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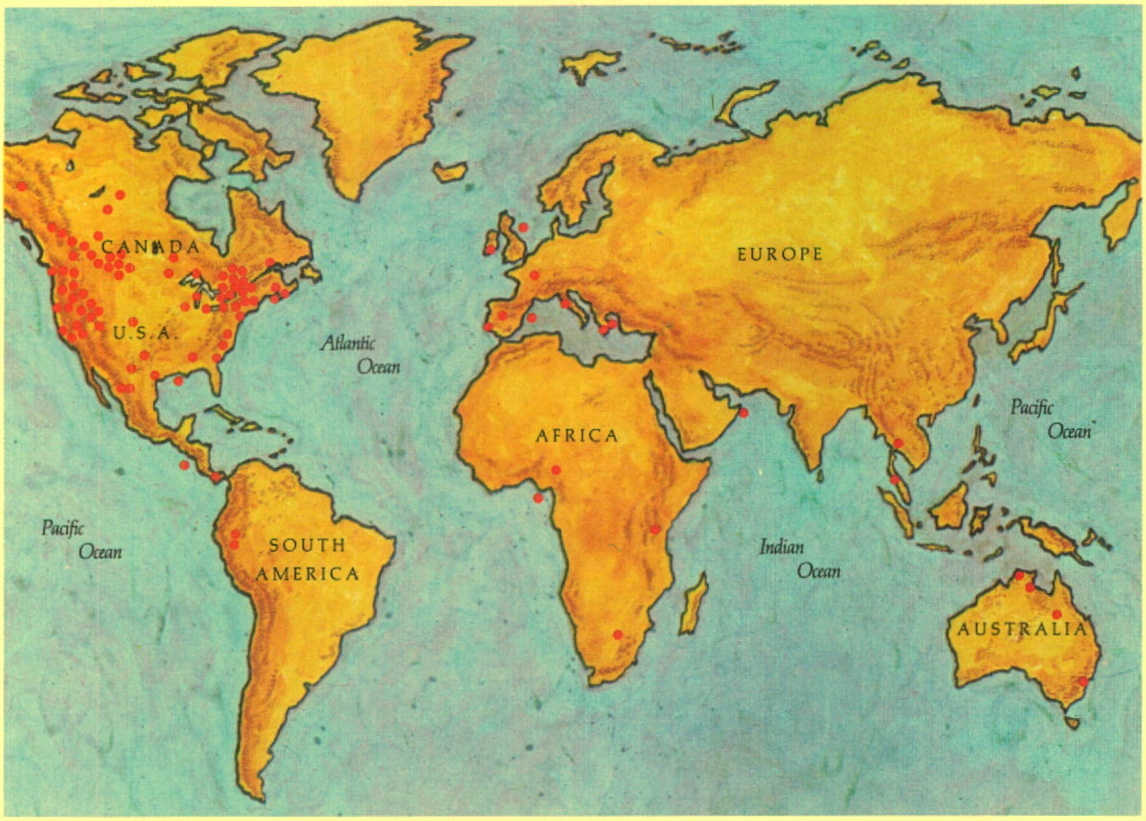
DENISON
MINES LIMITED
ANNUAL REPORT 1980



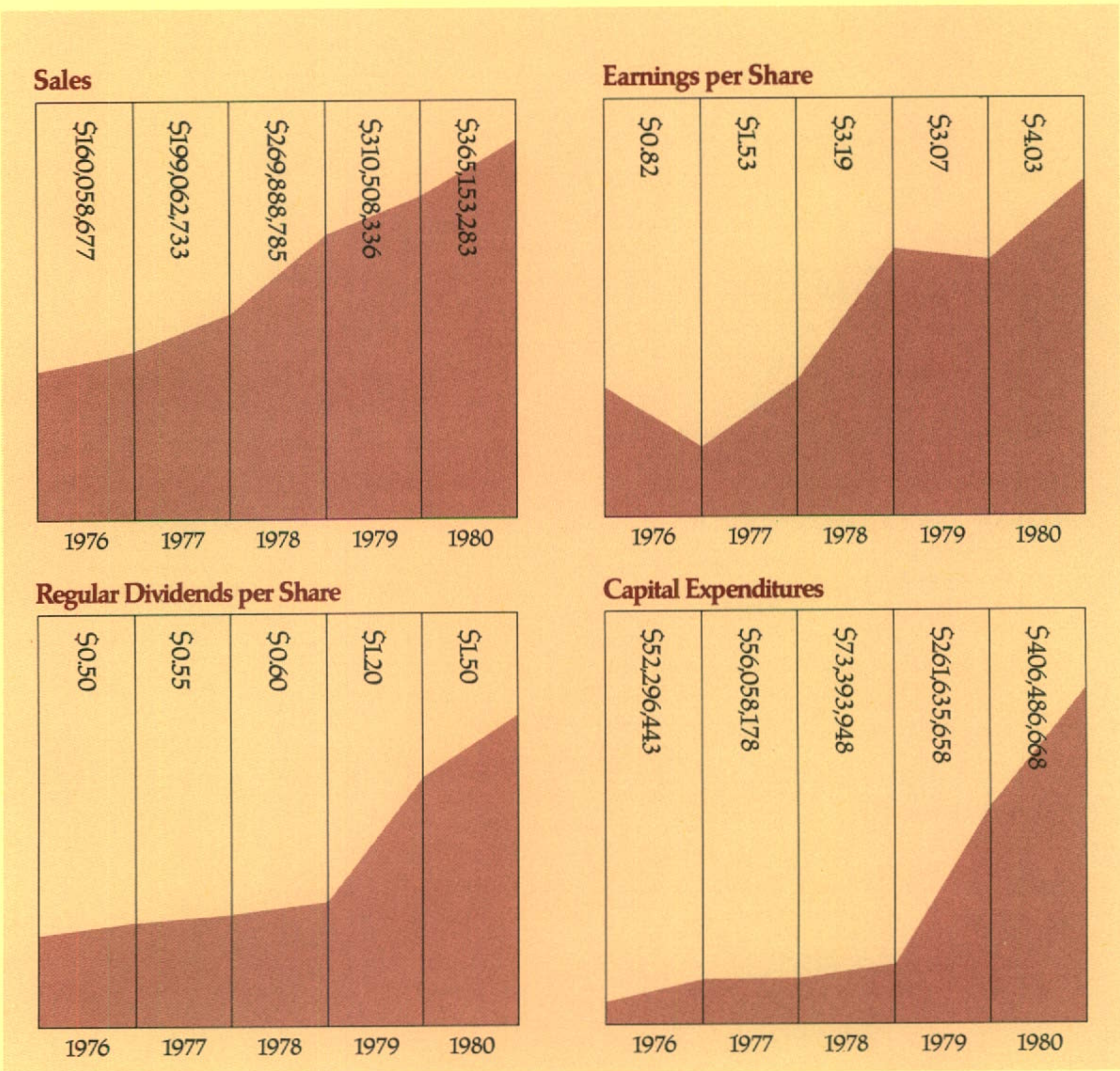
Denison Mines and its associated companies operate in many areas of the world as shown by the map above. This is the result of pursuing opportunities from a Canadian base of uranium production which commenced 23 years ago. Uranium produced in Canada from the Denison Mine at Elliot Lake, Ontario provides fuel for an important part of the electricity for Japan and Spain and will help to fuel the electrical generating network of the Province of Ontario in Canada. Denison's uranium deposit in Australia is a resource available to serve future world energy needs. Oil and gas resources have been discovered and are being developed in Spain and Greece, in partnership with governments and international consortiums. Oil and gas are produced in western Canada, the United States and Spain. The patient and persistent search for new sources has resulted in promising discoveries in the United Republic of Cameroon in Africa. Potash, an essential product for modern agriculture, will be produced from eastern Canada to help feed the people of the world. Large coal resources in British Columbia and Alberta are being prepared to become important raw material sources for the world steel and energy industries. Your Company continues to search throughout the world for essential raw materials which are the foundation of modern society. This search keeps Denison employees active in many places in the free world.

CONTENTS

Maps

1980 HIGHLIGHTS

- Net earnings of $73.7 million ($4.03 per share) highest in the Company's history, up 31% from 1979.
- Prinos oil and South Kavala gas projects in Greece will begin test production in early 1981.
- Expansion of underground Elliot Lake main uranium property completed in 1980. Processing plant expansion will be ready by mid-1981.
- Uranium reserves for future markets increased by purchase of Koongarra property in Australia.
- Long-term coal sales contract negotiations continue with international customers.
- Dividends of $1.50 per share paid to shareholders in 1980, up from $1.20 per share paid in 1979.
- Casablanca oil field, offshore Spain, producing oil to shore by pipeline at rates exceeding the phase one development plan.
- Natural gas production began from offshore wells in the Gulf of Mexico.
- European partners join potash project development now underway in New Brunswick.
- Cement subsidiary produces good operating results in spite of difficult construction markets.



To the Shareholders

It is a pleasure to report that 1980 was a year of significant achievement for your Company.

Earnings for the year increased 31% to establish a new record of $4.03 per share and dividends of $1.50 per share represented a rise of 25% over 1979 payments.

For the first time, Denison obtained income from oil and gas production outside Canada as the Spanish oil development and natural gas wells in Louisiana were brought on stream. Major expansion programs underway in every facet of the Company's activities were carried forward successfully and will have an increasing impact on earnings over the years immediately ahead. These included uranium expansion at Elliot Lake, oil and gas facilities in Greece and Spain and potash development in New Brunswick.

Financial

Consolidated net earnings of $73,698,757 for 1980 ($4.03 per share) represent an increase of 31% from the $56,092,061 ($3.07 per share) earned in 1979.

Total sales at $365,153,283 increased 18% from the $310,508,336 achieved in 1979.

Capital expenditures at $406,486,668 were up 55% from the previous peak in 1979, reflecting the major progress made in the planned expansion projects and the purchase of the Koongarra uranium deposits in Australia.

Dividends

Dividends paid during the year totalled $27,409,325 and, with the declaration of a 40 cents per share third quarter dividend, the indicated annual rate was increased to $1.60 per share from the previous $1.40 rate established in the second quarter of 1979. Dividends have been paid continuously since 1959 and total payments to shareholders have amounted to $199.8 million.

Outlook

The outlook is excellent for increased earnings in the years immediately ahead based on bringing to fruition the major projects in progress.

Oil and gas, already significant contributors to your Company's growth, will become an increasing revenue source in 1981 and thereafter. Production in Greece will commence in the next few weeks and will increase as facilities are completed. The offshore fields in Greece and Spain should reach full capacity in 1982.

Uranium production, fully committed under long-term contracts extending to the year 2011, will increase as the new underground and surface facilities at Elliot Lake are commissioned. While expansion continues into 1985, the major portion will be completed in 1981. Denison continues to seek additional uranium reserves with the confidence that the long-term market for this energy fuel is excellent. The purchase of the Koongarra uranium deposits in Australia reflects this policy.

Coal has the potential to establish

Stephen B. Roman
Chairman and President

C. H. Frame
Executive Vice-President,
Mining Operations

E. B. McConkey
Vice-President,
Finance

C. D. Parmelee
Vice-President,
Corporate Affairs

a new and higher plateau in Denison's growth. Denison-managed coal properties in Canada contain in excess of 7.5 billion tons of coal in place. Discussions are currently underway with international buyers for long-term sales contracts for both metallurgical and thermal coal.

Free Enterprise

Progress has been achieved by your Company notwithstanding new levels of government intervention in private sector affairs — particularly in the resource industry. Corporations have unfortunately been caught up in the ideological confrontation between the federal and provincial governments on the future control and management of Canadian affairs — political, economic and social.

The outward manifestations of this power struggle are the joint issues of constitutional amendment and energy policy. Taken together they have engendered a series of destructive forces sufficient to test the bonds of Canadian nationhood.

The principal and most devastating consequence of this federal/provincial confrontation is the prospect of having to substitute federal debt for risk capital in the development of our energy base so essential to Canada's political and economic future. This results mainly from discrimination against major foreign investors in the Canadian oil and gas sector; against the very people whose initial investment of billions of dollars of risk capital discovered and developed this crucial segment of our economy.

The certain consequence of substituting federal debt for risk capital in the development of our energy sector will be the slowing down of the rate of development together with new rounds of double digit inflation, higher interest rates and unprecedented levels of new taxation.

In short, unless the forces of disintegration are abated by a remarkable act of national will against current government policies — of which encouraging signs are now evident — Canada will soon be engaged in an exercise of survival rather than development.

Denison has achieved progress by striving to work productively with all elements in society and by meeting its responsibilities to employees, shareholders, customers, suppliers and partners around the world.

Sincere appreciation is expressed to all who have participated in and supported the important undertakings and activities which resulted in such a successful 1980 for your Company.

On behalf of the
Board of Directors,

Stephen B. Roman
Chairman and President

Toronto, Canada
January 14, 1981

Record throughput of ore by the processing plant, improved recoveries and completion of certain of the major facilities in the expansion program highlight uranium operations at Elliot Lake, Ontario.

With the completion of underground expansion at the main Denison property in 1980 and the 15,000 tons per day processing plant in mid-1981, the principal segments of the expansion to an annual production rate of 6 million pounds U_3O_8 starting in 1981 will have been put in place.

Mining

A total of 2,987,584 tons were broken, some 4 per cent above the previous year. The mine development program, the largest yet planned at Denison, was essentially completed with 73,733 lineal feet of excavations mined. New openings for ore transport and ventilation were initiated in the areas to the south of the mine giving access to higher grade ore.

Advantage was taken of the annual summer shutdown to complete work at No. 2 Shaft to convert to the new ore-handling system. This includes the speed-up of the second production hoist from 1,300 to 2,200 feet per minute and deepening of the shaft to connect to the new crusher and loading pocket complex. The successful commissioning of this system marks the completion of the largest project in our expansion of the underground operations. A new 1,920 foot conveyor, servicing the southern portion of the mine, was brought on-line at year-end.

New equipment was added underground to expand capacity, as well as to replace older and less efficient machinery. Four new electric-hydraulic drill jumbos were acquired. This type of drilling now accounts for 60 per cent of our production. A new seven cubic yard capacity load-haul-dump machine was developed and is presently under test. The engineering group is working with various manufacturers to design and develop new low profile equipment which will be required.

Milling

A total of 2,509,833 tons of ore assaying 1.87 pounds U_3O_8 per ton was milled during the year. This was a new record throughput for the existing hydrometallurgical plant. Recovery improved to 93.33 per cent despite lower grades of ore and 4,451,823 pounds of U_3O_8 were produced, compared with 4,495,767 pounds in 1979.

The year was highlighted by the successful commissioning of the semi-autogenous grinding plant. The new milling circuit proved capable of processing more than the 8,000 tons per day design capacity. Studies on the new circuit indicate that operating costs are as projected and that substantial economies will be realized as compared to the conventional crushing and grinding process.

In the hydrometallurgical plant, efforts continued at improving process controls to increase recovery. Some success was realized as recoveries were slightly ahead of the previous year.

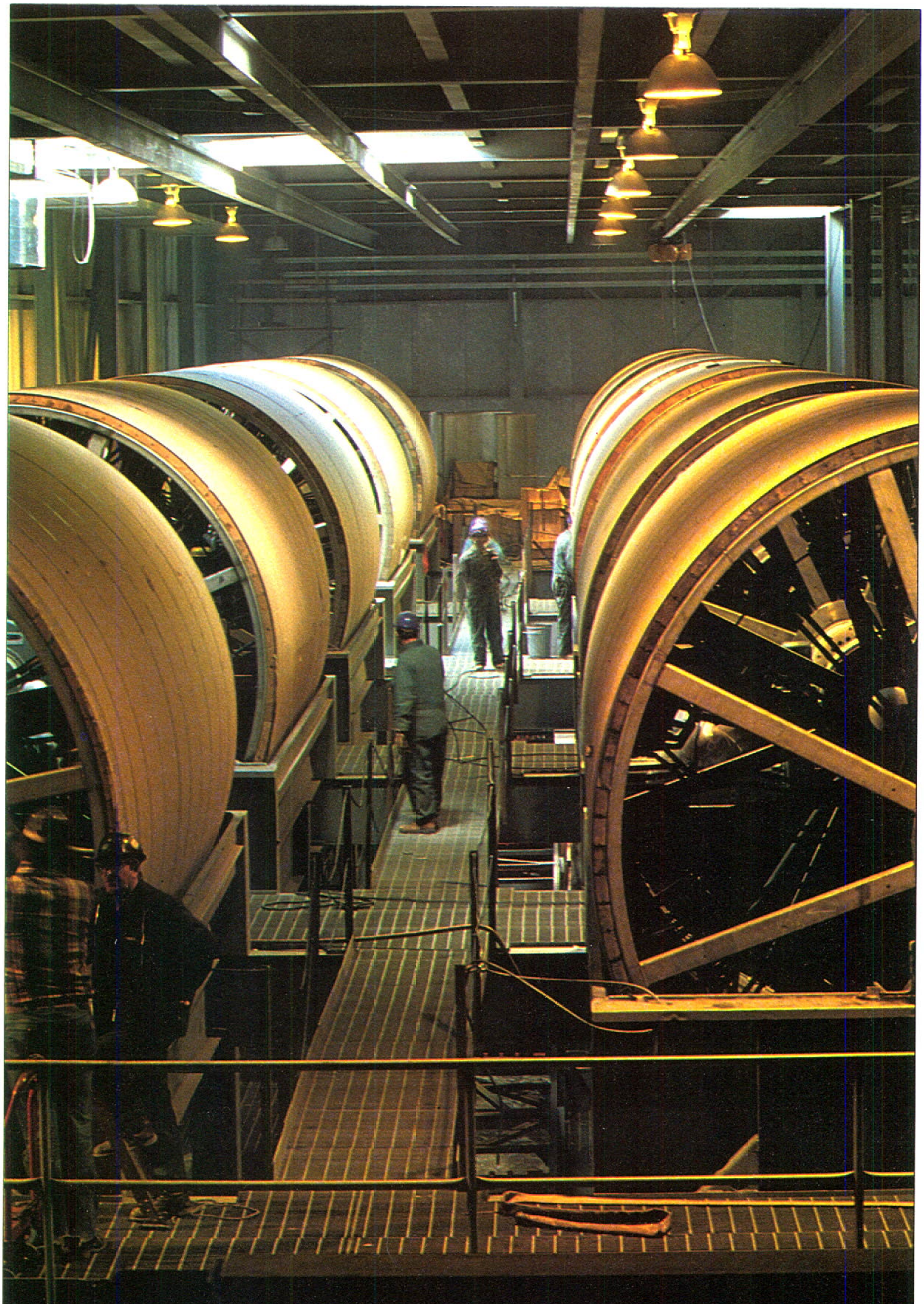
Portions of the new plant are being commissioned as they become ready. Ore stockpiled in late 1980 and early 1981 is expected to be processed by the end of 1981.

Expansion

The expansion program progressed well in all areas. A fire in September

Construction at the Elliot Lake operation on the 28 foot diameter semi-autogenous grinding mill which has a rated capacity of 8,000 tons per day.

A panoramic view showing various types of mechanized mining equipment utilized in a typical underground production area at the Denison Mine.



Part of the new acid filtration area in the extended hydrometallurgical plant showing ten of the twenty drum filters installed.

which destroyed the new acid drum filter area was a major setback to the schedule, but demolition and re-erection of the building have taken place. The extraction plant should be completed for its full capacity of 15,000 tons daily by mid-1981.

At the hydrometallurgical plant, the new neutral thickener area and the ion exchange columns have been commissioned, and the pachuca area, wash thickeners and compressor building are close to completion, awaiting the acid drum filters.

Underground, the Frame conveyorway was completed to provide ore transportation for mining south of No. 2 Shaft. At the Stanrock mine, dewatering has been completed, a service corridor has been rehabilitated between the two shafts and surface facilities have been established. A new production hoist, in preparation for the start of development work, was installed.

Environmental Protection

The mine ventilation system was further improved by development of fresh airways in the upper reef and establishment of exhaust corridors through old workings. Fine-tuning of the existing system led to a significant reduction in radiation and dust levels in active workings.

The pilot for intake air, south and west of No. 2 Shaft, was broken through to surface. This new facility, the longest vertical Alimak raise ever driven, will be slashed to a final diameter of 28 feet and is due for completion in late 1981. The air from this raise will serve portions of the Denison orebody south of No. 2 Shaft.

On the surface, environmental conditions were improved, particularly in the crushing and grinding plants where new dust collecting equipment was installed. In the hydrometallurgical plant, environmental control equipment was updated in conjunction with new facilities in the expanded plant.

Industrial and Community Relations

The Company successfully implemented a major new work classification plan in co-operation with the production and maintenance bargaining unit.

Denison, recognized as an industry leader in training, met its expanding needs at a time of national shortages of miners and tradesmen. The workforce grew from 1,888 to 2,022.

In a year of intense focus on mining safety, the Elliot Lake property's four year downward trend in accident frequency continued. Representations on safety performance were made on behalf of the Company to both the "Select Committee on Hydro Affairs" and the "Joint Federal-Provincial Inquiry Commission into Safety in Mines and Mining Plants".

The second phase of the current housing program, which was started in 1975, was completed this year. A total of 1,360 subsidized rental units have been made available to employees, with an overall housing and trailer lot inventory of 1,439 units. The third and final phase of the program will encompass 552 units in a new subdivision. Development of the infrastructure for this subdivision will commence early in 1981, with expected completion of the subdivision by the summer of 1983.

Australia

Denison Mines in 1980 acquired its first uranium reserves outside Canada through purchase of uranium properties from Noranda Australia Limited. These properties are in the South Alligator Region of the Northern Territory and are readily accessible. The purchase includes the Koongarra deposits which have reserves of approximately 30 million pounds U_3O_8 grading 5 pounds per tonne. These uranium reserves are in two contiguous orebodies amenable to open pit mining on a year round basis.

At Koongarra, considerable preparatory work has been completed based on annual production of approximately 2.5 million pounds of uranium concentrate. Environmental impact studies have been completed. Discussions are being held with the traditional owners of these lands and Denison expects to conclude suitable arrangements in the near future with these owners and to meet Australian requirements regarding environmental considerations and foreign investment policies.

For the first time since Denison entered the oil and gas industry in 1961, important commercial production was obtained from outside Canada — oil in Spain and natural gas in the United States.

This non-Canadian production is expanding and will soon significantly exceed the 1980 average Canadian oil output of 4,500 barrels per day, up from 4,400 barrels average in 1979, and 10,000 MCF per day of natural gas, about the same level as the previous year. Twelve successful wells in which the Company has varying interests were drilled in Canada during the year.

In Spain, the Casablanca Field in which Denison has a 12.447% unitized interest is currently capable of producing at a rate of 18,500 barrels per day and this rate will rise to 45,000 barrels per day in 1982 when development is fully completed.

Natural gas production in the U.S. is from five wells offshore Louisiana and Denison's share averaged 5,400 MCF daily.

In Canada, the oil and gas industry outlook is uncertain because of Federal Government budget proposals. At this time, it is difficult to anticipate developments.

Canada

Alberta: Four successful oil wells were drilled at Edson. At Boundary Lake, four successful development oil wells were drilled. In addition, one oil well at Swan Hills, a gas discovery at Deep Valley and a gas condensate discovery at Brazeau were drilled. The Brazeau well tested gas at 44,000 MCF per day plus condensate at 800 barrels per day. Denison has varying interests in these wells.

British Columbia: Denison participated in the drilling of a successful gas well in the Sierra area and gas sales are expected to commence this winter from two wells.

United States

Louisiana: Production from five gas wells on Ship Shoal Block 320 offshore Louisiana in the Gulf of Mexico commenced in 1980 and Denison's share was 5,400 MCF per day. Ship Shoal 319, immediately offsetting Block 320, was purchased, bringing to four the number of blocks in the Gulf of Mexico in which Denison has interests. Exploration of this new block will commence during 1981.

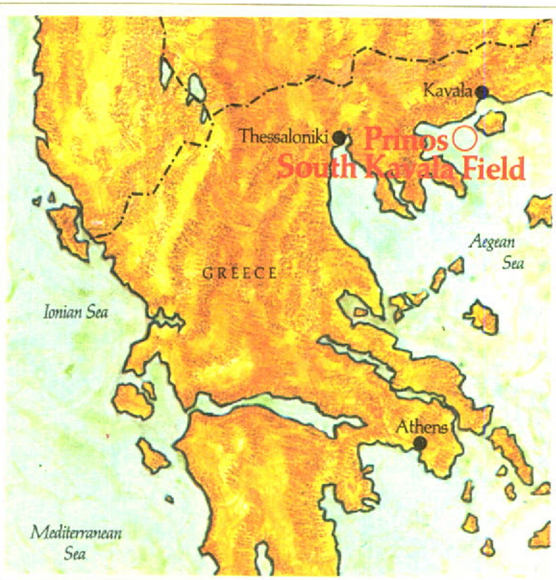
On West Cameron Block 624 drilling is well underway from a new platform. Four indicated successful gas wells, some having more than one gas-bearing zone, have been cased for production and two additional wells remain to be drilled. A well to evaluate West Cameron Block 625 immediately adjacent to 624 is being drilled from this platform.

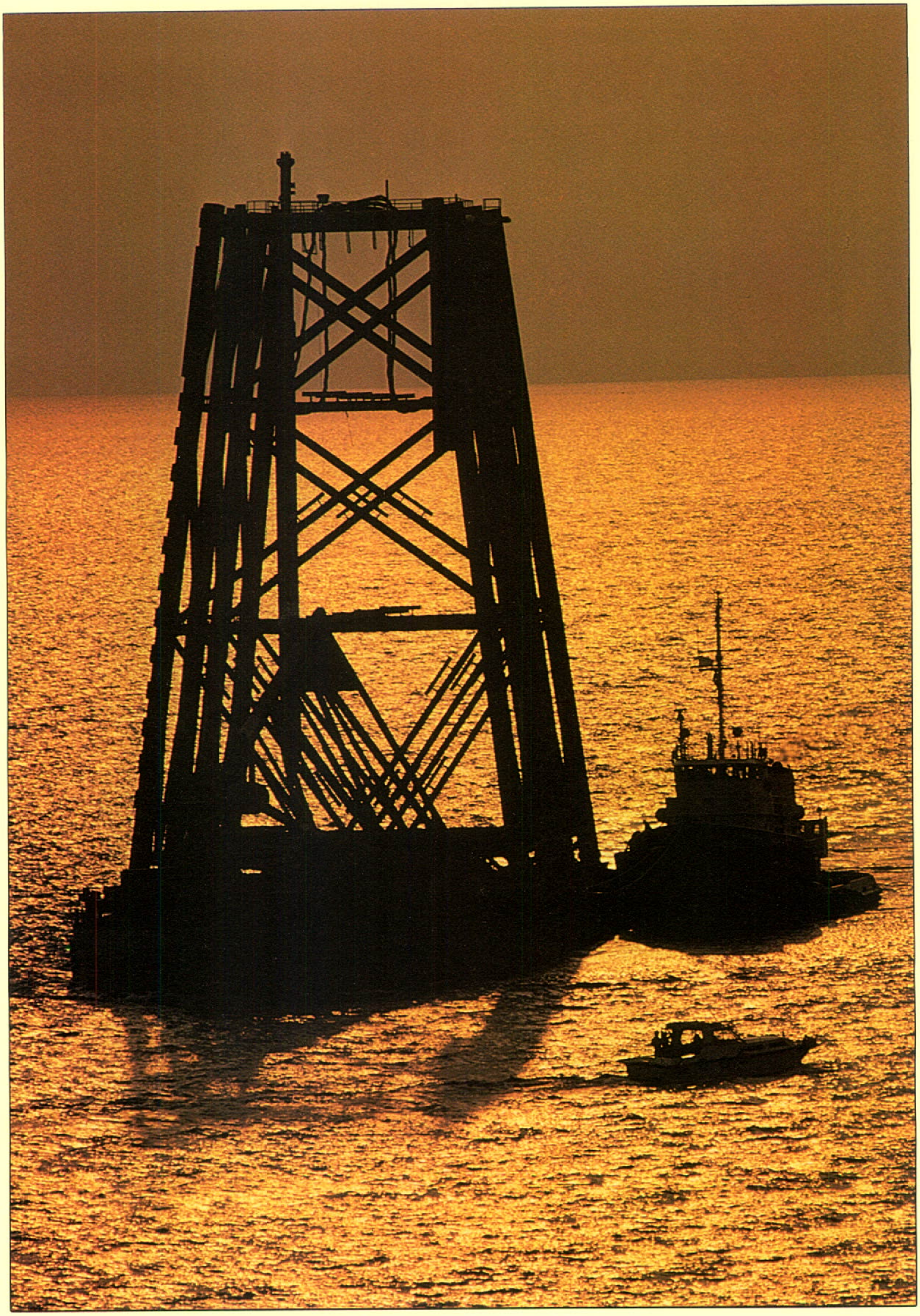
California: Denison has acquired a 50% working interest in a 2,000-acre lease block in Ventura County, California, where a 15,000-foot well will be drilled early in 1981.

Mississippi: A detailed seismic program was completed over Denison's acreage in Jefferson Davis County.

Greece

Development drilling in the Prinos Field and construction of onshore and offshore production and processing facilities are well advanced. First oil production to storage is now expected in early March of 1981. During 1980, two jack-up rigs located over the Alpha and Beta platforms, respectively, drilled 15 wells. One rig, the JFP-1, has completed its contract after drilling





An Aegean sunset highlights the massive production platform Delta as it completes its sea voyage to the Prinos site.

This large Canadian-made service rig installed on the South Kavala platform is being used to complete two wells for gas production in the Aegean Sea.

These complex installations on the mainland, near Kavala, are nearing completion and will be employed in processing offshore production into oil, gas and sulphur for sale.

Casablanca field oil production received at the Afortunada is pumped into the tanker San Marcial (background). Recently the pipeline to Tarragona was commissioned and the tanker released.

eight wells from platform Alpha. A large service rig constructed in Canada is being installed on the Alpha platform to complete the wells for production.

A total of 18 wells will be required to complete the Prinos Field development; hence, drilling on Beta will continue for several months after start-up of production. Initially, production will be obtained from the Alpha platform wells, while water injection will be carried out concurrently with drilling from the Beta platform.

The South Kavala Gas Field has been fully developed for production. A production platform, designated Kappa, was installed over two wells drilled earlier. These wells were re-entered, completed, tested and connected to production facilities.

In the Prinos Field, the eight-pile production platform Delta jacket was installed to complete the major offshore installations. Piping and hook-up of the production equipment are now in progress. Oil production from the Alpha and Beta platforms will be processed on the Delta platform to separate gas from the oil. Gas and oil will then be transferred to shore by separate pipelines, terminating at the Sigma site, where the oil will be stabilized and sulphur recovered from the natural gas prior to sale.

Production is eventually expected to reach 25,000 barrels of oil per day. During the start-up period production will be lower but progressively increased as all processing units are brought up to full capacity and development drilling on Beta platform is completed.

Spain

The Casablanca Field, with successful completion of phase one development, is now on regular production and is a significant new source of income for Denison. Oil received at the Afortunada floating platform is transported to shore through a 30-mile pipeline to the Enpetrol refinery at Tarragona and the two wells, Casablanca 1A and Casablanca 6, now are capable of producing continuously. A highlight of phase one is the successful application of a specially designed wellhead located on

the sea floor which received certification from the Spanish authorities.

The second phase of the Casablanca development includes completion of construction in Spain of an offshore production platform to be installed in 550 feet of water in July, 1981. At least three development wells will be drilled directionally to optimum locations in the oil reservoir to bring total production up to 45,000 barrels per day.

In early 1981, an exploratory well will be drilled on a large structure in deep water on the Montanazo "D" Block.

United Republic of Cameroon

The third well of a four-well program, North Matanda IX, discovered condensate-bearing gas on Permit PH 33, where Denison holds a 14.4% interest. High productivity was indicated during testing. The drilling rig has now moved to the fourth location. Denison also acquired a 4% interest in Permit PH 43 and the Company now has interests in three permits in the Cameroon. In early 1981, an exploratory well will be drilled on Permit PH 30, where Denison has a 19.8% interest.

Fujairah, United Arab Emirates

An exploratory well drilled by Denison in the Gulf of Oman, in the territorial waters of Fujairah, U.A.E., was abandoned at a depth of 16,563 feet without having encountered hydrocarbons.

The Coal Division continues to concentrate on marketing and in 1980 major exploration programs were undertaken at Belcourt and Coalspur.

British Columbia

Quintette — A sales proposal was submitted to the Japanese Steel Industry and discussions are in progress for the sale of 4,000,000 tons per year of metallurgical coal and 1,000,000 tons of high quality thermal coal. This proposal resulted from commitments made by the British Columbia and Federal governmental authorities for provision of necessary infrastructure and for the establishment of rail freight rates and port throughput charges.

Charbonnages de France acquired a 10% equity interest in Quintette. Equity to be held by Denison and Esso Resources Canada Limited remains unchanged at 38.25% and 16.75%, respectively. The equity of Tokyo Boeki Ltd. and Mitsui Mining Co. Ltd. will be reduced to 17.50% each.

Charbonnages de France has been appointed sales representative for Quintette in countries in continental Europe, North Africa and Turkey.

Belcourt — In accordance with the terms of the agreement with Gulf Canada Resources Inc., which has a 40% joint venture interest, the preliminary feasibility study was completed by March 31. The study indicated the viability of an annual production of 4,000,000 tons of medium volatile metallurgical coal for 20 years from two open pits located at the northern end of the property.

During 1980, major field exploration was undertaken and coal quality testing of both metallurgical and thermal coal was carried out. The detailed data obtained from the 1980 field program is being compiled for the purpose of preparing the final feasibility study. Both metallurgical and thermal coal production are being evaluated. It is anticipated that the final feasibility study will be completed before December 31, 1982.

Saxon — The 1977 feasibility study confirmed the viability of producing 4,000,000 tons of medium volatile metallurgical coal annually for 20 years. Annual production is based on 2,000,000 tons from open pit mining and 2,000,000 tons from underground mining.

During 1980, a synopsis of the feasibility study was prepared for the purpose of introducing the property to coal purchasers.

Denison has a 70% interest and the Ruhrkohle Group a 30% interest in Saxon Coal Limited.

Alberta

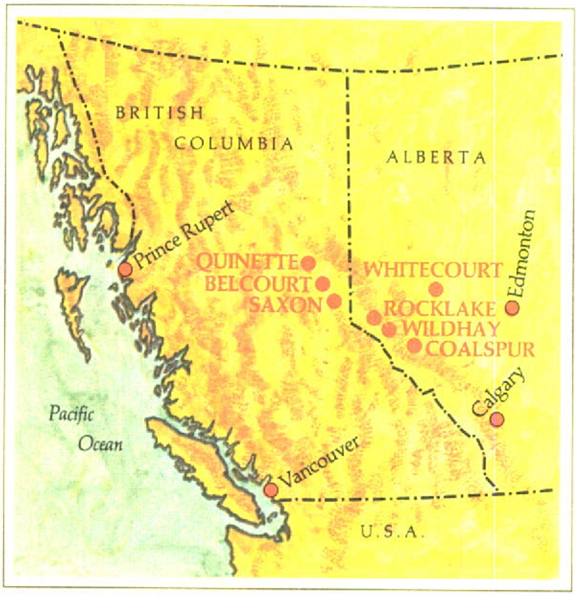
Coalspur — Strong multi-national interest is continuing to be evidenced in the acquisition of equity in and the purchase of thermal coal from the property. Letters of intent have already been executed which encompass financial participation and the sale of approximately 100,000,000 tons of coal over a 20 year period.

Taiwan Power Company has signed a letter of intent for the acquisition of a 20% equity in the property and the purchase of 75,000,000 tons of thermal coal over 20 years.

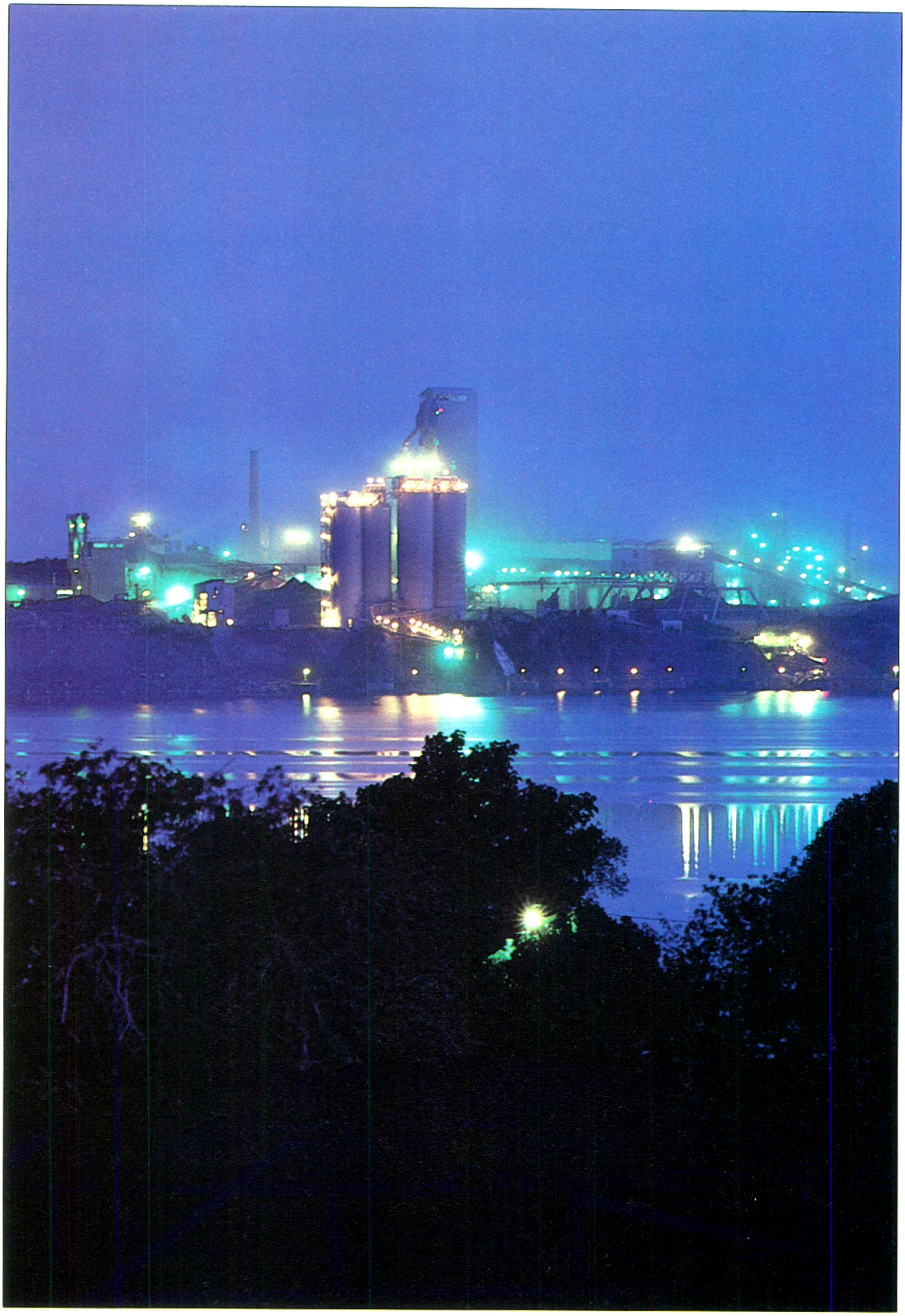
A letter of intent has been signed with Charbonnages de France for the acquisition of a 20% equity in conjunction with the sale of a major tonnage of thermal coal.

The German investment group, Denimil Energie und Mineral A.G., has acquired the right to purchase a 10% interest in the project.

Discussions are proceeding with other interested customers in the Pacific Rim, Europe and other areas.



An early start to mobile drilling activities on a seismic cut through the Coalspur property in Alberta.



Lake Ontario Cement's Picton plant, one of the largest in North America, enjoys a strategic, deepwater location to serve the Great Lakes region.

Lake Ontario Cement Limited

In spite of the severe recession in North American construction markets during 1980, sales for Lake Ontario Cement Limited increased slightly from 1979 levels and operating earnings were only marginally below those of the previous year. This relatively strong performance reflects increased efficiencies in cement manufacturing facilities and the continuing favourable exchange rate on exports from Canada to the United States.

Denison has a 54% ownership interest in this company which produces and sells cement and concrete products in the Ontario, Michigan and New York State markets.

Consolidated sales for the 12 months ended December 31, 1980 were \$89,346,673, up 1.2% from the 1979 level of \$88,317,149. Consolidated net earnings at \$5,431,993, equal to \$1.26 per share, compare with the 1979 record level of \$5,893,462, equal to \$1.37 per share. The 1980 earnings include a gain on sale of surplus land of \$575,325 (13 cents per share) while 1979 earnings had been increased by an extraordinary net gain of \$950,000 (22 cents per share).

Volume of cement shipments dropped 10%. The Michigan market was particularly weak, reflecting the recession in the automobile industry. Shipments of ready-mixed concrete and concrete brick increased in the Ontario market but their profitability continues to be low because of severe price competition, particularly in the Metropolitan Toronto area. Other concrete product lines provided reasonable returns in soft markets.

Dividend payments were increased during 1980 to 45 cents per share, an increase of 10 cents per share from the 35 cents paid in 1979.

Capital expenditures for 1980 totalled \$4,469,165 with the major expenditures directed to improving the efficiency of the Picton cement plant. The financial condition of the company is sound, with long-term debt, non-current portion, at \$15,273,697 and shareholders' equity at \$42,188,741. This situation allows the company to take advantage of opportunities for growth through expansion and acquisition.

The outlook for construction markets in 1981 is uncertain as the recovery from the 1980 recession is expected to be slow. The company expects, however, that cement and concrete product shipments will strengthen in the latter half of 1981 and financial results should improve over those of 1980.

Reiss Lime Company of Canada Limited

Production and earnings were at record levels. The second kiln and supporting facilities at Serpent Harbor in northern Ontario, which were completed in late 1979, operated successfully through 1980. This enabled production to be increased as anticipated to meet demand which increased strongly in the second half of the year.

Improvements in efficiency of kiln operations also were developed during the year. Dock operations for bulk materials showed a substantial increase in tonnage. The outlook for 1981, and in the long-term, is for growing demand for lime for industrial and environmental uses.

To achieve increased profitability the company continues to emphasize productivity improvements. In addition, because of its strong financial position the company is searching for acquisitions and appropriate investment opportunities in Canada and the U.S.A. in order to broaden its operating base.

Exploration programs in Canada, the United States and overseas emphasized the search for uranium, base metals and ferro-alloys and included an expanded precious metal effort in 1980.

Canada

Exploration has been accelerated in British Columbia and the Yukon Territory. Several properties have been acquired of interest for molybdenum, tungsten and base metals.

Major joint venture uranium exploration programs with Mitsui & Co. Ltd., Saskatchewan Mining Development Corporation and Western Mines Ltd. continue in the Athabasca region of Saskatchewan. Current emphasis is on detailed ground geophysical surveys and drilling of high priority targets. Assessment of various exploration and mining opportunities in the Northwest Territories and Manitoba continues.

Exploration in eastern Canada has been expanded. An acquisition program of gold properties of high potential is underway in Ontario and Quebec. Deep diamond drilling is in progress on the Sheldon-Larder gold property in the Kirkland Lake area of Ontario. Gold prospects of exceptional merit have been identified in the Kenora-Dryden area of northwestern Ontario.

Exploration opportunities in the Maritime Provinces for uranium, base metals and precious metals are under review.

United States

Base metal exploration activity in the mid-west under a joint venture with Getty Oil Company increased during the year. Drilling to test newly defined geophysical anomalies and to assess uranium mineralization found on the Quad Metals joint venture property near Spokane, Washington, is continuing. A joint venture has been formed with the German investment company, Denimil Energie und Mineral A.G., for uranium exploration in Utah and for precious metal exploration in Montana.

Several new projects, emphasizing gold, silver and base metal exploration, have been started in the western states.

The Denison exploration staff in Denver now has mine evaluation capability and it plans to expand this type of activity to evaluate opportunities for acquisition.

Australia

The Koongarra uranium deposits were acquired in 1980. Expanded exploration for uranium is planned for the Alligator River area in the Northern Territory. Exploration opportunities for base metals, precious metals and ferro-alloy metals are under study. Denison has established an office in Sydney.

Africa

A small alluvial gold deposit has been outlined in the United Republic of Cameroon. Negotiations are being held with the government to permit development of this deposit.

Precious metal, base metal and diamond prospects of merit are under preliminary evaluation in selected areas of Africa.

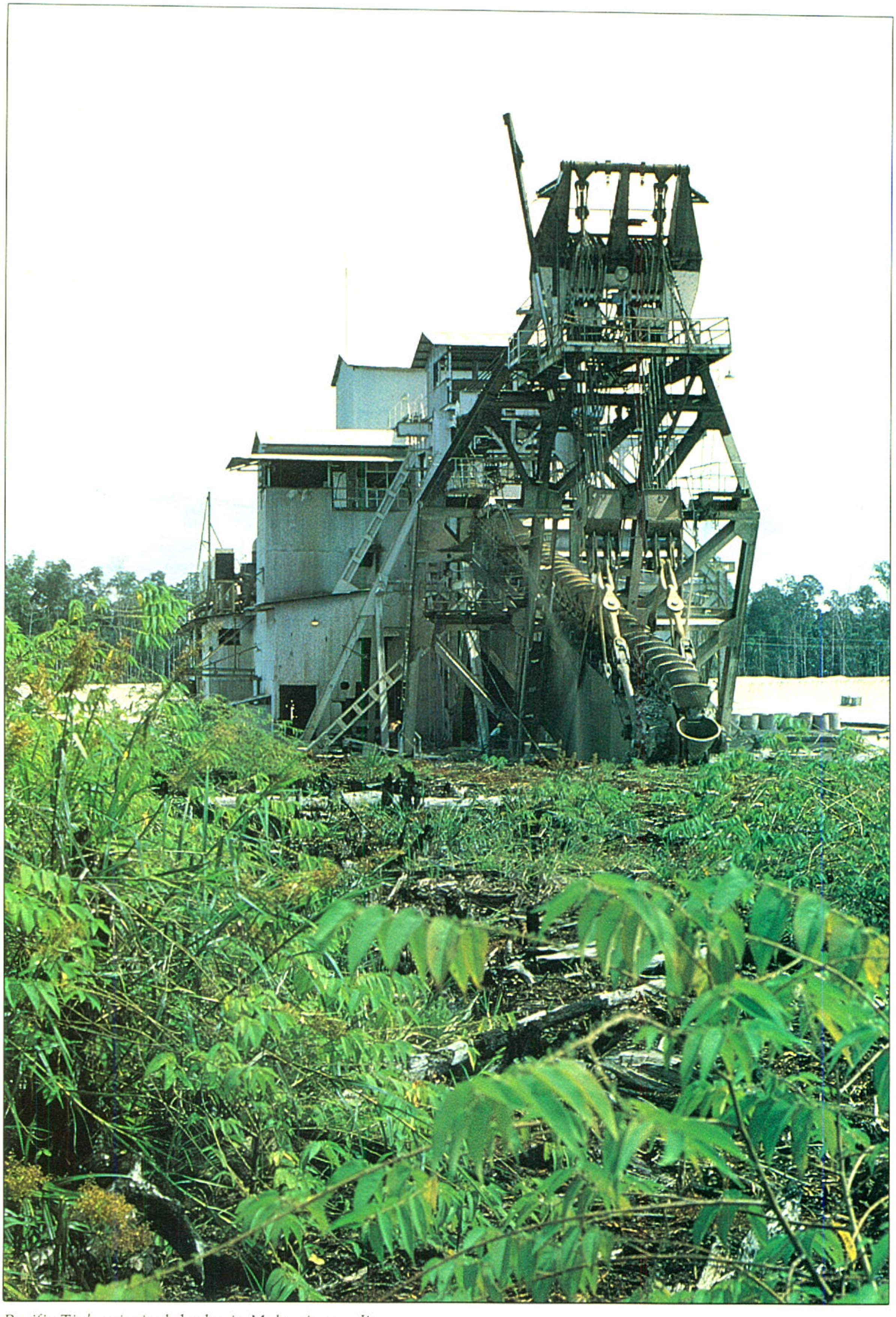
Mexico, Central and South America

Gold, silver and base metal properties have been examined in Mexico, Panama, Peru, Chile and Argentina. Property examinations and preliminary exploration will be continued in favourable areas.

Europe

Mineral exploration is planned for both Ireland and Italy during 1981.

Denison geologists Russ Powers and Wes Bury check location of a silver prospect in Nevada.



Pacific Tin's principal dredge in Malaysia can dig 15 yards of alluvial material per minute as deep as 100 feet. Economical mining is possible in ground containing as little as 0.2 lb. of tin per cubic yard.

Standard Trustco Limited became the parent holding company of Standard Trust Company during the year, completing a planned reorganization of Standard Trust and its subsidiaries. The new organizational structure will permit significant diversification of the group's activities. At December 31, 1980, the financial results of Standard Trustco substantially reflected those of its subsidiary.

In 1980, the group reported its 10th consecutive year of growth both in earnings and in assets. Net income rose 28% to $1,685,000 from $1,316,000 in 1979. Total assets at December 31, 1980 reached $350,962,000, up 39% from the preceding year-end. Further expansion of the company's mortgage portfolio was the major reason for this growth.

The continued growth in profitability has permitted an increase in the dividend rate to $1.00 per share, up 67% from the 1979 rate of $.60 per share.

Pacific Tin Consolidated Corporation was adversely affected by the U.S. recession in 1980. Softer demand for tin, industrial minerals and metal powders resulted in significantly lower earnings than in 1979. Nine month consolidated net income was $U.S.1.0 million in 1980, 53% less than the $U.S.2.2 million during the same period in 1979. The dividend level of the last half of 1979 was maintained through 1980 and Denison received $U.S.1.00 per share, up from $U.S.0.90 in 1979.

Income from Malaysian tin operations was reduced as a consequence of processing lower grade ore and major maintenance on a large dredge. Weaker demand from the ceramics industry early in the year was largely responsible for lower earnings from sales of industrial minerals during the first nine months of 1980.

Parlake Resources Limited agreed in 1980 to earn a 7.5% interest in certain Kansas oil and gas properties. A 15 well drilling program is planned. A public share offering, principally to finance this participation, has been negotiated.

Canray Resources Limited has participated in the drilling of a total of 24 wells in the Burleson County, Texas joint venture, where its interest is 10.625%. A 15% interest in a prospective offshore gas well being drilled near Corpus Christi, Texas has also been acquired. Further exploration is planned on an attractive block of uranium claims in Saskatchewan. The company's interest is 23%. In Ontario, a formerly producing gold property is being reviewed in the light of current prices for this mineral.

Consolidated Rexspar Minerals & Chemicals Limited has a uranium property in British Columbia. Because of the moratorium placed on uranium exploration and mining by the provincial government, no work was performed on this property in 1980.

SUBSIDIARY

Lake Ontario Cement Limited	*53.6%*
Aetna Cement Corporation	*100%**
Rochester Portland Cement Corp.	*100%**

*Percentage held by Lake Ontario Cement Limited

OTHER INVESTMENTS

Pacific Tin Consolidated Corporation	*40.0%*
Reiss Lime Company of Canada Limited	*50.0%*
Roman Corporation Limited	*14.8%*
Standard Trustco Limited	*47.2%*

EXPLORATION AND DEVELOPMENT

Argosy Mining Corporation Limited	*37.1%*
Black Hawk Mining Limited	*32.5%*
Canray Resources Limited	*14.1%*
Caspian Resources Limited	*16.5%*
Consolidated Rexspar Minerals & Chemicals Limited	*46.9%*
Parlake Resources Limited	*19.3%*
Quintette Coal Limited	*38.25%**
Saxon Coal Limited	*70.0%*

*On completion of expenditures by Esso Resources Canada Limited

Denison Mines has underway the development of a large potash production facility in New Brunswick and expects to start shipping this agricultural mineral to world markets late in 1983.

The outlook for potash is favourable. Industry forecasts are for an annual rate of increase in demand averaging 4.3% through the present decade. Overall, it is estimated that worldwide consumption and production will be in a reasonable balance.

This major project, likely to involve capital expenditures exceeding $150 million, was undertaken in 1979 when Denison acquired the 21,000 acre property near Sussex, N.B. on Canada's east coast. Based on drilling from surface, it is estimated that more than 200 million tons of high-quality potash are about 2,800 feet below the surface. This tonnage would supply an annual production rate of 1.0 to 1.5 million tons of product.

The first major stage of development, well underway, involves the sinking of a shaft to the potash-salt deposit. Detailed studies and engineering for mining, surface, transportation, port and other necessary facilities are in progress.

Following completion of the shaft, a program of underground exploration and development will be undertaken across the potash bed to permit detailed mine planning.

The final feasibility study for the total project is expected to be completed by the end of September, 1981. This study is being held up because of several months' delay in completing the 16-foot diameter concrete-lined shaft. Subsurface formations have been encountered which require injection of larger-than-anticipated quantities of cement and chemicals to prevent water inflows. Sinking of the shaft had been completed to 1,820 feet at the end of 1980.

The proximity of ocean transport at Saint John, N.B. can provide this project with considerable economic advantage over world competitors. Development of land transport and port facilities for handling of the large tonnages has been given early special attention in order to ensure that these installations will be available when required.

The second and final stage of development for mining, construction of surface processing plants and a second production shaft to a depth of 2,700 feet, is expected to start in late 1981 with completion two years later. Thus, overall, the New Brunswick potash project will likely take four and a half years from initiation to production.

An important step taken to help assure successful marketing programs was announced in September, 1980. Potash Company of Canada is to join the New Brunswick potash project by acquiring a 40% partnership interest and acting as sales agent throughout the world. Denison is the manager and retains 60% of the new Denison-Potacan Potash Company. Potash Company of Canada is owned jointly by two established European potash producers — Entreprise Miniere et Chimique of France and Kali und Salz Aktiengesellschaft of Kassel, West Germany. These two companies have produced potash for many decades from their mines in Europe and thus bring a special expertise in marketing. Authorization of their purchase of the 40% interest has now been granted by the Foreign Investment Review Agency.

CONSOLIDATED FINANCIAL STATEMENTS

Denison Mines Limited
Annual Report

For the Year Ended December 31, 1980

FINANCIAL REVIEW AND ANALYSIS OF OPERATIONS

A summary of the operating and financial results of the Company from 1976 to 1980 is presented on page 40 of this report.

Sales — Consolidated gross revenues increased $54,644,947 or 18% over 1979 to reach $365,153,283 in 1980, a new record. In 1979, a more modest 15% increase in revenues over the previous year had been recorded. In 1980, oil and gas revenues more than doubled as new offshore production was brought on stream in Spain and the U.S. Gulf Coast. Increased product prices and a continuing favourable exchange rate between the Canadian and U.S. dollar also contributed to this increase in revenues.

Earnings — Net earnings in 1980 advanced by $17,606,696 to a new record level of $73,698,757, an increase of 31% over 1979 and 27% over the previous high of $58,241,136 set in 1978. The earnings contribution of the Company's oil and gas operations increased dramatically in 1980, despite a more than threefold increase in exploration costs. Early production from the Casablanca oil field offshore Spain, sold at world prices, and higher but controlled Canadian oil prices are largely responsible for this increase. In the uranium sector, unit production costs were higher than in 1979 and the grade of ore processed during the year was lower. Other income also increased significantly in 1980 over the preceding year.

Capital Spending — In 1980, expenditures on plant and equipment and employee housing and the purchase and development of resource properties totalled $406,486,668, the highest in the Company's history. This represents an increase of 55% over the $261,635,658 spent the previous year. A major element was the ongoing expansion of the Elliot Lake uranium mining and milling facilities in accordance with the Ontario Hydro agreement. Development and construction expenditures relating to the Prinos/South Kavala oil and gas project in the North Aegean Sea more than doubled in 1980. In the U.S. Gulf Coast, an additional offshore block was purchased. This block is contiguous to one in which the Company has a significant interest and which commenced gas production early this year. The Company also acquired major uranium deposits in Australia which it plans to develop. This continued rapid expansion of the Company's interests has resulted in a further increase of 75% in net fixed assets in 1980, following their doubling in 1979.

Taxes — The effective tax rate for income and mining taxes in 1980 was 40.3%, compared with 44.6% in 1979. The reduction in the effective rate is substantially attributable to increased capital gains.

Financial Position — Current operations generated $109,925,120 in 1980. In the same period, the Company's share of new long-term debt issued to fund the development of the Prinos/South Kavala oil and gas project totalled $177,509,286. A very favourable supplementary financing for this project was negotiated and executed during the year, completing the financial requirements of the project. The Company's remaining funds were provided through advances against uranium sales contracts ($81,213,090), proceeds from the disposition of long-term investments and interests in resource properties ($74,820,732) and a minor amount from other sources. Of this, $406,486,668 were used for fixed asset additions and $83,324,688 for the purchase of long-term investments. Dividends of $27,409,325 were paid during the year. Repayment of advances against sales contracts and reduction of long-term debt amounted to $14,049,500. As a result, working capital was reduced by $79,000,074 during the year.

Total Assets — In terms of total assets, the Company became a billion dollar company in 1980 as total assets grew to $1,074,511,185 by December 31, 1980. This achievement is the result of the substantial increase in net fixed assets, described under Capital Spending above, as the Company continues to grow and diversify by developing an international operating base.

ACCOUNTING POLICIES

Denison Mines Limited for the year ended December 31, 1980

The accounting policies of the Company are in accordance with generally accepted accounting principles except to the extent described in note 9. Outlined below are those policies considered particularly significant for the Company.

Basis of Consolidation — The consolidated financial statements include the accounts of the Company and all subsidiaries. Substantially all of the Company's exploration and production activities related to oil and gas are conducted jointly with others and accordingly the accounts reflect only the Company's proportionate interest in such activities.

Translation of Foreign Currencies — Foreign currencies have been translated into Canadian dollars as follows: current assets and liabilities at rates in effect at the end of the year; non-current assets and liabilities and revenue and expenditure items at approximate rates in effect at dates of transactions, except for depreciation and depletion which are translated at the same rates as the related assets.

Inventories — Concentrates and finished and semi-processed cement products are valued at the lower of average cost of production and net realizable value. Raw materials and supplies are valued at the lower of average cost and replacement cost.

Long-term Investments — Investments in companies in which the Company has significant influence are accounted for by the equity method, by which the original cost of the shares is adjusted for the Company's share of earnings or losses less dividends since significant influence was acquired. The treatment of expenditures of mining companies in the exploration stage has been conformed in these consolidated financial statements to the policy followed by the Company. Portfolio investments are carried at cost.

All long-term investments are written down to their estimated inherent worth when there is evidence of a permanent decline below their carried value.

Fixed Assets, Depreciation and Depletion
— Plant, Equipment and Housing — Plant, equipment and housing of the companies are recorded at cost and depreciated, generally on a straight-line basis, over their estimated useful lives except that (a) plant and equipment at the Company's mine properties acquired before 1965 were written off in prior years and (b) oil and gas production equipment is depreciated by the unit of production method.

— Mineral Properties (Mining, Oil and Gas) — The Company accounts separately for each group of permits, licences or leases in a designated exploration or development area as a separate area of interest. All exploration costs relating to each area of interest are written off in the year incurred. If it is determined that an area of interest contains economically recoverable reserves, all costs relating to that area for the current and subsequent years are deferred. These deferred costs, together with property acquisition costs, are amortized against related production revenues by the unit of production method based on the area's estimated proven reserves or written off if that property is abandoned.

Development costs incurred for the specific purpose of preparing the existing mine beyond current requirements are also deferred and amortized by the unit of production method.

— Capitalization of Interest — Interest costs (net) on funds borrowed to finance the development and construction of major assets are capitalized during the development and construction period.

Income and Mining Taxes — The Company follows the tax allocation method of accounting whereby the provision for income and mining taxes is based upon income reported in the accounts.

The benefits arising from the investment tax credit provisions of the Income Tax Act are treated as a reduction of the current year's income tax provision.

CONSOLIDATED BALANCE SHEET

Denison Mines Limited as at December 31, 1980

Assets	**1980**	**1979**
Current Assets		
Cash and short-term deposits	$ 8,421,650	$ 41,163,363
Accounts receivable	69,398,743	49,217,493
Income and mining taxes recoverable	501,164	3,014,482
Concentrate inventories	81,871	612,588
Cement product inventories	8,586,000	8,616,332
Raw materials, supplies and prepaid expenses	28,544,355	19,809,187
	115,533,783	122,433,445
Long-term Investments (note 2)	93,434,050	38,010,371
Fixed Assets (note 3)	862,887,156	492,860,514
Other Assets	2,656,196	2,724,867
	$1,074,511,185	$ 656,029,197

AUDITORS' REPORT

To the Shareholders of Denison Mines Limited

We have examined the consolidated balance sheet of Denison Mines Limited as at December 31, 1980 and the consolidated statements of earnings and retained earnings and changes in financial position for the year then ended. For Denison Mines Limited and for those other companies of which we are the auditors and which are consolidated or are accounted for by the equity method in these financial statements, our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. For other companies consolidated or accounted for by the equity method we have relied on the reports of the auditors who have examined their financial statements.

As explained in note 9, the Supreme Court of Ontario has issued an order permitting the Company to prepare these consolidated financial statements without the inclusion of segmented information.

In our opinion, except only that segmented information is not included, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
January 14, 1981.

Coopers & Lybrand
Chartered Accountants

Liabilities	1980	1979
Current Liabilities		
Bank indebtedness	$ 74,027,881	$ —
Accounts payable and accrued charges	65,711,130	71,940,724
Dividends payable	1,575,515	852,405
Long-term debt due within one year	4,033,500	4,270,485
Advances on concentrate sales contracts	10,016,000	6,200,000
	155,364,026	83,263,614
Advances on Concentrate Sales Contracts	210,800,664	139,603,574
Long-term Debt (note 5)	320,686,969	136,634,567
Minority Interest in Subsidiary Companies	19,549,851	18,874,441
Deferred Income and Mining Taxes (note 4)	148,314,912	104,147,670
	854,716,422	482,523,866
Shareholders' Equity		
Capital Stock		
Authorized — 24,000,000 shares without par value		
Issued and fully paid — 18,272,884 shares	4,568,221	4,568,221
Contributed Surplus	7,937,764	7,937,764
Retained Earnings	207,288,778	160,999,346
	219,794,763	173,505,331
	$1,074,511,185	$ 656,029,197

Signed on behalf of the Board

B. E. Willoughby, Director

E. B. McConkey, Director

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

Denison Mines Limited for the year ended December 31, 1980

	1980	1979
Gross Revenue		
Minerals (uranium, limestone products, oil and gas)	$ 275,806,610	$ 222,191,187
Cement and cement products	89,346,673	88,317,149
	365,153,283	310,508,336
Production, Exploration and Administration Costs	283,625,108	231,786,902*
	81,528,175	78,721,434
Other Income (note 6)	46,239,400	27,509,092
Earnings Before Taxes and Minority Interest	127,767,575	106,230,526
Income and Mining Taxes (note 4)	51,550,000	47,390,000
Earnings Before Minority Interest	76,217,575	58,840,526
Minority Interest	2,518,818	2,748,465
Net Earnings for the Year	73,698,757	56,092,061
Balance of Retained Earnings — Beginning of Year	160,999,346	126,834,746
	234,698,103	182,926,807
Dividends	27,409,325	21,927,461
Balance of Retained Earnings — End of Year	$ 207,288,778	$ 160,999,346
Earnings per Share for the Year	$4.03	$3.07

*The 1979 comparative data have been conformed to the 1980 format.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Denison Mines Limited for the year ended December 31, 1980

	1980	1979
Sources of Working Capital		
Provided from operations	$ 109,925,120	$ 100,144,237
Increase in advances on concentrate sales contracts	81,213,090	65,413,576*
Issue of mortgages on construction and purchase of Elliot Lake housing units	9,764,166	15,094,491
Issue of long-term debt for the Prinos Oil Field and South Kavala Gas Field project, Sea of Thrace (note 5(b))	177,509,286	84,205,289
Net proceeds on sale of long-term investments and interests in mineral ventures (note 6)	74,820,732	41,811,251
Other	881,121	3,232,221*
	454,113,515	309,901,065
Uses of Working Capital		
Additions to fixed assets	406,486,668	261,635,658
Reduction in advances on concentrate sales contracts	10,016,000	6,200,000*
Reduction of long-term debt	4,033,500	4,270,485
Purchase of long-term investments	83,324,688	24,866,773
Dividends to minority shareholders of Lake Ontario Cement Limited	898,721	698,934
Dividends	27,409,325	21,927,461
Other	944,687	—
	533,113,589	319,599,311
Decrease in Working Capital	$ 79,000,074	$ 9,698,246

*The 1979 comparative data have been conformed to the 1980 format.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NO

Denison Mines Limited for the year ended December 31, 1980

1. Accounting Policies

The information on page 31 presents a summary of significant accounting policies and is an integral part of these financial statements.

2. Long-term Investments

	1980	1979
(a) Investment in companies accounted for by the equity method —		
Shares (quoted market value 1980 — $15,579,519; 1979 — $7,460,605)	$ 6,806,059	$ 4,420,154
Debentures	800,000	800,000
	7,606,059	5,220,154
Portfolio investments —		
Shares (quoted market value 1980 — $94,750,419; 1979 — $31,083,689)	68,171,067	18,061,683
Secured loans — note 2(c)	17,656,924	14,728,534
	85,827,991	32,790,217
	$ 93,434,050	$ 38,010,371

(b) The quoted market values referred to above do not necessarily reflect the realizable value of these holdings which may be more or less than that indicated by market quotations.

(c) Secured loans in note 2(a) above include a loan of $9,810,000 ($U.S.10,000,000), plus accrued interest of $7,292,377, made to Oceanic Exploration Company pursuant to the agreement referred to in note 7(e).

3. Fixed Assets

	Cost at December 31, 1980	Accumulated depreciation, depletion and amortization to December 31, 1980	Amount written off in 1980
Land	$ 12,275,111	$ —	$ —
Mining properties	80,468,900	1,188,305	84,153
Oil and gas properties	36,218,464	5,378,195	931,941
Plant and equipment	350,850,906	137,006,387	17,817,842
Deferred development	242,288,821	11,188,772	4,133,743
Employee housing	49,897,209	3,674,396	1,492,347
Construction in progress	249,323,800	—	—
	$1,021,323,211	$ 158,436,055	$ 24,460,026

Included in the total cost at December 31, 1980 is approximately $355,000,000 related to the exploration and development areas referred to in note 7(b).

Mining and oil and gas properties and deferred development are amortized by the unit of production method. Plant, equipment and housing are depreciated at annual rates which vary from 2.5% to 33.3%. Included in plant and equipment at December 31, 1980 are fully depreciated assets of $71,058,628. Accumulated depreciation, depletion and amortization at December 31, 1979 amounted to $136,685,317.

4. Income and Mining Taxes

The deferred income and mining tax provision for the year amounted to $44,167,242 (1979 — $45,734,960).

Unrecorded deferred income taxes in respect of timing differences related to depreciable assets and oil and gas intangibles prior to adoption of the tax allocation method of accounting amount to $9,336,000.

5. Long-Term Debt

	1980	1979
(a) Prinos Oil Field and South Kavala Gas Field project, Sea of Thrace (note 5(b)) —		
Project and overrun loan facility	$171,904,054	$ 84,205,289
Supplementary project financing facility	89,810,521	—
	261,714,575	84,205,289
Elliot Lake housing mortgages at rates varying from 8% to 12% maturing from 2004 to 2028	44,209,894	34,775,728
Lake Ontario Cement Limited and subsidiaries (note 5(c))	18,196,000	20,724,035
Other	600,000	1,200,000
	324,720,469	140,905,052
Repayable within one year	4,033,500	4,270,485
	$320,686,969	$136,634,567

(b) Under an agreement made in 1979, the Company and the other members of the consortium developing the Prinos Oil Field and the South Kavala Gas Field in the Sea of Thrace have borrowed $U.S.215,000,000 under a project loan and overrun loan facility under which a further $U.S.30,000,000 may be borrowed; the amounts of such borrowings to constitute project loans and overrun loans respectively will be determined by the members of the consortium, but the amount of the project loans is not to exceed $U.S.215,000,000. In 1980, the consortium members arranged to borrow under a limited recourse supplementary project financing facility up to $U.S.150,000,000 to provide additional financing for such development. The Company's interest in the Fields and its share of the liability in respect of the loans are both 68.75%. The Company's share of the loans under both such arrangements as of December 31, 1980 amounted to $261,714,575 ($U.S.223,985,437). The facilities being constructed and all the interests of the consortium members in the Fields have been or will be mortgaged or charged as security for the loans but no security will be given for the loans under the supplementary project financing facility until all the project loans and overrun loans have been repaid. After the facilities have been constructed and the Fields have reached specified levels of operations (the 'recourse date'), the project loans and a portion, not yet determinable, of the loans under the supplementary project financing facility (the 'limited recourse portion'), are to be repayable only out of production and the above security granted to the lenders, except that the borrowers will remain liable in the event of certain specified losses including certain uninsured losses, principally a loss caused by hostilities. The borrowers will be fully liable for the overrun loans and the balance of the loans under the supplementary project financing facility.

Other significant details concerning these loans are as follows:

			Interest rates	
	Maturity date	Minimum repayments*	Initially	After the 'recourse date'
Project loans	July 15, 1986	Ten half-yearly instalments expected to commence January 15, 1982	LIBOR** plus 1.5%	LIBOR plus 1.9375%
Overrun loans	July 15, 1986	Six half-yearly instalments expected to commence January 15, 1984	LIBOR plus 1.5%	LIBOR plus 1.5%
'Limited recourse portion' of the loans under the supplementary project financing facility	January 16, 1987	Six half-yearly instalments to commence July 16, 1984	LIBOR plus .5%	LIBOR plus .75%
Balance of the loans under the supplementary project financing facility	January 16, 1987	Six half-yearly instalments to commence July 16, 1984	LIBOR plus .5%	LIBOR plus .5%

* The minimum repayments may, under certain provisions, be accelerated.

** LIBOR means London Interbank Eurodollar Market rate from time to time.

(c) The long-term debt of Lake Ontario Cement Limited and subsidiaries, most of which is secured on those companies' assets, consists of (a) a $12,060,000 debenture at 9.75%, due 1994, payable in annual instalments of $860,000 and (b) a term bank loan, promissory notes and mortgages aggregating $6,136,000 due up to 1983 with interest between 8% and U.S. prime plus 1%.

(d) The debt in $U.S. has been translated at the rate of exchange in force when the debt was incurred. If the year-end rate were to be used, the total long-term debt would increase by $5,305,285.

(e) Interest on long-term debt expensed in 1980 amounted to $5,513,240 and in 1979 to $4,681,939.

(f) The repayment schedules of the debts described in (b) above cannot yet be determined. Repayments of other long-term debt required in 1981 are $4,033,500, in 1982 are $2,906,000, in 1983 are $3,419,000, in 1984 are $1,371,500, and in 1985 are $1,371,500.

6. **Other Income**	**1980**	1979
Gain on sale of interests in mineral ventures, net of commission	$ 23,244,000	$ 11,059,668
From companies accounted for by the equity method — (loss)	(1,536,347)	(9,618)
From portfolio investments —		
Gain on disposal of securities	10,856,370	8,301,963
Dividends and interest	3,652,787	3,227,482
From short-term deposits	3,778,910	2,527,619
Net proceeds received from Getty Oil Company for relinquishing rights under an agreement with Reserve Oil and Gas Company and for other considerations	6,243,680	2,401,978
	$ 46,239,400	$ 27,509,092

7. Commitments and Contingencies

(a) Under its agreement with Ontario Hydro for the sale and delivery of uranium oxide between now and the year 2011, which agreement is subject to certain provisions as to specified curtailments or reductions and as to termination, the Company is continuing the major expansion of its plant and mine facilities at Elliot Lake. The utility is continuing to make advances to the Company of substantially all the cost of the expansion and will be repaid over the delivery period. The amount outstanding at December 31, 1980 with respect to the advances is $201,610,233. The Company's Elliot Lake operating properties, facilities and certain other assets related thereto have been mortgaged or charged as security for the funds advanced subject to the Company's right to give prior security for future indebtedness in agreed amounts.

(b) The Company is participating in the construction and installation of production and processing facilities with respect to four exploration and development areas, two (the Prinos Oil Field and the South Kavala Gas Field) in the Sea of Thrace, one (the Casablanca Oil Field) in the Mediterranean, offshore Spain and one in the Gulf of Mexico. The remaining cost to complete such construction and installation is estimated at $U.S.296,000,000 in 1980 dollars, the Company's share of which would be $U.S.83,000,000.

(c) Other major projects authorized as of December 31, 1980 will require estimated capital and exploration expenditures of $104,000,000.

(d) In October, 1980, the Company acquired all the right, title and interest of the vendor with respect to certain uranium-bearing properties in the Northern Territory of Australia including a property known as the Koongarra Deposits. A portion of the purchase price has been paid and an additional amount, based upon estimated economic production of uranium oxide from the Koongarra Deposits, is payable upon the making of a firm production decision. In addition, the Company must pay the vendor additional amounts in respect of uranium oxide extracted by underground mining methods from a specified deposit in the Koongarra Deposits or recovered by any method from the other properties. Certain approvals and agreements must be obtained before any of these properties may be developed and in connection therewith the Company will be required to reduce its interest to permit Australian participation.

(e) Under the agreement by which the Company acquired its 68.75% interest in the two exploration and development areas in the Sea of Thrace described in note 7(b), the vendor, Oceanic Exploration Company ("Oceanic"), retained a production payment entitlement of $U.S.10,000,000 and thereafter a 15% net earnings interest in those areas and in other areas in the Sea of Thrace. It is expected that the loan made by the Company to Oceanic and accumulated interest thereon described in note 2(c) will be effectively offset against those retained interests.

(f) Westinghouse Electric Corporation is continuing proceedings commenced in 1976 in the United States District Court for the Northern District of Illinois against twenty-nine defendants, including the Company and its wholly-owned subsidiary, Denison Mines (U.S.) Incorporated. Tennessee Valley Authority is continuing proceedings commenced in 1977 in the United States District Court for the Eastern District of Tennessee against eight defendants, including the Company. In each action, the plaintiff is claiming relief from alleged illegal combinations and conspiracies entered into by the defendants to restrain both the interstate and foreign commerce of the United States in uranium in violation of the Sherman Antitrust and Wilson Tariff Acts. The plaintiff in each action claims an injunction and treble the damages alleged to be caused to the plaintiff, the extent, if any, of such damages not yet having been ascertained. The Company and Denison Mines (U.S.) Incorporated are of the opinion that the actions are without merit as against them and are defending the actions, denying any illegal actions and asserting a lack of jurisdiction.

(g) By two complaints, filed in 1978 and 1979 respectively, actions were commenced against the Company in the United States involving claims aggregating approximately $U.S.11,300,000. The Company is of the opinion that each action is without merit as against it, is defending one action, which involves approximately $U.S.1,300,000, and intends to defend the second action, which involves $U.S.10,000,000, if it proceeds. On motion by the Company the court by order quashed the service on the Company of the complaint in the second action but the plaintiff has appealed such order. The appeal has not been heard.

(h) The Company has guaranteed payment of both principal and interest, aggregating $U.S.6,342,334 as at December 31, 1980, of a loan to Quintette Coal Limited, an affiliated company. The loan matures in 1984 and bears interest at a rate selected by the borrower, from time to time, equal to any of the London Interbank Eurodollar Market rate, the U.S. base rate or the Canadian prime rate, plus margins of up to 0.75%.

(i) Based on the most recent actuarial evaluations, unfunded past service pension liabilities of the companies amount to $5,958,382. This amount is being funded and expensed over periods from 10 to 17 years. The total charge against operations in 1980 with respect to past service liabilities amounted to $823,953 including interest.

(j) The companies have operating lease agreements, primarily for shipping facilities and real property, for which the minimum aggregate rentals total approximately $14,000,000, of which approximately $3,000,000 is payable annually.

(k) The Company has some $9,000,000 of net current assets in countries which impose certain restrictions on the transfer of funds.

8. Remuneration of Directors and Senior Officers

Direct remuneration received by the directors and senior officers in 1980 amounted to $1,719,900 (1979 — $1,847,153).

9. Segmented Information

Generally accepted accounting principles now require the Company to disclose in its consolidated financial statements information which segments its total operations by industry and by geographic area and which discloses the amount of its export sales. The Company considers that such disclosure would be damaging to it and applied to the Ontario Securities Commission for an order exempting it from the necessity to make such disclosure. However, such order was refused. The Company has appealed the Commission's refusal and pending the decision upon the appeal, which has not been heard, an order has been issued in the Supreme Court of Ontario permitting the Company to prepare these consolidated financial statements without the inclusion of such segmented information.

10. Related Party Transactions

The Company obtains services from firms in which non-executive directors of the Company are partners or officers. Payments for such services, principally legal fees, security brokerage commissions and real estate fees, did not exceed one-half of one per cent of gross revenue and other income.

The Company incurs costs, principally with respect to the rental of its head office premises and the time of its officers and staff, which benefit various of its associated companies. Reasonable charges are made to those companies with respect to such costs.

FIVE YEAR SUMMARY

Denison Mines Limited and its Subsidiaries

PRODUCTION DATA	1980	1979	1978	1977	1976
Tons milled	2,510,000	2,440,000	2,404,000	2,059,000	1,522,000
Average grade (lbs. U_3O_8 per ton)	1.87	2.03	2.15	2.07	2.16
Pounds U_3O_8 produced	4,452,000	4,496,000	4,889,000	4,001,000	3,112,000
Crude oil (bbls.)	2,249,000	1,593,000	1,658,000	1,688,000	1,712,000
Natural gas (mcf)	5,504,000	3,828,000	3,393,000	3,149,000	2,100,000

CONSOLIDATED FINANCIAL DATA					
Sales	$365,153,283	$310,508,336	$269,888,785	$199,062,733	$160,058,677
Net earnings for the year	73,698,757	56,092,061	58,241,136	27,878,009	15,043,214
— per share*	4.03	3.07	3.19	1.53	0.82
Dividends paid	27,409,325	21,927,461	33,804,836**	10,050,086	9,136,442
— per share*	1.50	1.20	1.85**	0.55	0.50
Working capital (deficiency)	(39,830,243)	39,169,831	48,868,077	(3,263,692)	91,269
Additions to fixed assets	406,486,668	261,635,658	73,393,948	56,058,178	52,296,443
Shareholders' equity	219,794,763	173,505,331	139,340,731	114,904,431	97,076,508
— per share*	12.03	9.50	7.63	6.29	5.31

*After adjusting for the four-for-one subdivision of shares effective February 23, 1979.

**Includes a special dividend of $1.25 per share paid in 1978 out of 1971 capital surplus on hand.

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Vice-President,
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C. D. Parmelee
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Corporate Affairs

M. J. de Bastiani
Vice-President,
Technical Operations

R. C. Hermann
Vice-President,
Coal Operations

L. L. Samoil
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