

H1 FY24 Result – Cashed Up

There were no material updates in the H1 FY24 results for DYL. The NPAT loss of \$6.2m was below our estimated loss of \$1.2m on treatment of an R&D grant (not in the P&L) and higher admin costs. More importantly, following its recent \$220m placement DYL is set to step up its cash balance (first tranche of \$140.5m completed today), leaving it positioned to more aggressively move forward with its Tumas and Mulga Rock developments. We maintain our Hold rating.

Financial Result: The NPAT loss of \$6.2m in the H1 FY24 is not material for DYL, being primarily driven by net interest and corporate costs. Project capital expenditures (\$9.8m) and cash balances (\$25.1m) had been reported with the quarterlies.

Capital raising coming in: Deep Yellow has today announced completion of the first tranche of its recent capital raising, delivering \$140.5m. The \$80m tranche 2 component is due post an April 30 shareholder meeting. The \$30m SPP is due to close on April 8. With the stock trading under the SPP price of \$1.225 these funds remain at risk. \$220m of the raising is targeted towards Tumas, for which we anticipate a funding requirement of ~A\$700m. With the placement proceeds secure, DYL is well-funded to move its development program forward, leaving Tumas as one of the most advanced greenfields projects in the market. We believe uranium market fundamentals remain positive, which should support further funding if needed.

Tumas Project: With its revised DFS complete and final approvals received last quarter, Tumas is now working through debt funding and offtake. On the ground, DYL is currently undertaking further infill drilling to upgrade the reserve at Tumas 3, this will likely be needed to support debt financing and will support detailed mine planning. Debt financing, which will be contingent on securing offtake, is expected by Q3 2024. We see this time frame as tight, but with cash in the bank, delays to the debt should not materially hold up the project.

Mulga Rock Project: The polymetallic resource update was released in February, the revised DFS incorporating the other metals is due in Q2 2025. Grades across the critical minerals are all sub 700ppm in the resource (with the exception of zinc) so metallurgical work to prove up recoveries is key here, test work to date is delivering encouraging results.

Uranium pulling back, but fundamentals positive: Spot uranium has eased \$24/lb since the 5 Feb \$107/lb peak. Liquidity has been low, with ytd spot volumes down 40% y/y. Over the recent period of weakness, Feb volumes totalled 2.5mlbs and March (to 11 March) only 400klbs, this contrasts to total 2023 monthly averages of 4.1mlbs. Producers remain short pounds, financial buyers continue to underpin demand, and the longer-term demand outlook remains positive. We anticipate a volatile market, but with a broader upward price trend. DYL offers strong leverage to this dynamic, but we see it as fully valued for now.

ESTIMATE CHANGE

RATING	HOLD
PRICE	AUD1.20 ^A
PRICE TARGET % TO PT	AUD1.40 +17%
52W HIGH-LOW	AUD1.76 - AUD0.48
FLOAT (%) ADV MM (USD)	69.3% 3.84
MARKET CAP	AUD1.1B \$745.6M
TICKER	DYL AU

^APrior trading day's closing price unless otherwise noted.

	CHANGE TO JEF ^e		JEF vs CONS	
	2024	2025	2024	2025
REV	-9%	-68%	NA	NA
EPS	-320%	NA	NA	NA

2024 (AUD)	1HalfA	2HalfA	FY
EPS	(0.01)	(0.01)	↓(0.02)
PREV			(0.00)

(FY Jun)	2023A	2024E	2025E	2026E
Rev. (MM)	1.9	3.5	1.9	10.1
EBITDA (MM)	(9.1)	(12.9)	(9.9)	(11.4)
Net Profit	(10.1)	(13.7)	(19.1)	(43.6)
EPS	(0.01)	(0.02)	(0.02)	(0.05)

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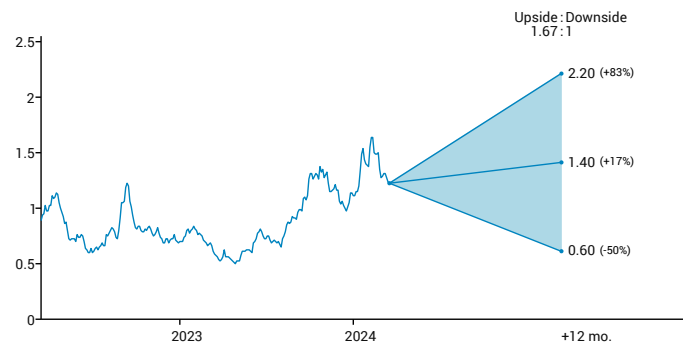
The Long View: Deep Yellow Ltd

Investment Thesis / Where We Differ

The investment thesis for Deep Yellow rests in its exposure to medium-to-longer-term strength in uranium markets. Clearly, near-term strength in the uranium market will see the stock supported, but its portfolio of greenfield projects is more strongly levered to the longer term. We anticipate a sustained multi-year period of strong uranium pricing to unlock value in the DYL project suite and to advance its projects, firming up schedules, funding, and approvals.

Longer term, with production potential of 6-7mlbs pa for 15-20 years, DYL is positioned to potentially become a uranium producer of global importance, while its exploration portfolio outside its key projects adds further leverage.

Risk/Reward - 12 Month View



Base Case, AUD 1.40, +17%

Our valuation for Deep Yellow is based on an NPV for the Mulga Rock and Tumas Projects, with estimates more conservative than the feasibility reports with capital costs ~20% higher at Tumas and 35% higher at Mulga Rock, and AISC 15% higher than the DFS estimates. We then apply a 15% discount to these NPVs for incorporating into our Group valuation. We incorporate a value for Angularli based on US \$7.50/lb of Resource. Our price target is set at a 25% premium to our Group NPV.

Upside Scenario, AUD 2.20, +83%

In our upside scenario, we increase our uranium price forecasts by 20%

Downside Scenario, AUD 0.60, -50%

In our downside scenario, we reduce our uranium price forecasts by 20% and increase the valuation discount we apply to Mulga Rock and Tumas to 50%.

Sustainability Matters

Top Material Issue(s): Key issues for the sector include the consideration of traditional owners of the land on which mines are located, net zero targets and actions being taken to achieve set goals, and workforce safety and structure, for example local community hired vs fly-in, fly-out workers.

Company Target(s): As a pre-production company, DYL's goals are more socially focused, including 1) fostering childhood development through education, 2) empowering communities through sport, 3) promoting a sustainable environment, 4) operating a zero-harm workplace.

Qs to Mgmt: 1) What is the water intensity of your Namibian operations and how are you addressing these needs? 2) Who are the traditional owners of the land on which you operate? What are your interactions with them? 3) What are your considerations about paying a 'fair' rent in the countries in which you operate vs achieving an appropriate return on capital for operating in that environment? 4) What are the key community concerns at your operations and how have you addressed them?

Catalysts

Tumas progressing towards production: DYL is advancing FEED, financing, and offtake, as well as delivering a Resource update ahead of FID expected in Q3 2024.

Growing Angularli: Ongoing drilling and project updates should be positive here.

Mulga Rock polymetallic update: DYL is reviewing the opportunity to produce a polymetallic product suite at Mulga Rock. A DFS is due Q2 2025.

Figure 1 - Deep Yellow - Financial and Valuation Summary

Deep Yellow Ltd - Financial Summary						Analyst:	Chris Drew	Price:	\$1.23	As at:	15/03/2024	DYLAX		DYL-AU	
						Rating:	HOLD	Price Target:	\$1.40			Year End:	30/06/2024		
Ratios						Valuation									
	FY22	FY23	FY24	FY25	FY26	Jefferies Estimates		Spot							
	Actual	Actual	Estimate	Estimate	Estimate	A\$m	A\$ps	A\$m	A\$ps						
PE	-45.2x	-86.6x	-74.7x	-60.7x	-26.6x	Tumas Uranium Project	257	0.27	794	0.85					
P/OpCF	-86.2x	-178.3x	-118.x	-62.1x	-26.8x	Mulga Rock Project	413	0.44	849	0.91					
EV/EBITDA	-60.x	-106.9x	-106.2x	-121.7x	-65.2x	Angularli Project	297	0.32	294	0.31					
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%	Corporate costs	(99)	-0.11	(59)	-0.06					
ROE (Normalised NPAT / Equity)	-5.9%	-2.7%	-2.4%	-3.4%	-8.5%	Net Cash / (Debt)	159	0.17	212	0.23					
ROA (EBIT / (Assets - Cash))	-12.2%	-2.8%	-3.7%	-2.0%	-1.3%	Total equity valuation	1,026	1.09	2,091	2.23					
ROIC (EBIT / Assets)	-5.6%	-2.5%	-2.3%	-1.4%	-1.1%	Price Target	A\$m	A\$ps							
EBIT / Net Interest	-662.7x	-50.6x	-116.6x	-1.2x	-4x	NPV (1.25x)	1,283	1.40							
EBITDA / Net Interest	-628.x	-46.4x	-111.x	-1.1x	-4x										
Net Debt / EBITDA	10.05x	4.48x	17.03x	4.76x	-36.02x										
Gearing - (Net Debt / Equity)	-0.56x	-0.11x	-0.38x	-0.08x	0.8x										
Gearing - (Net Debt / (Net Debt + Equity))	-1.29x	-0.12x	-0.62x	-0.09x	0.44x										
EBITDA Margin	-1254.1%	-471.4%	-375.2%	-97.4%	-132.4%										
Effective tax rate	0.0%	0.0%	0.0%	0.0%	0.0%										
FCFPS (Acps)	(3.19)	(3.07)	(3.57)	(18.46)	(48.73)										
FCF (EV) yield	-5.3%	-3.7%	-4.4%	-22.9%	-60.5%										
Income Statement															
A\$m	FY22	FY23	FY24	FY25	FY26	1H23	2H23	1H24	2H24	1H25	2H25				
	Actual	Actual	Estimate	Estimate	Estimate	Actual	Actual	Actual	Actual	Estimate	Estimate				
Total Revenue	0.51	1.93	3.45	10.13	8.61	0.99	0.94	0.65	2.80	5.11	5.03				
Operating Expenses	-6.97	-11.03	-16.39	-20.00	-20.00	-5.58	-5.45	-6.39	-10.00	-10.00	-10.00				
EBITDA	-6.46	-9.10	-12.94	-9.87	-11.39	-4.59	-4.51	-5.73	-7.20	-4.89	-4.97				
Depreciation & Amortisation	-0.36	-0.82	-0.66	-0.50	-0.50	-0.41	-0.40	-0.41	-0.25	-0.25	-0.25				
EBIT	-6.82	-9.92	-13.60	-10.37	-11.89	-5.01	-4.91	-6.14	-7.45	-5.14	-5.22				
Interest expense	-0.01	-0.20	-0.12	-0.71	-31.69	-0.06	-0.14	-0.05	-0.07	-2.27	-6.44				
NPBT	-6.83	-10.12	-13.71	-19.07	-43.59	-5.07	-5.05	-6.19	-7.52	-7.41	-11.66				
Tax Expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
Normalised NPAT	-6.83	-10.12	-13.71	-19.07	-43.59	-5.07	-5.05	-6.19	-7.52	-7.41	-11.66				
Extraordinary Items	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
Reported NPAT	-6.83	-10.12	-13.71	-19.07	-43.59	-5.07	-5.05	-6.19	-7.52	-7.41	-11.66				
Shares outstanding (m)	387.37	758.21	938.16	938.16	938.16	753.30	758.21	758.57	938.16	938.16	938.16				
Reported EPS (Acps)	-1.84	-1.42	-1.65	-2.03	-4.63	-0.76	-0.66	-0.82	-0.83	-0.79	-1.24				
Normalised EPS (Acps)	-1.84	-1.42	-1.65	-2.03	-4.63	-0.76	-0.66	-0.82	-0.83	-0.79	-1.24				
Normalised EPS growth	5%	-23%	16%	23%	129%										
Dividend/share - 1H (Acps)	0.0	0.0	0.0	0.0	0.0										
Dividend/share - 2H (Acps)	0.0	0.0	0.0	0.0	0.0										
Dividend per share (Acps)	0.0	0.0	0.0	0.0	0.0										
DPS growth	0%	0%	0%	0%	0%										
Payout ratio	0	0	0	0	0										
Cashflow						Balance Sheet									
A\$m	FY22	FY23	FY24	FY25	FY26	A\$m	FY22	FY23	FY24	FY25	FY26				
	Actual	Actual	Estimate	Estimate	Estimate		Actual	Actual	Estimate	Estimate	Estimate				
Net Cash from operations	-2.44	-6.23	-12.86	-20.00	-20.00	Cash	64.92	40.77	220.33	234.36	172.54				
Net interest	0.34	1.64	3.29	1.43	-23.09	Accounts Receivable	0.61	3.68	2.55	2.55	2.55				
Tax & Other	-1.65	-0.65	-0.21	0.00	0.00	Inventory	0.00	0.00	0.00	0.00	0.00				
Net cashflow from operating activities	-3.74	-5.23	-9.78	-18.57	-43.09	Other Current Assets	0.73	0.98	0.85	0.85	0.85				
Total PPE and development expenditure	-0.71	-2.01	-0.40	-137.40	-396.95	Total Current Assets	66.26	45.43	223.74	237.76	175.94				
Exploration expenditure	-7.55	-25.89	-18.38	-17.16	-17.16	Property, plant & equipment	1.12	3.09	2.91	139.82	536.26				
Sale/(purchase) of investments	0.00	0.00	2.21	0.00	0.00	Mine Dev. & Exploration	49.73	339.59	356.36	373.52	390.68				
Other	-0.35	9.86	-7.11	0.00	0.00	Other Non-current assets	3.80	3.55	3.41	3.41	3.41				
Net cashflow from investing activities	-8.61	-18.04	-23.68	-154.56	-414.11	Total Non-Current Assets	54.65	346.24	362.68	516.75	930.36				
Net proceeds from share issues	25.06	0.02	213.32	0.00	0.00	Total assets	120.92	391.67	586.42	754.51	1106.30				
Drawdown/(repayment) of debt	-0.19	-0.24	-0.24	187.16	395.37	Accounts Payable	1.70	10.15	1.57	1.57	1.57				
Dividends paid	0.00	0.00	0.00	0.00	0.00	Short-term debt	0.00	0.00	0.00	0.00	0.00				
Net cashflow from financing activities	24.87	-0.23	213.07	187.16	395.37	Other Current liabilities	0.36	0.68	0.55	0.55	0.55				
Net increase/(decrease) in cash	12.52	-23.50	179.61	14.03	-61.83	Total Current Liabilities	2.05	10.83	2.12	2.12	2.12				
						Long-term debt	0.00	0.00	0.00	187.40	583.02				
						Other long-term liabilities	3.69	6.20	5.96	5.72	5.48				
						Total Long-term liabilities	3.69	6.20	5.96	193.12	588.49				
						Total Liabilities	5.74	17.03	8.08	195.25	590.62				
						Total Equity	115.18	374.64	578.34	559.27	515.68				
						Net debt (cash)	-64.92	-40.77	-220.33	-46.96	410.48				
Board & Management Equity Ownership						Assumptions									
Position	Name	Shares Held	Options/Perf Rights			Jefferies Estimates	FY22	FY23	FY24	FY25	FY26				
			Vested	Unvested		Actual	Actual	Estimate	Estimate	Estimate					
Chairman	Chris Salisbury	-	133,333		AUDUSD	0.72	0.68	0.66	0.66	0.66					
Non-Executive Director	Mervyn Green	2,778,337	150,064	26,455	Uranium - US\$/lb	45.40	51	85	119	116					
Non-Executive Director	Greg Meyerowitz	50,000			Spot	FY22	FY23	FY24	FY25	FY26					
Non-Executive Director	Victoria Jackson				AUDUSD	0.72	0.68	0.66	0.66	0.66					
Managing Director and CEO	John Borshoff	13,671,900	1,890,076	1,374,863	Uranium - US\$/lb	45.40	51	80	91	91					
Executive Director	Gillian Swaby	8,591,506	1,461,608	753,347											

Source: Company Data, Jefferies Estimates

Company Description

Deep Yellow Ltd

Deep Yellow (DYL.ASX) is positioning itself with extensive exposure to the strong medium to long term uranium market outlook. It holds a globally significant 389mlbs Resource and has a quality management team in place to support delivery of its projects. It holds two post-DFS projects in Mulga Rock (WA) and Tumas (Namibia), that could come into production on a 3-4 year time frame. The smaller scale, high grade Angularli (NT) is earlier stage, but is an attractive development prospect which DYL is looking to grow. Importantly, approvals in place for Tumas, and Mulga Rock, while Angularli will need standard mining and environmental approvals. As with all such development plays, funding remains a hurdle, however, with its cash on hand DYL can continue to advance its projects without further funding for some time.

Company Valuation/Risks

Deep Yellow Ltd

We have estimated a value for Deep Yellow based on the NPV estimate for Mulga Rock and Tumas. We model AISC at Tumas 15% above the DFS, and capital costs 19% higher. At Mulga Rock we model 15% higher AISC and 35% higher capex (noting the Mulga Rock capex is a 2020 estimate). We then apply a 15% discount to these NPVs for incorporating into our valuation. We incorporate a value for Angularli based on US\$3/lb of Resource. We ascribe no value to the balance of the Resource (primarily the 125mlbs at Omahola). Our price target is set at a 25% premium to our Group NPV. Given the longer-dated timeframe for earnings delivery, we have not adopted P/CF and EV/EBITDA multiples as part of our valuation as we do for our producer coverage universe.

Key Risks to our valuation include:

- Movements in the uranium price will affect sentiment towards the company and directly affect project profitability and valuation once projects transition into production.
- Adverse movements in the AUD/USD and USD/NAD exchange rates could also negatively effect project economics.
- Funding risk – there is no guarantee funding will be available to advance the company's projects.
- Approvals risk – necessary approvals may not be granted, may be delayed, or may come with costly conditions negatively impacting the ability of the company to continue project development. More generally approvals associated with uranium mining are more onerous and extensive than typical mining which could add unexpected costs to development.
- Exploration risk – as with all exploration, there is no certainty of success, failure to deliver positive exploration results at the companies projects will negatively impact on the development prospects and future economics.
- Development risks – DYL portfolio of projects are yet to come into production, the projects will be subject to typical development risks around capital costs and schedules which can negatively impact project economics.
- Design risk – There is risk around project design, with no certainty that targeted production and cost outcomes can be delivered during operation.
- Resource risk – Resources are an estimate that may prove to be inaccurate if resources and reserves tonnes or grade are overestimated; this will negatively impact project economics.

Analyst Certification:

I, Chris Drew, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

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Investment Recommendation Record

(Article 3(1)e and Article 7 of MAR)

Recommendation Published	March 15, 2024 , 03:52 ET.
Recommendation Distributed	March 15, 2024 , 03:52 ET.

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Buy - Describes securities that we expect to provide a total return (price appreciation plus yield) of 15% or more within a 12-month period.

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Valuation Methodology

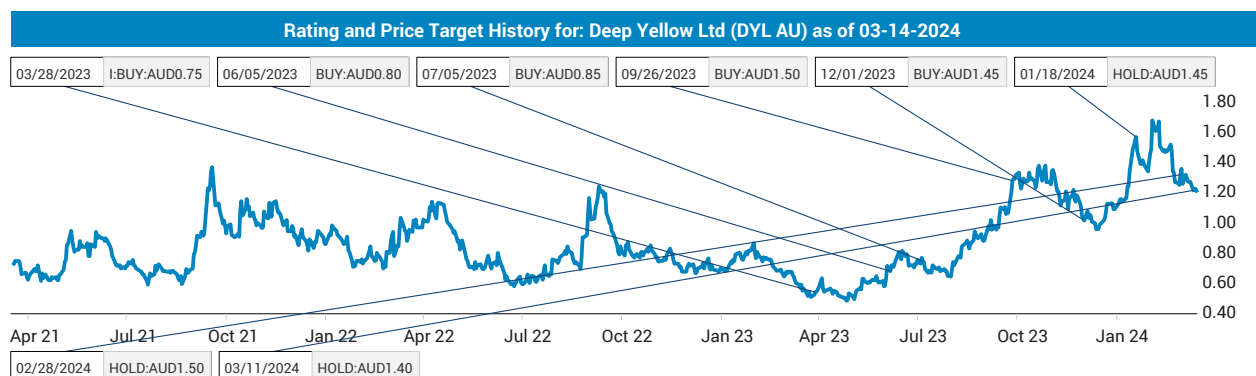
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Notes: Each box in the Rating and Price Target History chart above represents actions over the past three years in which an analyst initiated on a company, made a change to a rating or price target of a company or discontinued coverage of a company.

Legend:

I: Initiating Coverage

D: Dropped Coverage

B: Buy

H: Hold

UP: Underperform

Distribution of Ratings

			IB Serv./Past12 Mos.		JIL Mkt Serv./Past12 Mos.	
	Count	Percent	Count	Percent	Count	Percent
BUY	1990	59.02%	354	17.79%	117	5.88%
HOLD	1215	36.03%	114	9.38%	21	1.73%
UNDERPERFORM	167	4.95%	4	2.40%	3	1.80%

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