

THE SECURITIES ACT

)

Order No. 4407

)

Section 20(1)

)

March 3, 2004

**DENISON ENERGY INC., DENISON MINES INC.  
AND DENISON OIL CORPORATION**

**WHEREAS:**

(A) Denison Energy Inc. ("Energyco"), Denison Mines Inc. ("Mineco") and Denison Oil Corporation ("Oilco") have applied to The Manitoba Securities Commission (the "Commission") for an order under *The Securities Act*, R.S.M. 1988, c. S50 (the "Act") that:

1. under subsection 20(1) of the Act, certain trades of securities to be made in connection with a plan of arrangement (the "Denison Arrangement"), under section 182 of the *Business Corporations Act* (Ontario) (the "OBCA"), involving Energyco, Mineco, Oilco, Denison Resources Inc. ("Resourceco"), Denison Mine Holding Corporation ("Mine Holdco"), Denison Resources Partnership (the "Partnership"), Tenwest Uranium Limited ("Tenwest"), E. Peter Farmer (as holder of the one outstanding voting common share of Mine Holdco) and the holders ("Energyco Shareholders") of common shares ("Energyco Common Shares") of Energyco and the holders ("Energyco Optionholders") of options ("Energyco Options") to purchase Energyco Common Shares, to be exempted from the requirements of Section 6 and 37 of the Act (the "Registration and Prospectus Requirements").

(B) Energyco, Mineco and Oilco have represented to the Commission that:

1. Energyco was incorporated in Ontario by the amalgamation in 1973 of Denison Mines Limited and Stanrock Uranium Mines Limited. Energyco changed its name from Denison Mines Limited to Denison Energy Inc. in 2002. Energyco's head office is located in Toronto, Ontario.

2. Energyco's business is divided into three segments operated by Energyco directly rather than through separate subsidiaries.

(a) Mining and Uranium Operations - In recent years, this has been Energyco's principal business. Its uranium mining operations consist of a 22.50% interest in the McClean Lake Uranium facility in Northern Saskatchewan and a 19.96% interest in the Midwest Uranium Project, also located in Northern Saskatchewan. Energyco also owns interests in certain mining exploration properties. In 2002, Energyco's revenues from its mining business were \$28,511,000 with net earnings of \$4,893,000.

(b) Denison Environmental Services ("DES") - DES provides environmental consulting services to other mining resource companies with respect to the rehabilitation and monitoring of closed mine sites. In 2002, DES had revenues of \$3,313,000 and a net loss of \$536,000.

(c) Oil and Natural Gas Exploration and Development - Energyco owns interests in a number of oil and natural gas exploration and development properties located in Alberta and Saskatchewan. In 2002, Energyco's oil and natural gas business had revenues of \$6,142,000 and net earnings of \$1,033,000.

3. The authorized capital of Energyco consists of an unlimited number of Energyco Common Shares, of which, as at December 30, 2003, 17,717,057 Energyco Common Shares were issued and outstanding. In addition, Energyco had, as at December 30, 2003, 1,051,000 Energyco Options to purchase Energyco Common Shares outstanding.
4. Energyco is, and has been for a period of time in excess of 12 months, a reporting issuer (where such concept exists) under the securities legislation of the Jurisdictions. To the best of its knowledge, information and belief, Energyco is not in default of the requirements under the legislation of the Jurisdictions or the regulations made thereunder.
5. The Energyco Common Shares are listed and posted for trading on the Toronto Stock Exchange (the "TSX") under the trading symbol "DEN".
6. Mineco is a corporation incorporated under the OBCA, having its head office in Toronto, Ontario. Mineco was incorporated on September 25, 2003.
7. Mineco has not conducted any business to date, but has executed the amended and restated arrangement agreement dated January 28, 2004 (the "Denison Arrangement Agreement") and agreements related to the Denison Arrangement Agreement.
8. The authorized capital of Mineco consists of an unlimited number of common shares of Mineco ("Mineco Common Shares"). As of the date hereof, there is issued and outstanding one Mineco Common Share, which is currently owned by Energyco.
9. After completion of the Denison Arrangement, all of the Energyco's uranium assets (the "Uranium Assets") and related liabilities (the "Uranium Liabilities") will have been transferred from Energyco to Mineco.
10. Mineco is not currently a reporting issuer in any jurisdiction in Canada. However, disclosure with respect to the Uranium Assets and Uranium Liabilities to be transferred to Mineco pursuant to the Denison Arrangement has been publicly available through Energyco's public filings.
11. Mineco has applied to the TSX to list the Mineco Common Shares on the TSX (failing which approval by the TSX, Mineco will apply to the TSX Venture Exchange (the "TSX Venture") to list the Mineco Common Shares on the TSX Venture) upon the completion of the Denison Arrangement.

12. Oilco is a corporation incorporated under the ABCA and having its head office in Calgary, Alberta. Oilco was incorporated on January 21, 2004.

13. Oilco has not conducted any business to date, but has executed the Denison Arrangement Agreement.

14. The authorized capital of Oilco consists of an unlimited number of common shares of Oilco ("Oilco Common Shares"), an unlimited number of Oilco First Preferred Shares, 3,500,000 Oilco Performance Shares, and an unlimited number of Oilco Second Preferred Shares. As of the date hereof, there is one issued and outstanding Oilco Common Share, which is owned by Energyco. Following the completion of the Denison Arrangement, there will be approximately 3,734,111 Oilco Common Shares issued and outstanding which will be held by the former Energyco Shareholders.

15. After giving effect to the Denison Arrangement, all of the Energyco's petroleum and natural gas assets (the "PNG Assets") and certain related liabilities (the "PNG Liabilities") will have been transferred from Energyco to Resourceco, a wholly-owned subsidiary of Oilco.

16. Oilco is not currently a reporting issuer in any jurisdiction in Canada. However, disclosure with respect to the PNG Assets and PNG Liabilities to be transferred to Resourceco, Oilco's wholly-owned subsidiary, pursuant to the Denison Arrangement has been publicly available through Energyco's public filings.

17. Oilco has applied to the TSX to list the Oilco Common Shares on the TSX (failing which approval by the TSX, Oilco will apply to the TSX Venture to list the Oilco Common Shares on the TSX Venture) upon the completion of the Denison Arrangement.

18. On January 29, 2004, Energyco was issued, pursuant to section 182 of the OBCA, an interim order (the "Denison Interim Order") by the Superior Court of Justice of Ontario which specifies, among other things, certain procedures and requirements to be followed in connection with the calling and holding of the meeting (the "Denison Meeting") of Energyco Shareholders and Energyco Optionholders (collectively, the "Energyco Securityholders") to be held on March 3, 2004 and the completion of the Denison Arrangement.

19. With respect to matters to be brought before the Denison Meeting pertaining to matters of business affecting Oilco and Mineco, each Energyco Shareholder shall be entitled to one vote on a ballot at the Denison Meeting for each Energyco Common Share held, and such resolutions will be effective resolutions of the shareholders of each of Oilco and Mineco as if passed at a meeting of the shareholders of each of Oilco and Mineco entitled to vote on such matters.

20. The Denison Meeting is to be held on March 3, 2004 at which Energyco will seek the requisite Energyco Securityholder approval for the special resolutions approving the Denison Arrangement. Pursuant to the Denison Interim Order, the requisite approval is 66 <sup>2</sup>/<sub>3</sub>% of the votes cast by Energyco Shareholders and 66 <sup>2</sup>/<sub>3</sub>% of the votes cast by Energyco Optionholders, represented at the Denison Meeting in person or by proxy, with Energyco Shareholders and Energyco Optionholders voting as separate classes.

21. In connection with the Denison Meeting and pursuant to the Denison Interim Order, Energyco mailed on February 9, 2004 to each Energyco Securityholder (i) a notice of the Denison Meeting, (ii) a form of proxy, and (iii) the Denison Information Circular. The Denison Information Circular has been prepared in accordance with OSC Form 30 - Information Circular, and, pursuant to OSC Rule 54-501, contains prospectus-level disclosure of the three businesses resulting from the Denison Arrangement, being each of Energyco, Mineco and Oilco.

22. Each of the steps in the Denison Arrangement will occur, or will be deemed to occur, in the order set forth in the Denison Arrangement, on the effective date of such Denison Arrangement. In a number of steps in the Denison Arrangement, securities will be issued solely for the purpose of the mechanics of the Denison Arrangement. Energyco Shareholders will not receive certificates representing securities being transferred in connection with such intermediate steps of the Denison Arrangement. All trades in securities in connection with the Denison Arrangement are referred to as the "Trades".

23. The following is a summary of the Denison Arrangement:

(a) Tenwest will be amalgamated with Energyco as if the amalgamation were carried out pursuant to subsection 178(1) of the *Securities Act* (Ontario).

(b) The Uranium Assets and Uranium Liabilities will be, directly and indirectly, transferred and assigned by Energyco to Mineco, in exchange for the issuance of Mineco Common Shares to Energyco.

(c) The PNG Assets and PNG Liabilities will be transferred and assigned by Energyco through Resourceco to the Partnership (which is held as to 50% by Resourceco, the wholly-owned subsidiary of Oilco, and as to 50% by Denison Resources Holding Corporation, the wholly-owned subsidiary of Resourceco) in exchange for the issuance of Oilco Common Shares to Energyco.

(d) As a result of (a) and (b), Energyco will own the number of Mineco Common Shares equal to the number of Energyco Common Shares issued and outstanding on the effective date for the Denison Arrangement, and the number of Oilco Common Shares equal to 1/5 of the number of Energyco Common Shares issued and outstanding.

(e) Energyco Shareholders who are non-residents of Canada within the meaning of the Income Tax Act (Canada) (the "Tax Act") will transfer their Energyco Common Shares to Energyco, indirectly through Mine Holdco, and, for each Energyco Common Share transferred, will receive in exchange (subject to adjustment in certain situations) (i) 1/21 of one New Energyco Common Share, (ii) 1/5 of one Oilco Common Share, and (iii) one Mineco Common Share.

(f) Energyco Shareholders who are residents of Canada within the meaning of the Tax Act will transfer their Energyco Common Shares directly to Energyco, and, for each Energyco Common Share transferred, will receive in exchange (subject

to adjustment in certain situations) (i) 1/21 of one new common share of Energyco ("New Energyco Common Share"), and (ii) one Series I preference share ("Energyco Spin-Out Share"), specifically created and issued in connection with the Denison Arrangement, which Energyco Spin-Out Share will be transferred to Mine Holdco in exchange for 1/5 of one Oilco Common Share and one Mineco Common Share.

(g) Energyco will provide Energyco Optionholders with the opportunity to exercise their Energyco Options prior to the effective time of the Denison Arrangement, including Energyco Options, that, by their terms, do not vest until after the effective time of the Denison Arrangement. Energyco Options that have not been exercised at the effective time of the Denison Arrangement will be cancelled.

(h) Upon completion of the Denison Arrangement, former Energyco Shareholders will hold 100% of the issued and outstanding common shares of each of Mineco, Oilco and New Energyco; Oilco will indirectly hold all of the PNG Assets and PNG Liabilities; and Mineco will own all of the Uranium Assets and Uranium Liabilities. New Energyco will hold the option to purchase all of the shares of a private oilfield services company.

(C) The Commission is of the opinion that it would not be prejudicial to the public interest to grant the order requested by the Applicant.

**IT IS ORDERED:**

1. **THAT**, pursuant to subsection 20(1) of the Act, the Trades made in connection with the Denison Arrangement are exempt from Sections 6 and 37 of the Act; and
2. **THAT** the fee for this order shall be \$1000.00.

**BY ORDER OF THE COMMISSION.**

**Director - Legal**