Deep Yellow Limited

(ACN 006 391 948)

HALF YEAR REPORT - 31 DECEMBER 2015

Contents

Board of Directors

Mr Rudolf Brunovs	Chairman (Non-executive)
Mr Greg Cochran	Managing Director
Mr Mervyn Greene	Non-executive Director
Ms Gillian Swaby	Non-executive Director
Mr Christophe Urtel	Non-executive Director

Registered Office

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Company Secretary

Mr Mark Pitts

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Stock Exchange Listings

Australian Securities Exchange (ASX)

Namibian Stock Exchange (NSX)

Auditor

Ernst & Young

11 Mounts Bay Road

Perth Western Australia 6000

Website Address

www.deepyellow.com.au

ASX and NSX Code

DYL

Australian Business Number

97 006 391 948

Share Registry

Computershare Investor Services Pty Limited

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The Directors of Deep Yellow Limited submit their report for the half-year ended 31 December 2015.

Directors

The names of the Company's directors in office during the half-year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Rudolf Brunovs	Chairman (Non-Executive) (appointed as interim Chairman 1 January 2016)
Tim Netscher	Chairman (Non-Executive) (resigned 31 December 2015)
Greg Cochran	Managing Director
Mervyn Greene	Non-Executive Director
Gillian Swaby	Non-Executive Director
Christophe Urtel	Non-Executive Director

Review and results of operations

During the reporting period the Company continued to focus exclusively on its uranium projects in Namibia, making cautious and steady progress. The following highlights are worth noting:

Palaeochannel Project

- The results from a closely-spaced infill drilling program at Tumas Zone 1 and sophisticated geophysical modelling utilising modern processes led DYL to conclude that the Company's palaeochannel resource potentially exceeds previous interpretations of this mineralisation.
- A small bulk sample was taken from within the Tumas Zone 1 resource infill drilling area and sent to Perth for metallurgical testwork to be conducted by Marenica Energy Ltd ("MEY"). The testwork is the first phase of a planned more extensive program designed to assess the amenability of MEY's U-pgradeTM technology to effectively process Tumas's calcrete ore.
- If the testwork is successful DYL's ultimate objective is to develop an operation capable of cost effectively producing a high grade intermediate product for satellite supplementary supply to feed into any one of the existing Namibian uranium mines.

Omahola Project

- An internal review conducted on capital and operating cost estimates and pit optimisation studies, incorporating plant location modelling, was completed;
- An assessment to identify an optimal location for the Project's processing plant, based on the existing resource base consisting of Ongolo, MS7 and INCA, concluded that a position between Ongolo and MS7 was best. Apart from minimising haulage costs the location also has another benefit in that it may allow other satellite deposits in the region, such as Garnet Valley or Ida Dome which are currently held by Swakop Uranium, to be processed at this location.

Australian tenements

- The Mount Isa Other Minerals Joint Venture agreement was dissolved and as a result the Company retained unencumbered ownership of tenements EPM14916 and EPM15070 in Queensland whilst Syndicated Metals Ltd acquired 100% of the Mineral Rights for EPM14281.

Results of operations

Exploration expenditure for the half-year was $433,469 (December 2014: $797,273).

Consolidated loss from continuing operations after income tax for the half-year was $881,331 (December 2014: $496,192). Included in the total expenses of $984,810 (December 2014: $1,127,768) for the period is exploration costs written off to the amount of $88,888 (December 2014: $159,469).

Issued share capital increased by $326,256 during the period. The increase relates to the issue of shares to employees in relation to the vesting of Performance Share Rights and the issue of shares in lieu of director fees and salaries.

Auditor's Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 4 and forms part of this Directors' Report for the half year ended 31 December 2015.

This report is signed in accordance with a resolution of the Board of Directors.

Greg Cochran
Managing Director
Dated this day 11 March 2016

Ernst & Young
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Auditor's independence declaration to the Directors of Deep Yellow Limited

As lead auditor for the review of Deep Yellow Limited for the half-year 31 December 2015, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Deep Yellow Limited and the entities it controlled during the financial year.

Ernst & Young

G H Meyerowitz
Partner
11 March 2016

	Notes	Consolidated 31 December 2015 $	Consolidated 31 December 2014 $
Interest revenue		51,326	59,889
Other income	2	52,525	571,932
Revenue and other income		103,851	631,821
Depreciation and amortisation expenses	2	(16,506)	(16,268)
Marketing expenses		(5,227)	(10,189)
Occupancy expenses		(49,222)	(45,146)
Administrative expenses		(469,696)	(550,348)
Employee expenses	2	(355,271)	(346,348)
Exploration costs written off	6	(88,888)	(159,469)
Loss before income tax		(880,959)	(495,947))
Income tax expense	2	(372)	(245)
Loss for the period		(881,331)	(496,192)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation (loss)/profit		(6,233,215)	1,836,065
Other comprehensive (loss)/profit for the period		(6,233,215)	1,836,065
Total comprehensive (loss)/profit for the period		(7,114,546)	1,339,873
		Cents	Cents
Earnings per share:			
Basic, loss for the period attributable to ordinary equity holders of the parent		(0.05)	(0.03)
Diluted, loss for the period attributable to ordinary equity holders of the parent		(0.05)	(0.03)

The accompanying notes form part of these financial statements

	Notes	Consolidated 31 December 2015 $	30 June 2015 $
Assets			
Current Assets			
Cash and cash equivalents	4	2,771,164	3,926,631
Trade and other receivables	10	66,703	80,582
Other financial assets		108,277	107,124
Total Current Assets		2,946,144	4,114,337
Non-Current Assets			
Property, plant and equipment	5	401,474	491,568
Deferred exploration expenditure	6	47,591,203	53,301,619
Total Non-Current Assets		47,992,677	53,793,187
Total Assets		50,938,821	57,907,524
Liabilities			
Current Liabilities			
Trade and other payables	10	252,818	307,035
Total Current Liabilities		252,818	307,035
Total Liabilities		252,818	307,035
Net Assets		50,686,003	57,600,489
Equity			
Issued capital		221,928,083	221,601,827
Accumulated losses		(160,850,880)	(159,969,549)
Employee equity benefits reserve	7	10,278,506	10,404,702
Foreign currency translation reserve		(20,669,706)	(14,436,491)
Total Equity		50,686,003	57,600,489

The accompanying notes form part of these financial statements

	Issued capital $	Accumulated losses $	Employee equity benefits reserve $	Foreign currency translation reserve $	Total Equity $
At 1 July 2015	221,601,827	(159,969,549)	10,404,702	(14,436,491)	57,600,489
Loss for the period	-	(881,331)	-	-	(881,331)
Other comprehensive income/(loss)	-	-	-	(6,233,215)	(6,233,215)
Total comprehensive (loss)/income for the period	-	(881,331)	-	(6,233,215)	(7,114,546)
Transactions with owners in their capacity as owners:					
Vesting of performance rights	149,105	-	(149,105)	-	-
Performance rights expensed	-	-	56,342	-	56,342
Share based payments	177,151	-	(33,433)	-	143,718
At 31 December 2015	221,928,083	(160,850,880)	10,278,506	(20,669,706)	50,686,003

	Issued capital $	Accumulated losses $	Employee equity benefits reserve $	Foreign currency translation reserve $	Total Equity $
At 1 July 2014	216,816,003	(139,155,792)	10,652,329	(16,537,104)	71,775,436
Loss for the period	-	(496,192)	-	-	(496,192)
Other comprehensive income/(loss)	-	-	-	1,836,065	1,836,065
Total comprehensive (loss)/income for the period	-	(496,192)	-	1,836,065	1,339,873
Transactions with owners in their capacity as owners:					
Share issues	4,563,616	-	-	-	4,563,616
Share issue costs	(254,134)	-	-	-	(254,134)
Vesting of performance rights	221,908	-	(221,908)	-	-
Performance rights expensed	-	-	124,859	-	124,859
Share based payments	111,237	-	(5,607)	-	105,630
At 31 December 2014	221,458,630	(139,651,984)	10,549,673	(14,701,039)	77,655,280

The accompanying notes form part of these financial statements

Interim Consolidated Statement of Cash Flows
For the Half Year Ended 31 December 2015

	Notes	Consolidated 31 December 2015 $	Consolidated 31 December 2014 $
Cash flows from operating activities			
Payments to suppliers and employees		(620,995)	(653,682)
Interest received		49,176	50,148
Research and development tax incentive		50,323	421,852
Tax paid in foreign jurisdiction		(372)	(245)
Net cash flows used in operating activities		(521,868)	(181,927)
Cash flows from investing activities			
Payments for property, plant and equipment		(9,341)	(1,562)
Proceeds on disposal of property, plant and equipment		-	443,341
Payments for exploration expenditure		(581,427)	(866,789)
Proceeds on disposal of security deposits		2,500	6,209
Net cash flows used in investing activities		(588,268)	(418,801)
Cash flows from financing activities			
Proceeds from issue of shares		-	4,563,616
Capital Raising Costs		-	(254,111)
Net cash flows from financing activities		-	4,309,505
Net increase/(decrease) in cash held		(1,110,136)	3,708,777
Net foreign exchange difference		(45,331)	33,928
Cash and cash equivalents at the beginning of the period		3,926,631	1,235,654
Cash and cash equivalents at the end of the period	4	2,771,164	4,978,359

The accompanying notes form part of these financial statements

Note 1 Summary of significant accounting policies

Corporate information

The interim condensed consolidated financial statements of Deep Yellow Limited and its subsidiaries (collectively, the Group) for the half year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 9 March 2016, subject to minor changes. Deep Yellow Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded. The Group's principal activities are uranium mineral exploration and pre-development undertakings in Namibia.

Basis of preparation

The interim condensed consolidated financial statements for the half year ended 31 December 2015 have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

The interim condensed consolidated financial statements do not include all the information and disclosures normally included within the annual financial report statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the interim condensed consolidated financial statements be read in conjunction with the annual report for the year ended 30 June 2015 and considered together with any public announcements made by Deep Yellow Limited during the half year ended 31 December 2015 in accordance with the continuous disclosure obligations of the ASX listing rules.

Changes in accounting policies, accounting standards and interpretations

The accounting policies adopted in the preparation of the half-year condensed consolidated financial report are consistent with those of the previous year.

New standards, interpretations and amendments thereof, adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2015, except for the adoption of new standards and interpretations noted below:

Reference	Title
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 *Materiality* The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.

The adoption of the above new standards and interpretations have not had a material impact on the financial position or performance of the Group.

Deep Yellow Limited has elected not to adopt any new standards or amendments that have been issued but are not yet effective.

Note 2 Income and expenses

	Consolidated	
	31 December 2015 $	31 December 2014 $
Loss for the period includes:		
Other income		
Gain on sale of fixed assets	-	149,616
Rental and sundry income	2,202	464
Research and development tax incentive	50,323	421,852
	52,525	571,932
Depreciation expense		
Office equipment	4,574	3,563
Site equipment	-	118
Buildings	11,932	12,587
	16,506	16,268
Employee expenses		
Wages, salaries and fees	212,491	252,029
Superannuation	9,160	9,179
Share based payments	133,620	85,140
	355,271	346,348

Income Tax

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings.

Numerical reconciliation between aggregate tax expense recognised in the statement of profit and loss and other comprehensive income and tax expense calculated per the statutory income tax rate		
Loss before income tax	(880,959)	(495,947)
Prima facie tax on result at 30% (2014: 30%)	(264,288)	(148,784)
Effect of tax rates in foreign jurisdictions	67,034	69,540
Non-deductible share based payment expense	60,018	44,804
Under provision in prior year	(372)	(245)
Carry forward tax losses not brought to account	143,867	153,863
Non-assessable income: Research and development incentive	(15,097)	(126,556)
Other	8,466	7,133
Income tax expense recognised in statement of profit and loss and other comprehensive income	(372)	(245)

Note 3 Operating segment information

The following tables present revenue and profit information for the Group's operating segments for the half years ended 31 December 2015 and 2014, respectively.

	Australia $	Namibia $	Total $
Half Year Ended 31 December 2015			
Revenue			
Other income	-	2,202	2,202
Unallocated			
Interest income			51,326
Research and development tax incentive			50,323
Total revenue			103,851
Results			
Pre-tax segment profit and loss	(764,770)	(217,838)	(982,608)
Unallocated			
Interest income			51,326
Research and development tax incentive			50,323
Income tax expense			(372)
Loss from continuing operations after income tax			(881,331)

	Australia $	Namibia $	Total $
Half Year Ended 31 December 2014			
Revenue			
Other income	79,209	70,871	150,080
Unallocated			
Interest income			59,889
Research and development tax incentive			421,852
Total revenue			631,821
Results			
Pre-tax segment profit and loss	(761,936)	(215,752)	(977,688)
Unallocated			
Interest income			59,889
Research and development tax incentive			421,852
Income tax expense			(245)
Loss from continuing operations after income tax			(496,192)

Note 3 Operating segment information (cont.)

The following tables present assets information for the Group's operating segments for the half years ended 31 December 2015 and 2014, respectively.

	Australia $	Namibia $	Total $
Half Year Ended 31 December 2015			
Segment Assets			
Segment operating assets	105,955	47,994,999	48,100,954
Unallocated assets			
Cash			2,771,164
Receivables			66,703
Total assets			50,938,821

	Australia $	Namibia $	Total $
Year Ended 30 June 2015			
Segment Assets			
Segment operating assets	93,595	53,806,716	53,900,311
Unallocated assets			
Cash			3,926,631
Receivables			80,582
Total assets			57,907,524

Adjustments and eliminations
The following items and associated assets are not allocated to individual segments as the underlying instruments are managed on an overall group basis:

- Interest income and finance costs
- Foreign currency gains and losses
- Cash
- Receivables
- Liabilities are not allocated to the segments as they are not monitored by the executive management team on a segment by segment basis

Note 4 Current assets – cash and cash equivalents

For the purpose of the interim consolidated statement of cash flows, cash and cash equivalents are compromised of the following:

	Consolidated		
	31 December 2015 $	30 June 2015 $	31 December 2014 $
Cash at bank and in hand	2,271,164	1,426,631	1,978,359
Short term deposits	500,000	2,500,000	3,000,000
Cash at bank and in hand	2,771,164	3,926,631	4,978,359

Note 5 Property, Plant and equipment

There had been no significant acquisitions or disposals of assets for the half year ended 31 December 2015.

Note 6 Deferred exploration expenditure

	Consolidated		
	31 December 2015 $	30 June 2015 $	31 December 2014 $
Cost brought forward at the start of the reporting period	53,301,619	72,230,012	69,830,701
Exploration expenditure incurred during the period at cost	433,469	313,722	797,273
Exchange adjustment	(6,054,997)	248,190	1,761,507
Exploration expenditure written off	(88,888)	(19,490,305)	(159,469)
Cost carried forward at the end of the reporting period	47,591,203	53,301,619	72,230,012

The Group continues to restrict its exploration expenditure in Australia and continues to have the majority of its tenements lapse when they are due for renewal. It has therefore not budgeted or planned significant expenditure for the future given its intention to sell or have its remaining Australian tenements lapse.
Exploration expenditure written off relates to Australian tenements that have or will soon lapse and Namibian assets for which the expenditure is not expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale.

Note 7 Share based payment

(a) Performance rights

On 6 November 2015 43,900,000 performance rights were granted to employees under the Deep Yellow Limited Awards Plan (Awards Plan) for no consideration. The rights vest if certain time and market price measures are met in the measurement period. If these time and market price measures are not met, the rights lapse. The fair value of the rights granted is estimated using a hybrid employee share option pricing model that simulates the share price of Deep Yellow Ltd as at the test date using a Monte-Carlo model. The contractual life of each granted right is seven years with a performance period of three years. There is no cash settlement of the rights. The fair value of rights granted during the six months ended 31 December 2015 was estimated on the date of grant using the following assumptions:

Dividend yield (%)	-
Expected volatility (%)	95.00
Risk-free interest rate (%)	2.02 - 2.09
Expected life (years)	7.00
Underlying Security spot price ($)	0.010

The weighted average fair value of the performance rights granted during the six month period was 0.84 cents (year ended 30 June 2015: 1.45 cents). For the six months ended 31 December 2015, the Group has recognised $92,311 of performance rights transactions expense in the interim consolidated statement of profit and loss and other comprehensive income (30 June 2015: $82,525).

(b) Share rights

Share rights are allocated on a progressive monthly basis to directors in lieu of fees and salaries in a continued effort to conserve cash reserves. Shares to be issued in relation to the share rights are calculated based on the 5-Day VWAP for the relevant month and the accumulated shares are then issued twice a year. The 5-Day VWAP is the volume weighted average share price for the five days on which shares are traded up to but excluding the 20^{th} of the relevant month. There were no outstanding share rights on 31 December 2015.

Note 8 Contingent liabilities and contingent assets

(i) Contingent liabilities

There were no material contingent liabilities as at 31 December 2015 other than:

Native Title and Aboriginal Heritage
Native title claims have been made with respect to areas within Australia which include tenements in which the Group has an interest. The Group is unable to determine the prospects for success or otherwise of the claims and, in any event, whether or not and to what extent the claims may significantly affect the Group or its projects. Agreement is being or has been reached with various native title claimants in relation to Aboriginal Heritage issues regarding certain areas in which the Group has an interest.

(ii) Contingent asset

There were no material contingent assets as at 31 December 2015.

Note 9 Events after the reporting date

No event or circumstance has arisen since 31 December 2015 that would require disclosure in the financial report.

Note 10 Financial Instruments

Fair values

Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 31 December 2015 and 30 June 2015:

Consolidated	December 2015 Carrying amount $	December 2015 Fair value $	June 2015 Carrying amount $	June 2015 Fair value $
Cash and cash equivalents	2,771,164	2,771,164	3,926,631	3,926,631
Trade and other receivables	66,703	66,703	80,582	80,582
Trade and other payables	(134,976)	(134,976)	(183,399)	(183,399)
	2,702,891	2,702,891	3,823,814	3,823,814

Determination of fair values

The determination of fair values for the above financial assets and liabilities have been performed on the following basis:

Cash and cash equivalents, trade and other receivables and trade and other payables approximate their carrying amounts largely due to the short term maturities of these instruments.

AASB 7 *Financial Instruments* require disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) Quoted prices in active markets (Level 1);
(b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and
(c) Inputs that are not based on observable market data (Level 3).

In accordance with a resolution of the Directors of Deep Yellow Limited ('the Company'), I state that:

In the opinion of the directors:

1. The financial statements and notes of the consolidated entity for the half year ended 31 December 2015 are in accordance with the *Corporations Act 2001*, including:

   a. giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half year ended on that date; and

   b. complying with Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board of Directors.

Greg Cochran
Managing Director
Dated this day 11 March 2016

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To the members of Deep Yellow Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Deep Yellow Limited, which comprises the interim consolidated statement of financial position as at31 December 2015, the interim consolidated statement of profit and loss and other comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Deep Yellow Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Building a better working world

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Deep Yellow Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

G H Meyerowitz
Partner
Perth
11 March 2016