

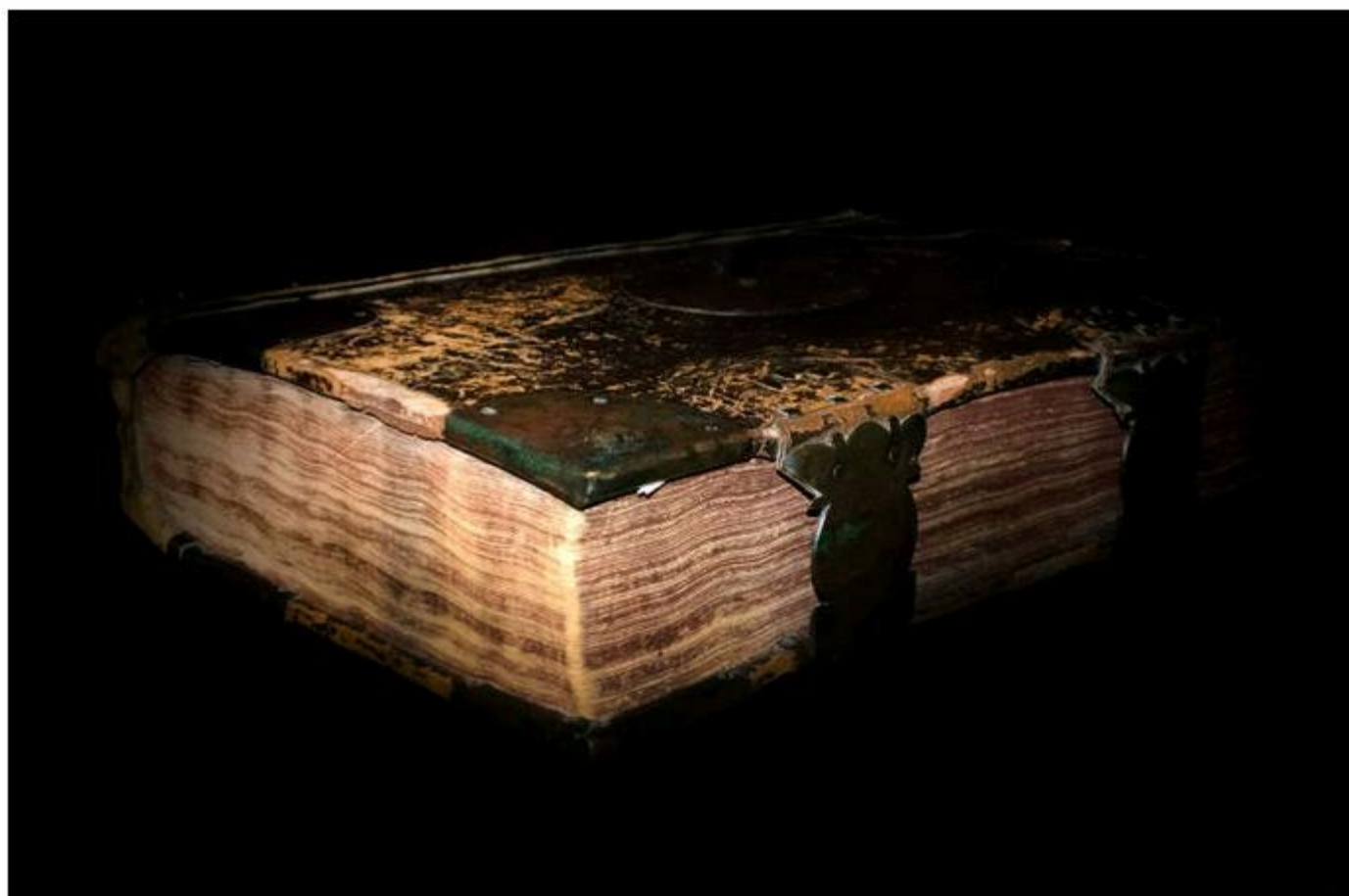
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## Deep Yellow secret growth plans

Deep Yellow directors are offering the corporate equivalent of smoke and mirrors as an alternative to giving investors a well-defined business strategy against which progress can be measured.

[John Robertson\\*](#) | 26 Jan 2017 | 6:46 | [Opinion](#)

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*Deep Yellow has become a closed book since John Borshoff and Spratt took control of the company*

The company had presented itself as a Namibia-focused uranium exploration story with leverage to an eventual improvement in uranium market conditions.

A 96% share price decline between 2011 and 2015 was disappointing but not greatly out of line with the 90% drop suffered by Bannerman Resources, another Namibia-based developer of uranium mineral projects or the 89% fall in the price of the Global X uranium exchange-traded fund.

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Deep Yellow had a credible exploration track record. In areas northeast of Walvis Bay and to the west of the Langer Heinrich uranium mine, the company made discoveries in 2008, 2010 and 2011.

In 2012, the company reported a resource across measured, indicated and inferred categories of 45.1 million pounds of contained U3O8.

Subsequently, the company's exploration efforts have turned to a nearby Anglo American discovery from over 40 years earlier. At the Tubas Sand deposit, it has reported a 12.7Mlb indicated and inferred resource.

During 2014 and 2015, the company began clarifying the nature of a mineralised channel system on its extensive tenements. The company has reported a 13.4Mlb measured, indicated and inferred resource within another three deposits making up the Tumas project.

Reinterpretation of paleochannel data has suggested scope to increase the size of the already declared resource base and the potential for long-term growth from staged development.

Deep Yellow is among a small number of exploration companies to have retained its focus as it has moved toward a project with growth-oriented commercial potential.

In better times, a more aggressively funded exploration programme might have brought faster results but, given the state of the world, the company seemed to be doing as well as could be expected.

In October 2016, the then managing director Greg Cochran characterised the company as having put in place the necessary building blocks. With completed metallurgical testwork in 2016, the gathering momentum would allow a stepping up of the pace in 2017.

Cochran hinted at a 2020 project commissioning, possibly using a toll-treatment model to hasten production given the proximity of the Deep Yellow prospects to plants at Rossing, Langer Heinrich and Husab.

Deep Yellow had apparently leapt ahead of others, including Bannerman Resources, to position itself near the head of the queue of potential industry newcomers.

Oddly, against this background, Deep Yellow directors decided to jettison Cochran within days of him outlining these plans to investors and while he was meeting with government officials in Namibia to keep them informed about the company's development ideas, unaware of plots behind his back.

The corporate putsch installed former Paladin Energy chief executive John Borshoff in place of Cochran, backed by the financial muscle of funds from the Sprott investment group.

At the time, the Deep Yellow chairman referred to "the intention of the company and Sprott to develop a strategic relationship" suggesting initiatives to which only Sprott and the remaining directors were privy.

After a subsequent 500% share-price rise, perhaps no-one cared much that the new strategic direction of the company had become a closely held secret.

The likelihood of an inadequately informed market rose on January 18, when the company secretary announced that "a detailed review of the company had been completed and a strategic growth plan has been developed".

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*"In keeping shareholders in the dark, Deep Yellow is being treated like a private company"*

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Despite admitting decisions had been made, the only initiative the company was prepared to share with the market was a proposal to consolidate the share capital of the company “in order to facilitate new institutional support and reposition itself for growth initiatives”.

The company does have 2.6 billion shares on issue. Share registry neatness might suggest a cleanup is warranted but reducing the number of shares barely makes the grade as a tactical initiative let alone something deemed strategic.

Companies heralding the arrival of institutional investors simply through such corporate actions are prone to disappoint their followers.

Serious investors do not eschew otherwise sound investment propositions simply because the market in which the company trades is in danger of being too liquid or because their computer systems are unable to handle the extra zeroes. Many use it as an excuse.

As directors self-deludingly titillate shareholders with promises of future funding, they rarely hold themselves accountable by answering a simple question: who are the institutions that will invest if the share base is cut?

As he announced the share culling initiative, the company secretary displayed a disturbingly ill-informed loss of perspective in citing a surge in share turnover to justify the installation of Borshoff.

Deep Yellow share volumes have been 14 times higher in January than over the first nine months of 2016 but Bannerman Resources volumes have been 13 times higher and Vimy and Peninsula Energy volumes are up tenfold.

More broadly, the price of the Global X uranium exchange-traded fund has risen 37%, after declining steadily for over five years, with volumes traded in January up ninefold.

Borshoff and Sprott did nothing more than get their timing right. That, alone, is an achievement but the higher stock turnover cited to support the Cochran-Borshoff swap would have happened without them.

Beyond its leverage to improved uranium market conditions, the nature of a Deep Yellow investment has changed. Today, the company is a speculative bet on what Sprott and Borshoff can conjure as they distract shareholders with strategically trivial exercises in share counting.

In keeping shareholders in the dark, Deep Yellow is being treated like a private company.

Many will be more than happy to hang onto the coattails of those now in control.

That does not absolve directors from an obligation to tell the broader body of shareholders how the game plan may have changed when, by their own admission, decisions have already been taken.

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