



Deep Yellow Ltd (DYL.ASX)

PFS on track as uranium price experiences a resurgence

Event:

- Release of March quarterly.

Investment Highlights:

- Tumas PFS progressing.** Deep Yellow Ltd (DYL) has released its March quarterly, with the key highlight being the company progressing the Tumas PFS despite the COVID-19 environment. The key achievement was completion of the 5,154m infill drilling program on Tumas 3, the purpose of which is to convert a major portion (50%) of Inferred Resources into Indicated.
- Resource upgrade expected next month.** Drilling confirmed continuity of mineralisation across the central 2.5km strike of the 7km Tumas 3 deposit, with 85% of holes yielding 4.5m average thickness and 346ppm eU₃O₈. DYL expressed confidence that sufficient Indicated Resources to complete a PFS can be achieved. DYL expects a new Tumas 3 JORC resource estimate in early May.
- Targeting 20 year LOM with sub-US\$30/lb cash costs.** The company is targeting life of mine >20 years with cash cost below US\$30/lb, minimum IRR 20%, and capex intensity of US\$115-US\$130M/lb eU₃O₈, these criteria having been refined from completion of the Scoping Study.
- Preliminary met work confirm scoping assumptions.** Met work on samples have confirmed the validity of assumptions that were used in the scoping Study, including recoveries \geq 97.5% and leach extraction <95%. Data collection for baseline studies has also commenced.
- Aiming for completion by end CY2020.** Despite disruptions from adjusting protocols and procedures as a result of COVID-19, DYL has experienced minimal disruption. While Namibia has implemented a 21-day lockdown until 17 April 2020, mining and related industries have been declared critical, allowing work to continue. Details are still being finalised with the Government.
- Cash burn minimal as focus is mostly on PFS.** The company ended March with \$13M cash, implying expenditure of only \$1M during the quarter, and is adequately funded to complete its PFS. It is also attuned to M&A opportunities.
- Cigar Lake shutdown sparks uranium price rally of >30%.** As a result of COVID-19, Cameco recently shut down its Cigar Lake operation indefinitely, the uranium price has rallied >30% to US\$32/lb. While Cigar Lake will eventually return post the pandemic, we believe the price will not go back to pre COVID-19 levels, because 1) Purchasers will be more acutely aware of supplier risk; 2) Global stockpiles continue to erode; and 3) Utilities' covered demand is falling.

Earnings and Valuation:

- We value DYL at \$0.45/share, using a peer EV/JORC Resource contained U₃O₈ multiple.** Given the absence of project metrics, we do not yet forecast earnings.

Recommendation:

- We maintain our Speculative Buy and 12-month price target of \$0.45/share, based on valuation.** DYL has four attractive attributes: 1) Proven uranium jurisdiction; 2) Experienced management 3) Sizeable resource; and 4) Acceptable grade.
- Catalysts include:** 1) Tumas PFS results; 2) Resource upgrades; 3) M&A; 4) Improving uranium market.

Disclosures

The analyst does not own DYL securities.

Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) do not own DYL securities.

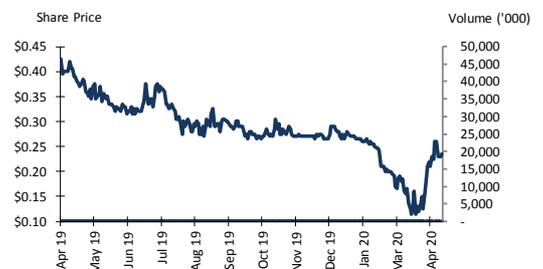
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Refer details end of report.

Foster Stockbroking provides equity capital markets and corporate advice to DYL for which it may receive fees.

Recommendation	Speculative Buy
Previous	Speculative Buy
Risk	High
Price Target	\$0.45
Previous	\$0.45
Share price (A\$)	\$ 0.250
ASX code	DYL
52 week low-high	0.105-0.45
Valuation (A\$/share)	\$ 0.45
Methodology	EV/JORC Resource multiple
Capital structure	
Shares on Issue (M)	245
Market cap (A\$M)	61
Net cash (debt) (A\$M)	13
Options (M)	63
Performance rights (M)	1
EV diluted (A\$M)	64
Ave daily volume ('000)	142
Board	
Rudolf Brunovs	Non-Executive Chairman
John Borshoff	CEO and Managing Director
Gillian Swaby	Executive Director
Mervyn Greene	Non-Executive Director
Christophe Urtel	Non-Executive Director
Justin Reid	Non-Executive Director
Substantial shareholders	
Sprott	12.2%
Collines Investment	8.5%
Paradice Investment Management	7.7%

Share price graph



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