

# Uraniumletter INTERNATIONAL

*the international independent information and advice bulletin for uranium resource investments*

**Investment Alert – November 25, 2021**

[www.deeptyellow.com.au](http://www.deeptyellow.com.au)



## Deep Yellow Limited (A\$ 1.02)

ASX	: DYL
OTCQX Best Market	: DYLLF
H+L prices (12 months)	: A\$ 1.37 – 0.385
Fully paid	: 381.3 million
Market capitalization	: A\$ 388.9 million (US\$ 280.2 million)

**2021/2022 share price target: A\$ 1.50**

## INVESTMENT ALERT

### ► Deep Yellow's acquisition proposal to Vimy Resources as a merger of equals not accepted

On 19 November 2021, **Deep Yellow** announced its proposal to acquire **Vimy Resources** by a scheme of arrangement which lapsed after limited engagement from the Board of Vimy.

**Deep Yellow** provided the following background to shareholders in respect of the Company's approach to **Vimy**:

- **Deep Yellow** believes it is in a unique position to de-risk the **Mulga Rock Project** in **Western Australia** for all Vimy shareholders and that offer provides a path forward that, in its view, is least dilutionary to Vimy shareholders
- **Mulga Rock** has a stated total **Capex number** of **A\$ 393 million**. With a market capitalisation of around \$ 280 million and cash balance of \$ 22 million, Vimy shareholders will be materially diluted as that company moves towards development.
- **Deep Yellow's** proposal would de-risk this development for Vimy shareholders by creating a circa **\$ 670 million market capitalisation combined group with \$ 95 million cash at bank**.
- **Vimy** shareholders would become **Deep Yellow** shareholders and be able to share in the upside of what the Company believes is a significant step in sector consolidation to become a Tier-1 uranium producer.
- As **Mulga Rock** will be the first uranium mine ever built in **Western Australia**, this carries tremendous responsibility. The Deep Yellow team has previous experience in delivering uranium deposits through to production.

- **Deep Yellow** adds that with prospects for uranium expected to be right, the journey to delivery cost efficient mining and uranium oxide production is not straight forward.

It is with this background **Deep Yellow** approached **Vimy** regarding a merger, noting that a number of key Vimy executives have chosen to pursue other interests prior to full development of the **Mulga Rock Uranium Project**.

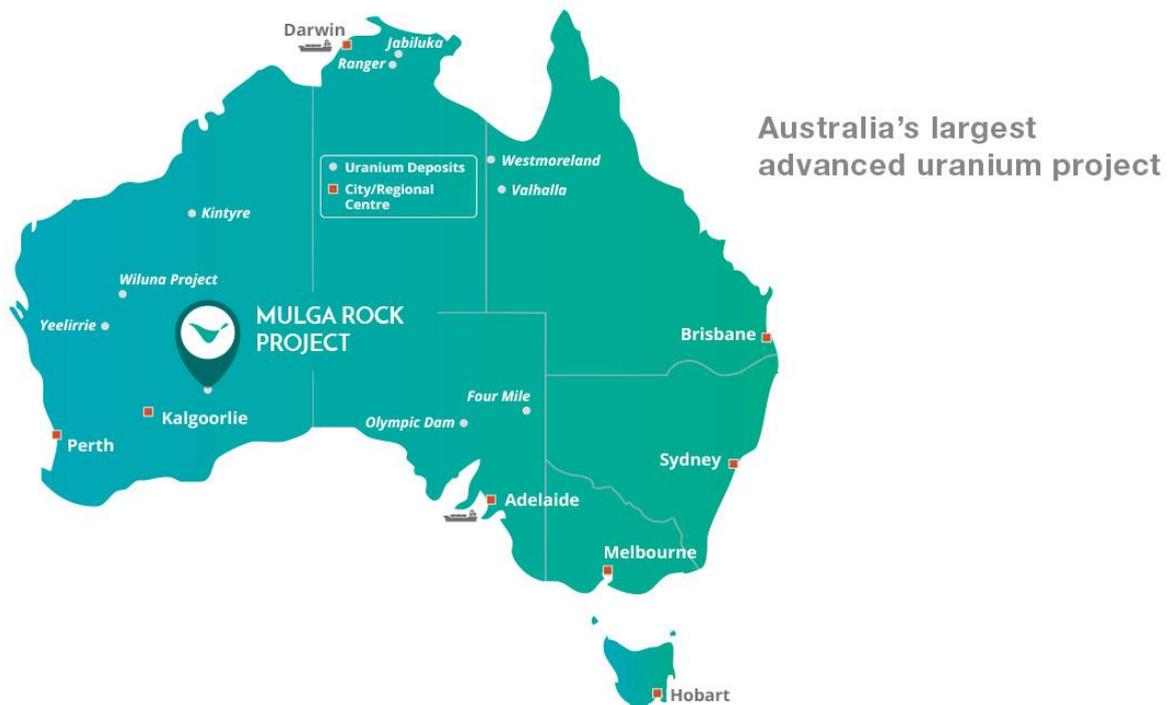
The same day (29 November) **Vimy** referred to a now lapsed merger proposal from **Deep Yellow** for the acquisition of 100% of Vimy fully paid ordinary shares (via scheme of arrangement) by the issue of one Deep Yellow ordinary share for every 3.74 Vimy ordinary share, which was outlined in a confidential proposal dated 15 November.

According to **Vimy's** Board, while the proposal was labelled as a "merger of equals", it was for the acquisition of 100% of the shares in Vimy and implied a 10% premium to Vimy's last close of A\$ 0.275 at 12 November, the date that **Deep Yellow** referred to in its proposal, which the Board of Vimy decided did not reflect an appropriate control premium.

While **Deep Yellow's** Proposal provided shareholders with approximately 43% of the combined company, in the Board's opinion Vimy's ownership interest in the combined group should be materially higher than the proportion offered in the Proposal.

In a response dated 23 November 2021 **Deep Yellow** respects **Vimy's** decision to pursue a strategic review process to consider the value that may be achieved through potential cooperation transactions with recognised industry participants as an alternative to advancing **Mulga Rock** on a 100% Vimy basis.

**Vimy** has appointed Macquarie Capital Australia as financial advisor and Minter Ellison as legal advisor to assist the Board of Vimy with the Strategic Review Process.



## Investment Comments:

**Deep Yellow** has a two-pronged growth strategy involving the growing of existing uranium resources in **Namibia**. The country has an excellent jurisdiction and infrastructure for development and mining. It is ranked 4<sup>th</sup> among the world's top 10 uranium countries and the highest ranked African country.

Since 2017 successful exploration over the highly prospective **Tumas Palaeochannel** has resulted in a remarkable four-fold increase in the resource base of the deposit type.

**The total Tumas updated ore reserves by deposit stands now at 68.40 Mlb.**

Importantly, with the Company's stated Exploration Target there remains strong upside for further discovery with supportable expectations that this calcrete-associated uranium in **Mineral Resource could be increased to between 100 million pounds and 150 million pounds U<sub>3</sub>O<sub>8</sub> in the grade range of 300 to 500 ppm U<sub>3</sub>O<sub>8</sub>.**

The completion of a highly positive **PFS** confirms technical and economic viability of the **Tumas Project**, as a result of which the Board has approved proceeding directly to a **DFS to align with the potential development of the Reptile Project around the target period of 2023/24.**

Having a strong cash balance of A\$ 52.35 million as at September 30, 2021, and 51 million 50 cent options remaining exercisable, **Deep Yellow**, in particular compared to the valuation of US-focused stand by producers and advanced development companies, from my point of view, at a current market valuation of US\$ 278.1 million, remains substantially undervalued.

**My extended 2021/2022 share price target mains at A\$ 1.50.**