division of the Company provides mine decommissioning and decommissioned site monitoring services for third parties.

Mineral Properties

The Company has various interests in exploration and evaluation projects located in Canada which are held directly or through option or various contractual agreements.

Canada Mining Segment

As at December 31, 2016, the Company's mineral property interests located in Saskatchewan, Canada with significant carrying values are:

a) McClean Lake - the Company has a 22.5% interest in the project (includes the Sue D, Sue E, Caribou, McClean North and McClean South deposits);
b) Midwest - the Company has a 25.17% interest in the project (includes the Midwest and Midwest A deposits);
c) Wheeler River - the Company has a 60% interest in the project (includes the Phoenix and Gryphon deposits) – see note 29 for more information;
d) Waterbury Lake - the Company has a 63.01% interest in the project (includes the J Zone deposit) and also has a 2.0% net smelter return royalty on the portion of the project it does not own;
e) Johnston Lake – the Company has a 100% interest in the project;
f) Mann Lake - the Company has a 30% interest in the project; and
g) Wolly - the Company has a 22.76% interest in the project.

Waterbury Lake

In September 2015, the Company increased its interest in the Waterbury Lake property from 60.00% to 61.55% and further increased it again in August 2016 to 63.01% under the terms of the dilution provisions in the agreements governing the project (see note 25).

Moon Lake South

In January 2016, the Company entered into an option agreement with CanAlaska Uranium Ltd ("CanAlaska") to earn an interest in CanAlaska's Moon Lake South project located in the Athabasca Basin in Saskatchewan. Under the terms of the option, Denison can earn an initial 51% interest in the project by spending CAD$200,000 by December 31, 2017 and it can increase its interest to 75% by spending an additional CAD$500,000 by December 31, 2020. As at December 31, 2016, the Company has spent CAD$139,000 towards the first stage of the option.

Moore Lake

In June 2016, the Company recognized an impairment charge of $2,174,000 based on the terms of an announced agreement to option its 100% interest in the Moore Lake property to Skyharbour Resources Ltd ("Skyharbour") in exchange for cash, stock and exploration spending commitments. The remaining recoverable amount for the property was estimated to be CAD$1,700,000 and was based on a market-based fair value less costs of disposal assessment of the share and cash consideration to be received by the Company under the terms of the option. While the fair value of the share consideration to be received has been determined from observable inputs, the fair value of the cash consideration has not and, as such, management has classified the fair value determination within Level 2 of the fair value hierarchy.

In August 2016, the Company closed the option agreement with Skyharbour. On closing, Denison received 4,500,000 common shares of Skyharbour and a recovery of $1,242,000 (CAD$1,620,000) was recognized. To complete the option, Skyharbour is required to make staged cash payments of CAD$500,000 in aggregate over the next five years and spend CAD$3,500,000 in exploration expenditures on the property over the same five year period.

Under the terms of the option agreement, Denison also maintains various back-in rights to re-acquire a 51% interest in the Moore Lake property and is entitled to nominate a member to Skyharbour's Board of Directors as long as Denison maintains a minimum ownership position of 5%. As at December 31, 2016, Denison's ownership interest in Skyharbour is approximately 11.35%.

Hook Carter

In November 2016, Denison completed the purchase of an 80% interest in the Hook-Carter property, located in the southwestern portion of the Athabasca Basin region in northern Saskatchewan, from ALX Uranium Corp ("ALX").

Under the terms of the agreement, Denison issued 7,500,000 common shares with a value of $2,854,000 (CAD$3,825,000) in exchange for an immediate 80% interest in the property. ALX will retain a 20% interest in the property and Denison has agreed to fund ALX's share of the first CAD$12,000,000 in expenditures. Denison has also agreed to a work commitment of CAD$3,000,000 over 3 years – should Denison not meet this commitment, Denison's interest in the property will decrease from 80% to 75% and ALX's interest will increase from 20% to 25%.

In November 2016, Denison also purchased the Coppin Lake property from ARC and UEX Corporation for cash payments of $26,000 (CAD$35,000) and a 1.5% net smelter royalty. Under the terms of the Hook Carter agreement, Denison and ALX have elected to have these claims form part of the Hook Carter property and ALX's interest in these claims will be the same as its interest in Hook Carter.

Other Properties

In 2015, due to the Company's intention to let claims on three of its Canadian properties lapse in the normal course and to not carry out the required exploration programs or make deficiency deposit payments needed to maintain the claims, the Company has recognized impairment charges of $2,603,000. The $nil recoverable amount of the properties is based on a market-based fair value less costs of disposal assessment using unobservable inputs including the Company's data about the properties and management's interpretation of that data. As such, it is classified within Level 3 of the fair value hierarchy. A value in use calculation is not applicable as the Company does not have any expected cash flows from using these properties at this stage.

In 2016, due to the Company's current intention to let claims on one of its Canadian properties lapse in the normal course and to not carry out the required exploration programs or make deficiency deposit payments needed to maintain the claims, the Company has recognized impairment charges of $79,000 to reduce the carrying value of the property to $nil. The $nil recoverable amount of the property is based on a market-based fair value less costs of disposal assessment using unobservable inputs and, as such, it is classified within Level 3 of the fair value hierarchy.

Africa Mining Segment - Mali, Namibia and Zambia

Prior to June 2016, the Company had mineral property interests in Africa which included a 100% interest in the Falea project in Mali, a 90% interest in the Dome project in Namibia and a 100% interest in the Mutanga project in Zambia.

In December 2015, in light of the intention to pursue a spin-out or disposal strategy and the adoption of minimal exploration plans for its African properties for the upcoming fiscal year, the Company completed an impairment test of its African properties and recognized impairment charges of $25,164,000. The Company used a market-based fair value less costs of disposal analysis, adjusted for certain unobservable inputs, to determine the recoverable amount of $3,264,000 for the Falea, Dome and Mutanga projects combined. As a result of these unobservable inputs, it is classified within Level 3 of the fair value hierarchy. A value in use calculation was not applicable as the Company did not have any expected cash flows from using its African properties at this stage of operations.

In June 2016, the Company divested its mineral property assets in Africa as part of the sale of the Africa Mining Division to GoviEx (see note 5).

Asia Mining Segment - Mongolia

Prior to November 2015, the Company had an 85% interest in and was the managing partner of the Gurvan Saihan Joint Venture ("GSJV") in Mongolia (which included the Hairhan and Haraat deposits and the Hairhan, Haraat, Gurvan Saihan and Ulzit exploration licenses).

In November 2015, the Company divested its mineral property assets in Mongolia as part of the sale of the Mongolia Mining Division to Uranium Industry (see note 5).

13. INTANGIBLES

The intangibles balance consists of:

(in thousands)		At December 31 2016		At December 31 2015
Cost	$	-	$	5,347
Accumulated amortization		-		(5,240)
Net book value	$	-	$	107
Net book value-by item:				
UPC management services agreement	$	-	$	107
Net book value	$	-	$	107

The intangibles continuity summary is as follows:

(in thousands)		Cost		Accumulated Amortization		Net Book Value
Balance-January 1, 2015	$	6,379	$	(5,741)	$	638
Amortization		-		(464)		(464)
Foreign exchange		(1,032)		965		(67)
Balance-December 31, 2015	$	5,347	$	(5,240)	$	107
Amortization		-		(108)		(108)
Extinguishment on initial agreement expiry		(5,348)		5,348		-
Foreign exchange		1		-		1
Balance-December 31, 2016	$	-	$	-	$	-

UPC Management Services Agreement

The intangible from the UPC management services agreement is associated with the acquisition of Denison Mines Inc ("DMI") in 2006 and the value assigned to the initial agreement. The initial agreement has been amortized over its useful life. An amended agreement was entered into in March 2016 with an effective date of April 1, 2016 (see note 25).

14. POST-EMPLOYMENT BENEFITS

The Company provides post-employment benefits for former Canadian employees who retired on immediate pension prior to 1997. The post-employment benefits provided include life insurance and medical and dental benefits as set out in the applicable group policies but does not include pensions. No post-employment benefits are provided to employees outside the employee group referenced above. The post-employment benefit plan is not funded.

The effective date of the most recent actuarial valuation of the accrued benefit obligation is October 1, 2016. The amount accrued is based on estimates provided by the plan administrator which are based on past experience, limits on coverage as set out in the applicable group policies and assumptions about future cost trends. The significant assumptions used in the most recent valuation are listed below:

- Discount rate of 3.10%;
- Medical cost trend rates at 7.00% per year in 2017, grading down by 0.125% per year to 4.625% in 2036 and using a rate at 4.00% per year thereafter; and
- Dental cost trend rates at 4.00% per year for ten years, followed by 3.50% for the next ten years and 3.00% per year thereafter.

The post-employment benefits balance consists of:

(in thousands)		At December 31 2016		At December 31 2015
Accrued benefit obligation	$	1,832	$	2,389
	$	1,832	$	2,389
Post-employment benefits liability-by duration:				
Current	$	186	$	217
Non-current		1,646		2,172
	$	1,832	$	2,389

The post-employment benefits continuity summary is as follows:

(in thousands)		
Balance-January 1, 2015	$	2,921
Benefits paid		(160)
Interest cost		95
Foreign exchange		(467)
Balance-December 31, 2015	$	2,389
Benefits paid		(137)
Interest cost		82
Experience loss (gain) adjustment		(580)
Foreign exchange		78
Balance-December 31, 2016	$	1,832

15. RECLAMATION OBLIGATIONS

The reclamation obligations balance consists of:

(in thousands)		At December 31 2016		At December 31 2015
Reclamation liability-by location:				
Elliot Lake	$	12,470	$	11,610
McClean and Midwest Joint Ventures		8,479		7,834
Other		16		16
	$	20,965	$	19,460
Reclamation and remediation liability-by duration:				
Current	$	1,388	$	624
Non-current		19,577		18,836
	$	20,965	$	19,460

The reclamation obligations continuity summary is as follows:

(in thousands)		
Balance-January 1, 2015	$	17,659
Accretion		836
Expenditures incurred		(517)
Liability adjustments-income statement (note 23)		2,262
Liability adjustments-balance sheet (note 12)		2,264
Foreign exchange		(3,044)
Balance-December 31, 2015	$	19,460
Accretion		903
Expenditures incurred		(502)
Liability adjustments-income statement (note 23)		461
Liability adjustments-balance sheet (note 12)		50
Foreign exchange		593
Balance-December 31, 2016	$	20,965

Site Restoration: Elliot Lake

The Elliot Lake uranium mine was closed in 1992 and capital works to decommission this site were completed in 1997. The remaining provision is for the estimated cost of monitoring the Tailings Management Areas at the Denison and Stanrock sites and for treatment of water discharged from these areas. The Company conducts its activities at both sites pursuant to licenses issued by the Canadian Nuclear Safety Commission ("CNSC"). The above accrual represents the Company's best estimate of the present value of the total future reclamation cost based on assumptions as to levels of treatment, which will be required in the future, discounted at 4.61% (2015: 4.43%). As at December 31, 2016, the undiscounted amount of estimated future reclamation costs is $24,254,000 (CAD$32,564,000) (December 31, 2015: $21,657,000 (CAD$29,975,000)). Revisions to the reclamation liability for Elliot Lake are recognized in the income statement as there is no net reclamation asset associated with this site.

Spending on restoration activities at the Elliot Lake site is funded from monies in the Elliot Lake Reclamation Trust fund (see note 11).

Site Restoration: McClean Lake Joint Venture and Midwest Joint Venture

The McClean Lake and Midwest operations are subject to environmental regulations as set out by the Saskatchewan government and the CNSC. Cost estimates of the estimated future decommissioning and reclamation activities are prepared periodically and filed with the applicable regulatory authorities for approval. The above accrual represents the Company's best estimate of the present value of the future reclamation cost contemplated in these cost estimates discounted at 4.61% (2015: 4.43%). As at December 31, 2016, the undiscounted amount of estimated future reclamation costs is $16,774,000 (CAD$22,522,000) (December 31, 2015: $15,699,000 (CAD$21,728,000)). The majority of the reclamation costs are expected to be incurred between 2037 and 2055.

Under the Mineral Industry Environmental Protection Regulations (1996), the Company is required to provide its pro-rata share of financial assurances to the province of Saskatchewan. As at December 31, 2016, the Company has in place irrevocable standby letters of credit, from a chartered bank, in favour of the Saskatchewan Ministry of the Environment, totalling CAD$24,135,000 which relate to the most recently filed reclamation plan dated March 2016.

16. DEBT OBLIGATIONS

The debt obligations balance consists of:

(in thousands)		At December 31 2016		At December 31 2015
Notes payable and other financing	$	276	$	300
	$	276	$	300
Debt obligations-by duration:				
Current	$	276	$	300
Non-current		-		-
	$	276	$	300

The debt obligations continuity summary is as follows:

(in thousands)		
Balance-January 1, 2015	$	39
New issuances		340
Repayments		(64)
Foreign exchange		(15)
Balance-December 31, 2015	$	300
New issuances		312
Repayments		(348)
Foreign exchange		12
Balance-December 31, 2016	$	276

At December 31, 2016, the debt obligation amount represents a loan payable to CAFO Inc. which was used by the Company to finance its annual insurance premium renewals. The loan bears interest at an effective annual rate of 3.04% and is repayable, in full, by August 2017.

Letters of Credit Facility

In 2016, the Company had a facility in place with the Bank of Nova Scotia for credit of up to CAD$24,000,000 with a one year term and a maturity date of January 31, 2017 (the "2016 facility"). Use of the 2016 facility is restricted to non-financial letters of credit in support of reclamation obligations.

The 2016 facility contains a covenant to maintain a level of tangible net worth greater than or equal to the sum of $150,000,000 and a covenant to maintain a minimum balance of cash and equivalents of CAD$5,000,000 on deposit with the Bank of Nova Scotia. As security for the 2016 facility, DMC has provided an unlimited full recourse guarantee and a pledge of all of the shares of DMI. DMI has provided a first-priority security interest in all present and future personal property and an assignment of its rights and interests under all material agreements relative to the McClean Lake and Midwest projects subject to an allowance to sell the Cigar Lake toll milling revenue stream. The 2016 facility is subject to letter of credit and standby fees of 2.40% and 0.75% respectively.

At December 31, 2016, the Company was in compliance with its 2016 facility covenants and CAD$24,000,000 of the 2016 facility was being utilized as collateral for certain letters of credit (December 31, 2015 - CAD$9,698,000). During 2016 and 2015, the Company incurred letter of credit and standby fees of $363,000 and $260,000, respectively.

The Company has entered into an agreement with the Bank of Nova Scotia to amend the terms of the 2016 facility and extend the maturity date to January 31, 2018 (see note 29).

Scheduled Debt Obligation Maturities

The table below represents scheduled maturities of the Company's debt obligations over the next year after which its debt obligations will be paid in full:

(in thousands)		
2017	$	276
	$	276

17. OTHER LIABILITIES

The other liabilities balance consists of:

(in thousands)		At December 31 2016		At December 31 2015
Unamortized fair value of toll milling contracts	$	674	$	694
Flow-through share premium obligation		1,803		1,821
	$	2,477	$	2,515
Other long-term liabilities-by duration:				
Current	$	1,847	$	1,863
Non-current		630		652
	$	2,477	$	2,515

Unamortized fair values of toll milling contracts are amortized to revenue on a pro-rata basis over the estimated volume of the applicable contract.

18. INCOME TAXES

The income tax recovery balance from continuing operations consists of:

(in thousands)		2016		2015
Current income tax:				
Based on taxable income for the period	$	-	$	-
Prior period under provision		-		-
		-		-
Deferred income tax:				
Origination of temporary differences		922		835
Tax benefit-previously unrecognized tax assets		3,016		2,977
Change in tax rates / legislation		-		-
Prior year over (under) provision		17		(43)
		3,955		3,769
Income tax recovery	$	3,955	$	3,769

The Company operates in multiple industries and jurisdictions, and the related income is subject to varying rates of taxation. The combined Canadian tax rate reflects the federal and provincial tax rates in effect in Ontario, Canada for each applicable year. A reconciliation of the combined Canadian tax rate to the Company's effective rate of income tax is as follows:

(in thousands)		2016		2015
Loss before taxes from continuing operations	$	(15,654)	$	(20,486)
Combined Canadian tax rate		26.50%		26.50%
Income tax recovery at combined rate		4,148		5,429
Difference in foreign tax rates		9,679		2,576
Non-deductible amounts		(6,523)		(2,038)
Allowable capital loss on disposal of subsidiary		1,397		-
Non-taxable amounts		1,381		1,252
Previously unrecognized deferred tax assets (1)		3,016		2,977
Renunciation of tax attributes-flow through shares		(667)		(1,025)
Change in deferred tax assets not recognized		(8,193)		(4,981)
Prior year under provision		17		(43)
Other		(300)		(378)
Income tax recovery	$	3,955	$	3,769

(1) The Company has recognized certain previously unrecognized Canadian tax assets in 2016 and 2015 as a result of the renunciation of certain tax benefits to subscribers pursuant to its May 2015 CAD$15,000,000 and August 2014 CAD$14,997,000 flow-through share offerings.

The deferred income tax assets (liabilities) balance reported on the balance sheet is comprised of the temporary differences as presented below:

(in thousands)		At December 31 2016		At December 31 2015
Deferred income tax assets:				
Property, plant and equipment, net	$	662	$	247
Post-employment benefits		480		624
Reclamation and remediation obligations		6,120		5,657
Other long-term liabilities		177		182
Tax loss carry forwards		8,781		8,231
Other		4,530		4,308
Deferred income tax assets-gross		20,750		19,249
Set-off against deferred income tax liabilities		(20,750)		(19,249)
Deferred income tax assets-per balance sheet	$	-	$	-
Deferred income tax liabilities:				
Inventory	$	(554)	$	(515)
Investments		(274)		-
Investments in associates		(60)		-
Property, plant and equipment, net		(33,949)		(34,391)
Intangibles		-		(28)
Other		(934)		(780)
Deferred income tax liabilities-gross		(35,771)		(35,714)
Set-off of deferred income tax assets		20,750		19,249
Deferred income tax liabilities-per balance sheet	$	(15,021)	$	(16,465)

The deferred income tax liability continuity summary is as follows:

(in thousands)		
Balance-January 1, 2015	$	(21,826)
Recognized in income (loss)		3,769
Recognized in other liabilities (flow-through shares)		(1,790)
Other, including foreign exchange gain (loss)		3,382
Balance-December 31, 2015	$	(16,465)
Recognized in income (loss)		3,955
Recognized in comprehensive income (loss)		152
Recognized in other liabilities (flow-through shares)		(1,836)
Other, including foreign exchange gain (loss)		(827)
Balance-December 31, 2016	$	(15,021)

Management believes that it is not probable that sufficient taxable profit will be available in future years to allow the benefit of the following deferred tax assets to be utilized:

(in thousands)		At December 31 2016		At December 31 2015
Deferred income tax assets not recognized				
Investments	$	-	$	94
Property, plant and equipment		4,974		23,108
Tax losses – capital		27,544		22,548
Tax losses – operating		19,833		22,850
Tax credits		860		891
Other deductible temporary differences		582		418
Deferred income tax assets not recognized	$	53,793	$	69,909

A geographic split of the Company's tax losses and tax credits not recognized and the associated expiry dates of those losses and credits is as follows:

(in thousands)	Expiry Date		At December 31 2016		At December 31 2015
Tax losses - gross					
Canada	2025-2036	$	107,337	$	109,970
Zambia			-		6,575
Other	Unlimited		-		13
Tax losses - gross			107,337		116,558
Tax benefit at tax rate of 25% - 37.5%			28,614		31,081
Set-off against deferred tax liabilities			(8,781)		(8,231)
Total tax loss assets not recognized		$	19,833	$	22,850
Tax credits					
Canada	2025-2034		860		891
Total tax credit assets not recognized		$	860	$	891

19. 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 except share amounts)	Number of Common Shares		
Balance-January 1, 2015	505,868,894	$	1,120,758
Issued for cash:			
New issue gross proceeds	12,000,000		12,069
New issue gross issue costs	-		(751)
Share options exercised	7,100		5
Share purchase warrants exercised	562,675		406
Share options exercised-fair value adjustment	-		4
Share purchase warrants exercised-fair value adjustment	-		316
Flow-through share premium liability	-		(2,028)
	12,569,775		10,021
Balance-December 31, 2015	518,438,669	$	1,130,779
Issued for cash:			
New issue gross proceeds	15,127,805		9,444
New issue gross issue costs	-		(603)
Acquisition of Hook Carter (Note 12)	7,500,000		2,854
Flow-through share premium liability	-		(1,843)
Share cancellations	(344,109)		-
	22,283,696		9,852
Balance-December 31, 2016	540,722,365	$	1,140,631

New Issues

In May 2015, the Company completed a private placement of 12,000,000 flow-through common shares at a price of CAD$1.25 per share for gross proceeds of $12,069,000 (CAD$15,000,000). The income tax benefits of this issue were renounced to subscribers with an effective date of December 31, 2015. The related flow-through share premium liability is included as a component of other liabilities on the balance sheet at December 31, 2015 and was extinguished during 2016 (note 17).

In May 2016, the Company completed a private placement of 15,127,805 flow-through common shares at a price of CAD$0.82 per share for gross proceeds of $9,444,000 (CAD$12,405,000). The income tax benefits of this issue were renounced to subscribers with an effective date of December 31, 2016. The related flow-through share premium liability is included as a component of other liabilities on the balance sheet at December 31, 2016 and will be extinguished during 2017 (see note 17).

Acquisition Related Issues

In November 2016, the Company issued 7,500,000 shares at a value of $2,854,000 (CAD$3,825,000) to acquire an 80% interest in the Hook Carter property (see note 12).

Share Cancellations

In June 2016, 147,481 shares were cancelled in connection with the June 2014 acquisition of International Enexco Limited ("IEC"). IEC shareholders were entitled to exchange their IEC shares for shares of Denison in accordance with the share exchange ratio established for the acquisition. In June 2016, this right expired and the un-exchanged shares for which shareholders had not elected to exercise their exchange rights were subsequently cancelled.

In December 2016, 196,628 shares were cancelled in connection with the December 2006 acquisition of Denison Mines Inc ("DMI"). DMI shareholders were entitled to exchange their DMI shares for shares of Denison according to the share exchange ratio established for the acquisition. In December 2016, this right expired and the un-exchanged shares for which shareholders had not elected to exercise their exchange rights were subsequently cancelled.

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 December 31, 2016, the Company estimates that it has satisfied its obligation to spend CAD$15,000,000 on eligible exploration expenditures as a result of the issuance of flow-through shares in May 2015. The Company renounced the income tax benefits of this issue in February 2016, with an effective date of renunciation to its subscribers of December 31, 2015. In conjunction with the renunciation, the flow-through share premium liability has been reversed and recognized as part of the deferred tax recovery in 2016 (see note 18).

As at December 31, 2016, the Company estimates that it has incurred CAD$154,000 of its obligation to spend CAD$12,405,000 on eligible exploration expenditures as a result of the issuance of flow-through shares in May 2016. The Company renounced the income tax benefits of this issue in February 2017, with an effective date of renunciation to its subscribers of December 31, 2016.

20. SHARE PURCHASE WARRANTS

A continuity summary of the issued and outstanding share purchase warrants in terms of common shares of the Company and the associated dollar amounts is presented below:

(in thousands except share amounts)		Weighted Average Exercise Price Per Share (CAD$)	Number of Common Shares Issuable		Fair Value Amount
Balance-January 1, 2015	$	1.17	1,079,802	$	376
Warrants exercised		0.84	(562,675)		(316)
Warrants expired		1.54	(517,127)		(60)
Balance-December 31, 2015 and 2016	$	-	-	$	-

21. STOCK OPTIONS

The Company's stock-based compensation plan (the "Plan") provides for the granting of stock options up to 10% of the issued and outstanding common shares at the time of grant, subject to a maximum of 39,670,000 common shares. As at December 31, 2016, an aggregate of 13,676,450 options have been granted (less cancellations) since the Plan's inception in 1997.

Under the Plan, all stock options are granted at the discretion of the Company's board of directors, including any vesting provisions if applicable. The term of any stock option granted may not exceed ten years and the exercise price may not be lower than the closing price of the Company's shares on the last trading day immediately preceding the date of grant. In general, stock options granted under the Plan have five year terms and vesting periods up to thirty months.

A continuity summary of the stock options of the Company granted under the Plan for 2016 is presented below:

	Number of Common Shares	Weighted-Average Exercise Price per Share (CAD$)
Stock options outstanding - beginning of period	7,074,459	$ 1.56
Granted	2,136,250	0.64
Expiries	(1,208,835)	3.11
Forfeitures	(1,063,695)	1.25
Stock options outstanding - end of period	6,938,179	$ 1.06
Stock options exercisable - end of period	4,067,429	$ 1.28

A summary of the Company's stock options outstanding at December 31, 2016 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			
$ 0.50 to $ 0.99	3.63	3,000,655	$ 0.64
$ 1.00 to $ 1.19	2.71	1,534,524	1.09
$ 1.20 to $ 1.39	1.18	857,000	1.30
$ 1.40 to $ 1.99	1.37	1,546,000	1.70
Stock options outstanding - end of period	2.62	6,938,179	$ 1.06

Options outstanding at December 31, 2016 expire between January 2017 and August 2021.

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 range of assumptions used in the model to determine the fair value of options granted:

	2016	2015
Risk-free interest rate	0.57% - 0.69%	0.56% - 0.88%
Expected stock price volatility	43.07% - 43.98%	43.23% - 47.00%
Expected life	3.4 to 3.6 years	3.6 years
Estimated forfeiture rate	3.46% - 3.97%	3.34% - 3.40%
Expected dividend yield	–	–
Fair value per share under options granted	CAD$0.21 - CAD$0.22	CAD$0.18 - CAD$0.39

The fair values of stock options with vesting provisions are amortized on a graded method basis as stock-based compensation expense over the applicable vesting periods. Included in the statement of income (loss) is stock-based compensation of $341,000 for 2016 and $588,000 for 2015. At December 31, 2016, an additional $237,000 in stock-based compensation expense remains to be recognized up until August 2018.

22. ACCUMULATED OTHER COMPREHENSIVE INCOME

The accumulated other comprehensive income balance consists of:

(in thousands)	At December 31 2016	At December 31 2015
Cumulative foreign currency translation	$ (61,371)	$ (73,746)
Unamortized experience gain – post employment liability		
Gross	786	206
Tax effect	(208)	(56)
Unrealized gains on investments		
Gross	7	4
	$ (60,786)	$ (73,592)

23. SUPPLEMENTAL FINANCIAL INFORMATION

The components of operating expenses for continuing operations are as follows:

	Year Ended	
(in thousands)	December 31 2016	December 31 2015
Cost of goods and services sold:		
Cost of goods sold-mineral concentrates	$ -	$ (35)
Operating Overheads:		
Mining, other development expense	(689)	(416)
Milling, conversion expense	(2,414)	(1,655)
Mill feed cost:		
-Stockpile depletion	-	(24)
Less absorption:		
-Mineral properties	39	53
-Concentrates	-	54
Cost of services	(6,957)	(7,551)
Inventory-non cash adjustments	-	(168)
Cost of goods and services sold	(10,021)	(9,742)
Reclamation asset amortization	(140)	(82)
Reclamation liability adjustments (note 16)	(461)	(2,262)
Selling expenses	-	(14)
Sales royalties and non-income taxes	-	(6)
Operating expenses	$ (10,622)	$ (12,106)

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

	Year Ended	
(in thousands)	December 31 2016	December 31 2015
Gains (losses) on:		
Disposal of property, plant and equipment	$ (162)	$ -
Investment disposals / fair value through profit (loss)	1,473	(346)
Other	(405)	(244)
Other income (expense)	$ 906	$ (590)

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

(in thousands)	Year Ended December 31 2016	Year Ended December 31 2015
Interest income	$ 177	$ 219
Interest expense	(3)	(2)
Accretion expense-reclamation obligations	(903)	(836)
Accretion expense-post-employment benefits	(82)	(95)
Finance expense	$ (811)	$ (714)

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

(in thousands)	Year Ended December 31 2016	Year Ended December 31 2015
Continuing operations:		
Operating expenses:		
Mining, other development expense	$ (13)	$ (58)
Milling, conversion expense	(2,411)	(1,627)
Cost of services	(268)	(254)
Mineral property exploration	(60)	(94)
General and administrative	(34)	(25)
Discontinued operations	(26)	(158)
Depreciation expense-gross	$ (2,812)	$ (2,216)

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

(in thousands)	Year Ended December 31 2016	Year Ended December 31 2015
Continuing operations:		
Salaries and short-term employee benefits	$ (6,200)	$ (6,389)
Share-based compensation	(341)	(588)
Termination benefits	(46)	(318)
Discontinued operations	(269)	(992)
Employee benefits expense-gross	$ (6,856)	$ (8,287)

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

(in thousands)	Year Ended December 31 2016	Year Ended December 31 2015
Change in non-cash working capital items:		
Trade and other receivables	$ 2,519	$ 3,240
Inventories	(67)	(622)
Prepaid expenses and other assets	13	119
Accounts payable and accrued liabilities	(724)	(3,932)
Post-employment benefits	(137)	(160)
Reclamation obligations	(502)	(517)
Change in non-cash working capital items	$ 1,102	$ (1,872)

24. SEGMENTED INFORMATION

Business Segments

The Company operates in three primary segments – the Mining segment, the Environmental Services segment and the Corporate and Other segment. The Mining segment has historically been further subdivided into geographic regions, being Canada, Africa and Asia, and includes activities related to exploration, evaluation and development, mining, milling (including toll milling) and the sale of mineral concentrates. The Africa and Asia Mining segments were disposed of in 2016 and 2015 respectively and are reported under discontinued operations in the tables below (see note 5). The Environmental Services segment includes the results of the Company's environmental services business, DES. 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 has been included with general corporate expenses due to the shared infrastructure between the two activities.

For the year ended December 31, 2016, reportable segment results were as follows:

(in thousands)	Canada Mining	DES	Corporate and Other	Total Continuing Operations	Total Discontinued Operations
Statement of Operations:					
Revenues	4,598	7,751	1,484	13,833	-
Expenses:					
Operating expenses	(3,665)	(6,669)	(288)	(10,622)	(64)
Exploration and evaluation	(11,196)	-	-	(11,196)	(74)
General and administrative	(17)	-	(4,403)	(4,420)	(280)
Impairment of property, plant and equipment (note 12)	(2,320)	-	-	(2,320)	-
	(17,198)	(6,669)	(4,691)	(28,558)	(418)
Segment income (loss)	(12,600)	1,082	(3,207)	(14,725)	(418)
Revenues – supplemental:					
Environmental services	-	7,751	-	7,751	-
Management fees	-	-	1,484	1,484	-
Toll milling services	4,598	-	-	4,598	-
	4,598	7,751	1,484	13,833	-
Capital additions:					
Property, plant and equipment	3,909	135	-	4,044	78
Long-lived assets:					
Plant and equipment					
Cost	73,942	3,261	219	77,422	-
Accumulated depreciation	(10,680)	(1,858)	(71)	(12,609)	-
Mineral properties	123,169	-	-	123,169	-
	186,431	1,403	148	187,982	-

For the year ended December 31, 2015, reportable segment results were as follows:

(in thousands)	Canada Mining	DES	Corporate and Other	Total Continuing Operations	Total Discontinued Operations
Statement of Operations:					
Revenues	3,241	7,607	1,822	12,670	-
Expenses:					
Operating expenses	(4,555)	(6,875)	(676)	(12,106)	(317)
Exploration and evaluation	(13,439)	-	-	(13,439)	(1,202)
General and administrative	(17)	-	(5,809)	(5,826)	(1,329)
Impairment of property, plant and equipment (note 12)	(2,603)	-	-	(2,603)	(25,164)
	(20,614)	(6,875)	(6,485)	(33,974)	(28,012)
Segment income (loss)	(17,373)	732	(4,663)	(21,304)	(28,012)
Revenues – supplemental:					
Uranium concentrates	86	-	-	86	-
Environmental services	-	7,607	-	7,607	-
Management fees	-	-	1,822	1,822	-
Toll milling services	3,155	-	-	3,155	-
	3,241	7,607	1,822	12,670	-
Capital additions:					
Property, plant and equipment	1,028	318	147	1,493	547
Long-lived assets:					
Plant and equipment					
Cost	72,386	3,162	212	75,760	1,498
Accumulated depreciation	(8,711)	(1,675)	(37)	(10,423)	(1,217)
Mineral properties	119,368	-	-	119,368	3,264
Intangibles	-	-	107	107	-
	183,043	1,487	282	184,812	3,545

Revenue Concentration

The Company's business from continuing operations is such that, at any given time, it sells its environmental and other services to a relatively small number of customers. During 2016, one customer from the corporate and other segment, one customer from the DES segment and one customer from the mining segment accounted for approximately 83% of total revenues consisting of 11%, 39% and 33% individually. During 2015, one customer from the corporate and other segment, one customer from the DES segment and one customer from the mining segment accounted for approximately 83% of total revenues consisting of 14%, 44% and 25% individually.

25. RELATED PARTY TRANSACTIONS

Uranium Participation Corporation

The Company is a party to a management services agreement with UPC. The initial management services agreement with UPC expired on March 31, 2016 and a new management services agreement was entered into, effective April 1, 2016 for a term of three years. Under the new agreement, Denison receives the following fees from UPC: a) a base fee of CAD$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 CAD$100 million and up to and including CAD$500 million, and (ii) 0.2% per annum of UPC's total assets in excess of CAD$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.

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

(in thousands)	Year Ended December 31 2016	December 31 2015
Management fees:		
Base and variable fees	$ 1,291	$ 1,747
Discretionary fees	77	-
Commission fees	116	75
	$ 1,484	$ 1,822

At December 31, 2016, accounts receivable includes $160,000 (December 31, 2015: $157,000) due from UPC with respect to the fees and transactions indicated above.

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

In June 2009, Denison completed definitive agreements with KEPCO including a long-term offtake agreement (which has been assigned to Energy Fuels Inc. ("EFR") as part of the U.S. Mining Division transaction completed in June 2012) and a strategic relationship agreement. Pursuant to the strategic relationship agreement, KEPCO is entitled to subscribe for additional common shares in Denison's future share offerings. The strategic relationship agreement also provides KEPCO with a right of first opportunity if Denison intends to sell any of its substantial assets, a right to participate in certain purchases of substantial assets which Denison proposes to acquire and a right to nominate one director to Denison's board so long as its share interest in Denison is above 5.0%.

In December 2016, Denison was notified that KEPCO's indirect ownership of Denison's shares had been transferred from an affiliate of KEPCO to an affiliate of KEPCO's wholly owned subsididary, KHNP. In connection therewith, KHNP will benefit from KEPCO's rights under the strategic relationship agreement.

As at December 31, 2016, KEPCO, through its subsidiaries, including KHNP, holds 58,284,000 shares of Denison representing a share interest of approximately 10.8%.

At December 31, 2016, Denison also holds a 60% interest in Waterbury Lake Uranium Corporation ("WLUC") and a 63.01% interest in Waterbury Lake Uranium Limited Partnership ("WLULP"), entities whose key asset is the Waterbury Lake property. The other 40% and 36.99% respective interests in these entities is held by a consortium of investors ("KWULP") of which KHNP is now the primary holder after the transfer of ownership from KEPCO to KHNP in December 2016 (see note 28). When a spending program is approved by the participants, each participant is required to fund these entities based upon its respective ownership interest. Spending program approval requires 75% of the voting interest.

In January 2014, Denison agreed to allow KWULP to defer a decision regarding its funding obligation to WLUC and WLULP until September 30, 2015 and to not be immediately diluted as per the dilution provisions in the relevant agreements ("Dilution Agreement"). Instead, under the Dilution Agreement, dilution would be applied as at September 30, 2015 and in each subsequent period, if applicable. In exchange, Denison received authorization to approve spending programs on the property, up to an aggregate CAD$10,000,000, until September 30, 2016 without obtaining approval from 75% of the voting interest. In December 2016, Denison and KWULP agreed to extend Denison's authorization under the Dilution Agreement to approve spending for an additional year, to September 30, 2017.

In September 2015, KWULP notified Denison that it would not fund its deferred funding obligation for 2015 and that it would accept dilution to its interest in the WLULP in 2015 and 2016 under the Dilution Agreement. As a result, Denison funded the entire 2015 program and earned an additional 1.55% interest in the Waterbury Lake project. The additional interest has been accounted for using an effective date of September 30, 2015 and has resulted in Denison recording its increased pro-rata share of the net assets of Waterbury Lake, the majority of which relates to an addition to mineral property assets of $836,000.

In August 2016, Denison funded 100% of the approved fiscal 2016 program for Waterbury Lake and KWULP continued to dilute its interest in the WLULP. As a result, Denison earned an additional 1.46% interest in the WLULP which has been accounted for using an effective date of August 31, 2016 and has resulted in Denison recording its increased pro-rata share of the net assets of Waterbury Lake, the majority of which relates to an addition to mineral property assets of $589,000.

Other

During 2016, the Company incurred investor relations, administrative service fees and other expenses of $140,000 (2015: $159,000) with Namdo Management Services Ltd, which shares a common director with Denison. These services were incurred in the normal course of operating a public company. At December 31, 2016, an amount of $nil (December 31, 2015: $nil) was due to this company.

During 2016, the Company incurred office expenses of $23,000 with Lundin S.A, a company which provides office and administration services to the executive chairman, other directors and management of Denison. No similar services were provided during 2015. At December 31, 2016, an amount of $6,000 was due to this company.

During 2015, the Company incurred legal fees of $548,000 with Cassels Brock & Blackwell, LLP, a law firm at which a former member of Denison's Board of Directors was a partner. These services and associated costs were mainly related to various acquisition initiatives and internal re-organization activities done by the Company. At December 31, 2015, an amount of $12,000 was due to this legal firm.

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 includes the Company's executive officers, vice-presidents and members of its Board of Directors.

The following compensation was awarded to key management personnel:

	Year Ended	
(in thousands)	December 31 2016	December 31 2015
Salaries and short-term employee benefits	$ 1,163	$ 1,391
Share-based compensation	262	370
Termination benefits	-	314
Key management personnel compensation	$ 1,425	$ 2,075

26. CAPITAL MANAGEMENT AND FINANCIAL RISK

Capital Management

The Company's capital includes cash, cash equivalents, investments in debt instruments and debt obligations. The Company's primary objective with respect to its capital management is to ensure that it has sufficient capital to maintain its ongoing operations, to provide returns for shareholders and benefits for other stakeholders and to pursue growth opportunities.

Planning, annual budgeting and controls over major investment decisions are the primary tools used to manage the Company's capital. The Company's cash is managed centrally and disbursed to the various regions and / or business units via a system of cash call requests which are reviewed by the key decision makers. Under the Company's delegation of authority guidelines, significant debt obligations require the approval of both the CEO and the CFO before they are entered into.

The Company manages its capital by review of the following measure:

(in thousands)	At December 31 2016	At December 31 2015
Net cash:		
Cash and cash equivalents	$ 11,838	$ 5,367
Investments in debt instruments (note 9)	-	7,282
Debt obligations-current	(276)	(300)
Net cash	$ 11,562	$ 12,349

Financial Risk

The Company examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, currency risk, interest rate risk and price risk.

(a) Credit Risk

Credit risk is the risk of loss due to a counterparty's inability to meet its obligations under a financial instrument that will result in a financial loss to the Company. The Company believes that the carrying amount of its cash and cash equivalents, trade and other receivables, investments in debt instruments and restricted cash and investments represents its maximum credit exposure.

The maximum exposure to credit risk at the reporting dates is as follows:

(in thousands)		At December 31 2016		At December 31 2015
Cash and cash equivalents	$	11,838	$	5,367
Trade and other receivables		2,403		4,826
Investments in debt instruments		-		7,282
Restricted cash and investments		2,314		2,040
	$	16,555	$	19,515

The Company limits cash and cash equivalents, investment in debt instruments and restricted cash and investment risk by dealing with credit worthy financial institutions. The majority of the Company's trade and other receivables balance relates to a small number of customers whom have established credit worthiness with the Company through past dealings.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with its financial liabilities as they become due. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there is sufficient committed capital to meet its short-term business requirements, taking into account its anticipated cash flows from operations, its holdings of cash and cash equivalents, its financial covenants and its access to credit and capital markets, if required.

The maturities of the Company's financial liabilities are as follows:

(in thousands)		Within 1 Year		1 to 5 Years
Accounts payable and accrued liabilities	$	4,141	$	-
Debt obligations (Note 16)		276		-
	$	4,417	$	-

(c) Currency Risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. With the disposal of the Mongolian and African Mining Divisions in 2015 and 2016 respectively, the Company's foreign exchange risk has decreased as the number of functional currencies in which it operates has also decreased. As at December 31, 2016, the Company predominantly operates in Canada and incurs the majority of its operating and capital costs in Canadian dollars. Some small foreign exchange risk exists from assets and liabilities that are denominated in a currency that is not the functional currency for the relevant subsidiary company but the risk is minimal.

Currently, the Company does not have any foreign exchange hedge programs in place and manages its operational foreign exchange requirements through spot purchases in the foreign exchange markets. The impact of the U.S dollar strengthening or weakening (by 10%) at December 31, 2016 against the Company's foreign currencies, with all other variables held constant, is as follows**:**

(in thousands except foreign exchange rates)	Dec.31'2016 Foreign Exhange Rate	Sensitivity Foreign Exchange Rate		Change in net income (loss)
Currency risk				
Canadian dollar ("CAD") weakens	1.3426	1.4769	$	909
Canadian dollar ("CAD") strengthens	1.3426	1.2084	$	(909)

(d) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its liabilities through its outstanding borrowings and on its assets through its investments in debt instruments. The Company monitors its exposure to interest rates and has not entered into any derivative contracts to manage this risk.

(e) Price Risk

The Company is exposed to equity price risk as a result of holding equity investments in other exploration and mining companies. The Company does not actively trade these investments. The sensitivity analysis below has been determined based on the exposure to equity price risk at December 31, 2016:

(in thousands)		Change in net income (loss)		Change in Comprehensive income (loss)
Equity price risk				
10% increase in equity prices	$	375	$	376
10% decrease in equity prices		(375)		(376)

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 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.

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 2016, 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 December 31, 2016 and December 31, 2015:

(in thousands)	Financial Instrument Category[(1)]	Fair Value Hierarchy	December 31, 2016 Fair Value	December 31, 2015 Fair Value
Financial Assets:				
Cash and equivalents	Category D		$ 11,838	$ 5,367
Trade and other receivables				
Trade and other	Category D		2,403	4,826
Contingent consideration	Category A	Level 3	-	-
Investments				
Equity instruments (shares)	Category A	Level 1	1,228	460
Equity instruments (warrants)	Category A	Level 2	2,517	24
Equity instruments (shares)	Category B	Level 1	15	12
Debt instruments	Category A	Level 1	-	7,282
Restricted cash and equivalents				
Elliot Lake reclamation trust fund	Category C		2,213	2,040
Reclamation letter of credit collateral	Category C		101	-
			$ 20,315	$ 20,011
Financial Liabilities:				
Account payable and accrued liabilities	Category E		4,141	4,574
Debt obligations	Category E		276	300
			$ 4,417	$ 4,874

(1) Financial instrument designations are as follows: Category A=Financial assets and liabilities at fair value through profit and loss; Category B=Available for sale investments; Category C=Held to maturity investments; Category D=Loans and receivables; and Category E=Financial liabilities at amortized cost.

27. COMMITMENTS AND CONTINGENCIES

General Legal Matters

The Company is involved, from time to time, in various legal actions and claims in the ordinary course of business. In the opinion of management, the aggregate amount of any potential liability is not expected to have a material adverse effect on the Company's financial position or results.

Third Party Indemnities

The Company remains a guarantor under a sales contract included in the sale of the U.S. Mining Division to Energy Fuels Inc. ("EFR") in June 2012. The sales contract requires deliveries of 200,000 pounds of U_3O_8 per year from 2013 to 2017 at a selling price of 95% of the long-term U_3O_8 price at the time of delivery. Should EFR not be able to deliver for any reason other than "force majeure" as defined under the contract, the Company may be liable to the customer for incremental costs incurred to replace the contracted quantities if the unit price of the replacement quantity is greater than the contracted unit price selling amount. EFR has agreed to indemnify the Company for any future liabilities it may incur related to this guarantee.

The Company has agreed to indemnify EFR against any future liabilities it may incur in connection with ongoing litigation between Denison Mines (USA) Corp ("DUSA") (a company acquired by EFR as part of the sale of the U.S. Mining Division) and a contractor in respect of a construction project at the White Mesa mill. In the event that the matter is decided in DUSA's favour, the Company is entitled to any proceeds that are received or recovered by EFR pursuant to its indemnity. Both parties agreed to resolve the dispute via binding arbitration and arbitration hearings for this matter were held in November 2013. In January 2014 an arbitration order was issued in DUSA's and Denison's favour. The contractor later filed a motion to vacate the arbitration award to which Denison filed a response in opposition and, in July 2014, the Utah state court denied the contractor's motion to vacate the arbitration award and confirmed the arbitrator's award in favour of Denison. The contractor subsequently filed a motion to appeal the decision of the Utah state court. In January 2016, appeal arguments were heard by the Utah Court of Appeals and a decision was issued in August 2016 affirming the Utah state court's decision in favour of Denison. The Company does not expect to recover a material amount of damages related to this issue.

Performance Bonds and Letters of Credit

In conjunction with various contracts, reclamation and other performance obligations, the Company may be required to issue performance bonds and letters of credit as security to creditors to guarantee the Company's performance. Any potential payments which might become due under these items would be related to the Company's non-performance under the applicable contract. As at December 31, 2016, the Company had outstanding letters of credit of CAD$24,135,000 of which CAD$24,000,000 is collateralized by the Company's 2016 credit facility (see note 16) and the remainder is collateralized by cash (see note 11).

Others

The Company has committed to payments under various operating leases and other commitments. Excluding spending amounts which may be required to maintain the Company's mineral properties in good standing, the future minimum payments are as follows**:**

(in thousands)		
2017	$	182
2018		170
2019		148
2020		143
2021		143
2022 and thereafter		306
	$	1,092

28. INTEREST IN OTHER ENTITIES

The significant subsidiaries, associates and joint operations of the Company at December 31, 2016 are listed below.

	Place Of Business	Entity Type [(1)]	Ownership Interest [(2)]	2016 Participating Interest [(3)]	Accounting Method [(4)]
Subsidiaries					
Denison Mines Inc.	Canada		100.00%	N/A	Consolidation
Denison AB Holdings Corp.	Canada		100.00%	N/A	Consolidation
Denison Waterbury Corp	Canada		100.00%	N/A	Consolidation
9373721 Canada Inc.	Canada		100.00%	N/A	Consolidation
Denison Mines (Bermuda) I Ltd	Bermuda		100.00%	N/A	Consolidation
Associates					
GoviEx Uranium Inc.	Africa		20.68%	N/A	Equity Method
Joint Operations					
Waterbury Lake Uranium Corp	Canada	JO-1	60.00%	100%	Voting Share
Waterbury Lake Uranium LP	Canada	JO-1	63.01%	100%	Voting Share
McClean Joint Venture Agreement	Canada	JO-2	22.50%	22.50%	Proportionate Share
Midwest Joint Venture Agreement	Canada	JO-2	25.17%	25.17%	Proportionate Share
Wheeler River	Canada	JO-2	60.00%	60.00%	Proportionate Share
Mann Lake	Canada	JO-2	30.00%	30.00%	Proportionate Share
Wolly	Canada	JO-2	22.76%	26.35%	Proportionate Share

(1) Joint operations are further subdivided into the following two entity types: JO-1=Joint Operations having joint control as defined by IFRS 11; and JO-2=Joint Operations not having joint control and beyond the scope of IFRS 11;
(2) Ownership Interest represents Denison's percentage ownership / voting interest in the entity or contractual arrangement;
(3) Participating interest represents Denison's percentage funding contribution to the particular joint operation arrangement. This percentage can differ from voting interest in instances where other parties to the arrangement have carried interests in the arrangement and / or are earning-in or diluting their voting interest in the arrangement; and
(4) Voting share or proportionate share is where Denison accounts for its share of assets, liabilities, revenues and expenses of the arrangement in relation to its voting interest or participating interest, respectively.

WLUC and WLULP were acquired by Denison as part of the Fission Energy Corp acquisition in April 2013. Denison uses its voting interest to account for its share of assets, liabilities, revenues and expenses for these joint operations. In 2016, Denison funded 100% of the activities in these joint operations pursuant to the terms of an agreement that allows it to approve spending for the WLULP without having the required 75% of the voting interest (see note 25).

29. SUBSEQUENT EVENTS

Agreement to Increase Ownership of Wheeler River Project up to 66%

On January 10, 2017, Denison executed an agreement with the partners of the WRJV that will result in Denison having the potential to increase its ownership in the WRJV from 60% up to approximately 66% by the end of fiscal 2018. Under the terms of the agreement, the partners have agreed to allow for a one-time election by Cameco Corp. ("Cameco") to fund 50% of its ordinary 30% share of the WRJV expenses for fiscal 2017 and 2018. The shortfall in Cameco's contribution will be funded by Denison in exchange for a transfer of a portion of Cameco's interest in the WRJV. Accordingly, Denison's share of the WRJV expenses will be 75% in fiscal 2017 and 2018.

In connection with the agreement, the partners have approved a CAD$12.5 million budget for the WRJV for fiscal 2017 and have also agreed to propose a budget for fiscal 2018 that will not exceed CAD$15.6 million (being 125% of the approved budget). Based on the approved fiscal 2017 budget, and the maximum allowed fiscal 2018 budget, Denison expects its ownership interest in the WRJV to increase to approximately 66% by December 31, 2018.

Financing Arrangement with Anglo Pacific Group PLC / Bank of Nova Scotia Credit Facility Amendments

On February 13, 2017, Denison closed a financing arrangement with Anglo Pacific Group PLC ("APG"), and its wholly owned subsidiary Centauras Royalties Ltd. ("Centaurus") for aggregate gross proceeds to Denison of CAD$43,500,000 under which it has sold its rights to receive proceeds from the toll milling of specified Cigar Lake ore at the McClean Lake mill.

The financing is comprised of the following elements: (1) a 13 year limited recourse lending arrangement involving a loan from APG to 9373721 Canada Inc. ("SPV")(the "APG Loan") and a further loan from SPV to Denison Mines Inc. ("DMI")(the "SPV Loan"), each for CAD$40,800,000 (collectively, the "Lending Arrangement"); and (2) CAD$2,700,000 in proceeds from the sale, to Centaurus, of a stream equal to Denison's 22.5% share of proceeds from the toll milling of Cigar Lake ore by the McClean Lake mill for specified Cigar Lake toll milling throughput in excess of 215 million pounds U_3O_8 after July 1, 2016 (the "Stream Arrangement"). DMI and SPV are both wholly owned subsidiaries of Denison.

Additional details of the financing are as follows:

- No Warranty of the Future Rate of Production - No warranty is provided by Denison (including DMI and SPV) to APG (including Centaurus), under the terms of the Lending Arrangement or the Stream Arrangement, regarding: the future rate of production at the Cigar Lake mine and / or the McClean Lake mill; or the amount or collectability of proceeds to be received by the MLJV in respect of toll milling of Cigar Lake ore.

- APG Loan Details - The APG Loan will accrue interest at a rate of 10% per annum and does not have a predetermined principal repayment schedule. The APG Loan is secured by a first priority interest in the assets of SPV which will essentially consist of the SPV Loan to DMI.

- SPV Loan Details - The SPV Loan will accrue interest at a rate of approximately 10% per annum and does not have a predetermined principal repayment schedule. The SPV Loan is limited in its recourse against DMI such that it is generally repayable only to the extent of Denison's share of the toll milling revenues earned by the MLJV from the processing of the first 215 million pounds of U_30_8 from Cigar Lake ore on or after July 1, 2016. Denison will guarantee the limited recourse loan repayments and will grant a second ranking pledge of its share of DMI to secure performance by DMI of its obligations to pay the SPV Loan. The share pledge is second ranking to Denison's existing pledge of its shares of DMI to the Bank of Nova Scotia ("BNS") under the terms of its Letters of Credit Facility.

- Amendment and Extension of BNS Letters of Credit Facility – In conjunction with the financing, the terms of the 2016 Facility have been amended to reflect certain changes required to facilitate an Intercreditor Agreement between APG, Centaurus, BNS, DMI and SPV. Under the new letters of credit facility ("2017 Facility"), the following key changes have occurred: a) BNS and DMI have agreed to replace the restrictive covenant to maintain CAD$5,000,000 on deposit with BNS with a pledge of CAD$9,000,000 in restricted cash or GIC's as collateral; b) the letters of credit fee on the first CAD$9,000,000 (associated with restricted cash) of the 2017 Facility has been reduced from 2.4% to 0.4%; and c) the maturity date for the 2017 Facility has been extended to January 31, 2018.

Immediately on receipt of the proceeds from the APG Loan, SPV repaid APG CAD$2,939,000 representing the Cigar Lake tolling milling cash receipts received by Denison in respect to toll milling activity for the period July 1, 2016 to December 31, 2016.

In connection with the closing of the financing, Denison has reimbursed APG for $100,000 in due diligence costs and it has granted 1,673,077 share purchase warrants to APG in satisfaction of a CAD$435,000 arrangement fee payable. The warrants have an exercise price of CAD$1.27 per share and will be exercisable for a period of 3 years from the date of closing of the financing.

Common Share and Flow Through Share Issues

On February 16, 2017, Denison announced that it has entered into an agreement with Paradigm Capital Inc, on behalf of a syndicate of underwriters (together the "Underwriters"), under which the Underwriters have agreed to purchase, in aggregate, 18,337,000 shares of Denison for gross proceeds of CAD$20,000,290.

The aggregate share offering is comprised of the following three elements: (1) a "Common Share" offering which consists of 5,790,000 common shares of Denison at a price of CAD$0.95 per share for gross proceeds of CAD$5,500,500; (2) a "Tranche A Flow-Through" offering which consists of 8,482,000 flow-through shares at a price of CAD$1.12 per share for gross proceeds of CAD$9,499,840; and (3) a "Tranche B Flow-Through" offering which consists of 4,065,000 flow-through shares at a price of CAD$1.23 per share for gross proceeds of CAD$4,999,950.

Denison has granted the Underwriters an option to increase the gross proceeds of the offering by up to 15%, which is exercisable, in whole or in part, at any time during the period that is 48 hours prior to the closing date. The Underwriter's option is exercisable in common shares only. The closing of the offering is expected to occur on or about March 9, 2017.

Corporate Information

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W. Robert Dengler
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Brian D. Edgar
British Columbia, Canada
Ron F. Hochstein
British Columbia, Canada
Kwang Hee Jeong
Gyeonggi-do, Korea
Lukas H. Lundin
Vaud, Switzerland
William A. Rand
British Columbia, Canada
Catherine J.G. Stefan
Ontario, Canada

OFFICERS

Lukas H. Lundin
Executive Chairman
David D. Cates
President and
Chief Executive Officer
Mac McDonald
Vice President, Finance
Chief Financial Officer
Peter Longo
Vice President, Project Development
Michael J. Schoonderwoerd
Vice President, Controller
Dale Verran
Vice President, Exploration
Amanda Willett
Corporate Counsel
& Corporate Secretary

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STOCK EXCHANGE LISTINGS

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NYSE MKT LLC
Trading Symbol: DNN

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ADDITIONAL INFORMATION

Further information about Denison is available by contacting Investor Relations at the head office listed above or by email to: info@denisonmines.com

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