



Deep Yellow Limited

(ACN 006 391 948)

HALF YEAR REPORT - 31 DECEMBER 2012

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Corporate Directory

Board of Directors

| | |
|---------------------|--------------------------|
| Mr Mervyn Greene | Chairman (Non-executive) |
| Mr Greg Cochran | Managing Director |
| Mr Martin Kavanagh | Executive Director |
| Ms Gillian Swaby | Non-executive Director |
| Mr Rudolf Brunovs | Non-executive Director |
| Mr Christophe Urtel | Non-executive Director |
| Mr Tim Netscher | Non-executive Director |

Registered Office

Level 1
329 Hay Street
Subiaco Western Australia 6008
Telephone: + 61 8 9286 6999
Facsimile: + 61 8 9286 6969

Company Secretary

Mr Mark Pitts

Postal Address

PO Box 1770
Subiaco Western Australia 6904

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.deeptyellow.com.au

Share Registry

Computershare Investor Services Pty Limited
Level 2, Reserve Bank Building
45 St George's Terrace
Perth Western Australia 6000
Telephone: 1300 557 010
Facsimile: +61 8 9323 2033

ASX and NSX Code

DYL

Australian Business Number

97 006 391 948

Directors' Report

The Directors of Deep Yellow Limited submit their report for the half-year ended 31 December 2012.

Directors

The names of Directors who held office during or since the end of the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

| | |
|------------------|----------------------------------------------------|
| Mervyn Greene | Chairman (Non-Executive) |
| Greg Cochran | Managing Director |
| Martin Kavanagh | Executive Director |
| Gillian Swaby | Non-Executive Director |
| Rudolf Brunovs | Non-Executive Director |
| Christophe Urtel | Non-Executive Director (appointed 29 October 2012) |
| Tim Netscher | Non-Executive Director (appointed 2 January 2013) |

Review of Operations

During the reporting period, activity in Namibia was focussed mainly on:

- The Omahola Project: Drilling and upgrading the Project's Resource Base at the Ongolo and MS7 deposits;
- The Tubas Sand Project: Infill drilling to improve confidence in the Resource Base; and
- The Shiyela Iron Project: Finalisation of the metallurgical testwork, resource update and completion of the updated Scoping Study.

In Australia the Company continued to investigate a trade sale or merger of its various properties in the Mount Isa District and in the Northern Territory which may lead to a full or partial divestment of these properties. Increased interest has been experienced following the announcement of the process to allow uranium mining in Queensland.

NAMIBIA

Omahola Project

Exploration

- The Company continued to obtain remarkable results from the exploration programme at the Ongolo and MS7 Alaskite deposits. Numerous relatively shallow intersections of reasonable widths and grades, mostly well in excess of 400ppm U₃O₈, continued to reinforce the prospect of open-pit mining with cost effective, low stripping ratios;
- At MS7, a deep intersection in diamond hole ALAD1360 returned a 1 metre interval of 11% U₃O₈ (110,500 ppm) from 288 metres (~ 240 metres vertical depth), the highest grade intersection Deep Yellow has made in Namibia;
- Also at MS7, a new footwall mineralised zone was discovered with an intersection of 4,874 ppm U₃O₈ over 10 metres from 51 metres; and
- The MS7 Alaskite Deposit JORC Compliant Resource was updated. Contained U₃O₈ was increased by 18% (1 Mlbs) with 65% of the resource classified as Measured and a further 15% in the Indicated category. The resource estimate, at 6.8 Mt at 437 ppm U₃O₈ for 6.6 Mlbs U₃O₈ at a 250 ppm cut-off is an increase of 1.0 Mlbs U₃O₈ over the 2011 estimate.

Tubas Sand Project

Exploration

- An 8,000 metre detail resource drill programme commenced to infill two priority areas targeting the conversion of JORC Code Inferred Mineral Resource estimates to higher level of confidence.

Shiyela Iron Project

Exploration

Golder Associates Pty Ltd (Perth) completed a resource update for the Shiyela Project. The JORC compliant Mineral Resource increased by 36.4Mt to 115.1Mt at an enhanced grade of 19.5% Fe. The magnetite-dominant M62 deposit, capable of producing a 68% Fe product, now has an Indicated and Inferred Resource of 44.7Mt at 17.3% Fe and overall weight recovery of 16%. A satellite deposit to M62, known as M62R has an Inferred Resource of 9.3Mt at 16.3% Fe and overall weight recovery of 17%. The mixed magnetite-hematite M63 deposit capable of producing a 63.8% Fe product, has an Indicated and Inferred Resource of 61.2Mt at 21.6% Fe and overall weight recovery of 28.9%.

Scoping Study

Mintrex Pty Ltd completed an updated scoping study on Shiyela with encouraging results. Based on further metallurgical testwork the resource was reassessed to incorporate low magnetite – high hematite material (initially considered waste) as potential ore grade material. A new plant design which would allow the recovery of magnetite, hematite or a blend of the two from three different ore types was included in the study, which would require an estimated US\$367 million in capital to develop a 2 million tonne per annum (product) operation. Operating costs were estimated at US\$63.20/tonne FOB with the estimate accuracy being +/-30%.

The positive result will allow the company to pursue its previously announced partner strategy for the project.

Mining Licence Grant

The Ministry of Mines and Energy of the Republic of Namibia (MME) has granted to Shiyela Iron (Pty) Ltd (Shiyela Iron), a 95% owned subsidiary of Deep Yellow Limited, a Mining Licence for the Shiyela Iron Project. (DYL's Namibian empowerment partner, Oponona Investments (Pty) Ltd, holds the remaining 5% interest in Shiyela Iron.)

The area covered by the Mining Licence (54.02km²) is contained within Reptile Uranium Namibia (Pty) Ltd's (RUN) 100% owned EPL3496 and is for Base and Rare Metals, Precious Metals and Industrial Minerals (RUN is DYL's wholly owned Namibian operating subsidiary.)

Results of operations

Exploration expenditure for the half-year was \$3,566,392 (December 2011: \$5,805,001).

Consolidated loss from continuing operations after income tax for the half-year was \$7,806,228 (December 2011: \$1,925,463). Included in the total expenses of \$8,099,150 (December 2011: \$2,299,122) for the period is exploration costs written off to the amount of \$6,335,207 (December 2011: \$78,267).

Issued share capital has increased by \$19,255,342 during the period. The increase mostly relates to the completion of a non-renounceable right issue and the issue of shares to Raptor Partners in consideration for the termination of an Earnout Agreement.

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 7 and forms part of this Directors' Report for the half-year ended 31 December 2012.

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



Greg Cochran
Managing Director
Dated this day 7 March 2013

Mineral Resources Summary

JORC Mineral Resource Estimates Summary – January 2013

| Deposit | Category | Cut-off (ppm U ₃ O ₈) | Tonnes (M) | U ₃ O ₈ (ppm) | U ₃ O ₈ (t) | U ₃ O ₈ (Mlb) |
|-------------------------------------------|-----------|-------------------------------------------------|--------------|----------------------------------------|--------------------------------------|----------------------------------------|
| Omahola Project | | | | | | |
| INCA ♦ | Indicated | 250 | 7.0 | 470 | 3,300 | 7.2 |
| INCA ♦ | Inferred | 250 | 5.4 | 520 | 2,800 | 6.2 |
| Ongolo # | Measured | 250 | 7.7 | 395 | 3,040 | 6.7 |
| Ongolo # | Indicated | 250 | 9.5 | 372 | 3,540 | 7.8 |
| Ongolo # | Inferred | 250 | 12.4 | 387 | 4,810 | 10.6 |
| MS7 # | Measured | 250 | 4.4 | 441 | 1,955 | 4.3 |
| MS7 # | Indicated | 250 | 1.0 | 433 | 433 | 1.0 |
| MS7 # | Inferred | 250 | 1.3 | 449 | 584 | 1.3 |
| Omahola Project Total | | | 48.7 | 420 | 20,462 | 45.1 |
| Tubas Sand Project | | | | | | |
| Tubas Sand | Inferred | 70 | 87.0 | 148 | 12,876 | 28.4 |
| Tubas Sand Project Total | | | 87.0 | 148 | 12,876 | 28.4 |
| Tubas-Tumas Palaeochannel Project | | | | | | |
| Tumas ♦ | Indicated | 200 | 14.4 | 366 | 5,270 | 11.6 |
| Tumas ♦ | Inferred | 200 | 0.4 | 360 | 144 | 0.3 |
| Tubas Calcrete | Inferred | 100 | 7.4 | 374 | 2,767 | 6.1 |
| Tubas-Tumas Palaeochannel Total | | | 22.2 | 369 | 8,181 | 18.0 |
| Aussinanis Project | | | | | | |
| Aussinanis ♦ | Indicated | 150 | 5.6 | 222 | 1,243 | 2.7 |
| Aussinanis ♦ | Inferred | 150 | 29.0 | 240 | 6,960 | 15.3 |
| Aussinanis Project Total | | | 34.6 | 237 | 8,203 | 18.0 |
| TOTAL - NAMIBIA | | | 192.5 | 258 | 49,722 | 109.5 |
| Napperby Project (NT, Australia) | | | | | | |
| Napperby | Inferred | 200 | 9.3 | 359 | 3,351 | 7.4 |
| Napperby Total | | | 9.3 | 359 | 3,351 | 7.4 |
| Mount Isa Project (Qld, Australia) | | | | | | |
| Mount Isa | Indicated | 300 | 2.2 | 470 | 1,050 | 2.3 |
| Mount Isa | Inferred | 300 | 2.5 | 450 | 1,120 | 2.5 |
| Mount Isa Total | | | 4.7 | 460 | 2,170 | 4.8 |
| TOTAL AUSTRALIA | | | 14.0 | 394 | 5,521 | 12.2 |
| DEEP YELLOW TOTALS | | | | | | |
| Total Measured Resources | | | 12.1 | | 4,995 | 11 |
| Total Indicated Resources | | | 39.7 | 366 | 14,836 | 32.6 |
| Total Inferred Resources | | | 154.7 | 221 | 35,412 | 78.1 |
| TOTAL RESOURCES | | | 206.5 | 267 | 55,243 | 121.7 |

Notes: Figures have been rounded and totals may reflect small rounding errors
XRF chemical analysis unless annotated otherwise
♦ eU₃O₈ - equivalent uranium grade as determined by downhole gamma logging
Combined XRF Fusion Chemical Assays and eU₃O₈ values

Where e U₃O₈ values are reported it relates to values attained from radiometrically logging boreholes with Auslog equipment using an A675 slimline gamma ray tool. All probes are calibrated either at the Pelindaba Calibration facility in South Africa or at the Adelaide Calibration facility in South Australia.

Mineral Resources Summary

JORC Mineral Resource Estimate Shiyela – January 2013

| Deposit | Category | Cut-off Grade | Tonnes (M) | Fe (%) | DTR (%) |
|--------------------------------|--------------|---------------|-------------|--------------|--------------|
| Reptile Uranium Namibia | | | | | |
| M62 - Magnetite | Indicated | 10 wt% DTR | 35.2 | - | 17.62 |
| | Inferred | 10 wt% DTR | 9.4 | - | 15.75 |
| | Total | | 44.7 | 17.33 | 16.37 |
| M62R - Magnetite | Inferred | 10 wt% DTR | 9.3 | 16.30 | 17.40 |
| | Total | | 9.3 | 16.30 | 17.40 |
| M63 - Magnetite | Indicated | 10% Fe | 5.3 | 22.32 | 15.78 |
| | Inferred | 10% Fe | 29.2 | 20.8 | 15.21 |
| | Total | | 34.5 | - | 15.30 |
| M63 - Hematite | Inferred | 10% Fe | 26.7 | 22.29 | - |
| | Total | | 26.7 | 22.29 | - |

Notes: Figures have been rounded and totals may reflect small rounding errors.
Resources were reported using a 10% DTR wt% cut-off grade.
The DTR estimates are based on samples prepared at a grind size of 80% passing 45 micron.
Fe% - head assay of composited drill samples

Compliance Statements: January 2013

Namibia

The information in this report that relates to Exploration Results, is based on information compiled by Dr Leon Pretorius and Mr Martin Kavanagh, both Fellows of the Australasian Institute of Mining and Metallurgy ('AusIMM'). Dr Pretorius was previously Managing Director of Reptile Uranium Namibia (Pty) Ltd and Mr Kavanagh an Executive Director of Deep Yellow Limited, have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Pretorius and Mr Kavanagh consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

The information in this report that relates to the **INCA** Mineral Resources is based on work completed by Mr Neil Inwood. Mr Inwood is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Inwood has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Inwood consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. Mr Inwood was previously a full-time employee of Coffey Mining (Perth).

The information in this Report that relates to the **Ongolo** and **MS7** Mineral Resources is based on information compiled by Malcolm Tittley of CSA Global UK Ltd. Mr Tittley takes overall responsibility for the Report. He is a Member of the Australasian Institute of Geoscientists ('AIG') and the Australasian Institute of Mining and Metallurgy and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Tittley consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to the **Tubas Sand** and **Tubas Calcrete** Mineral Resources is based on information compiled by Mr Willem H. Kotzé Pr.Sci.Nat MSAIMM. Mr Kotzé is a Member and Professional Geoscientist Consultant of Geomine Consulting Namibia CC. Mr Kotzé has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Kotzé consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to the **Aussinanis** and **Tumas** Mineral Resources is based on work completed by Mr Jonathon Abbott who is a full time employee of Hellman and Schofield Pty Ltd and a Member of the Australasian Institute of Mining and Metallurgy. Mr Abbott has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' and as a Qualified Person as defined in the AIM Rules. Mr Abbott consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Mineral Resources Summary

The information in this report that relates to the **Shiyela** Mineral Resources is based on information compiled by James Farrell who is a full-time employee of Golder Associates Pty Ltd and a Member and Chartered Professional of the Australasian Institute of Mining and Metallurgy. Mr Farrell has sufficient experience to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. James Farrell has relied on exploration data compiled by Dr Leon Pretorius who was at the time the Managing Director of Reptile Uranium Namibia (Pty) Ltd and a Fellow of the Australasian Institute of Mining and Metallurgy. Dr Pretorius has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. James Farrell has also relied on interpretation of metallurgical testwork compiled by Brian Povey who is a full-time employee of Mintrex Pty Ltd and a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Povey has sufficient experience to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. James Farrell, Leon Pretorius and Brian Povey consent to the inclusion of this information in the form and context in which it appears.

Queensland

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Martin Kavanagh, a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Kavanagh is an Executive Director of Deep Yellow Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Kavanagh consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to the Queensland Mineral Resource is based on information compiled by Mr Neil Inwood. Mr Inwood is a Member of The Australasian Institute of Mining and Metallurgy. Mr Inwood has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Inwood consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. Mr Inwood was previously a full-time employee of Coffey Mining (Perth).

Northern Territory

The information in this report that relates to the **Napperby Project** Mineral Resource is based on information compiled by Mr Daniel Guibal who is a Fellow (CP) of the Australasian Institute of Mining and Metallurgy. Mr Guibal is a full time employee of SRK Consulting and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Guibal consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Auditor's Independence Declaration to the Directors of Deep Yellow Limited

In relation to our review of the financial report of Deep Yellow Limited for the half-year ended 31 December 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'G H Meyerowitz'.

G H Meyerowitz
Partner
7 March 2013

Interim Consolidated Statement of Comprehensive Income
For the Half Year Ended 31 December 2012

| | Notes | Consolidated | |
|------------------------------------------------------------------------------------|-------|------------------------|------------------------|
| | | 31 December 2012 \$ | 31 December 2011 \$ |
| Interest revenue | | 98,569 | 284,879 |
| Other income | 2 | 194,353 | 6,780 |
| Revenue and other income | | 292,922 | 291,659 |
| Depreciation and amortisation expenses | 2 | (53,312) | (161,182) |
| Marketing expenses | | (45,547) | (116,874) |
| Occupancy expenses | | (95,688) | (123,081) |
| Administrative expenses | | (797,283) | (658,033) |
| Employee expenses | 2 | (698,501) | (1,161,685) |
| Net fair value gain/(loss) on held for trading financial assets | 2 | (42,000) | 82,000 |
| Exploration costs written off | 6 | (6,335,207) | (78,267) |
| Operating loss | | (7,774,616) | (1,925,463) |
| Finance costs | | (31,612) | - |
| Loss before income tax | | (7,806,228) | (1,925,463) |
| Income tax benefit/(expense) | 2 | - | - |
| Loss for the period | | (7,806,228) | (1,925,463) |
| Other comprehensive income | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| Foreign currency translation loss | | (1,676,297) | (4,591,122) |
| Net fair value gains on available-for-sale financial assets | | 222,300 | 47,200 |
| Other comprehensive loss for the period | | (1,453,997) | (4,543,922) |
| Total comprehensive loss for the period | | (9,260,225) | (6,469,385) |
| | | Cents | Cents |
| Earnings per share: | | | |
| Basic, loss for the period attributable to ordinary equity holders of the parent | | (0.59) | (0.17) |
| Diluted, loss for the period attributable to ordinary equity holders of the parent | | (0.59) | (0.17) |

The accompanying notes form part of these financial statements

Interim Consolidated Statement of Financial Position
As at 31 December 2012

| | Notes | Consolidated | |
|--------------------------------------|-------|------------------------|--------------------|
| | | 31 December 2012 \$ | 30 June 2012 \$ |
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | 7 | 7,173,720 | 2,211,948 |
| Trade and other receivables | 7 | 325,273 | 610,565 |
| Held for trading financial assets | 4 | - | 57,000 |
| Other financial assets | | 154,333 | 292,596 |
| Total Current Assets | | 7,653,326 | 3,172,109 |
| Non-Current Assets | | | |
| Available for sale financial assets | 5 | 580,833 | 358,533 |
| Property, plant and equipment | | 1,284,227 | 1,398,904 |
| Deferred exploration expenditure | 6 | 86,892,339 | 91,169,926 |
| Total Non-Current Assets | | 88,757,399 | 92,927,363 |
| Total Assets | | 96,410,725 | 96,099,472 |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade and other payables | | 494,018 | 1,068,672 |
| Financial liability | | 100,000 | 100,000 |
| Convertible loan | 8 | 296,516 | 2,000,000 |
| Total Current Liabilities | | 890,534 | 3,168,672 |
| Total Liabilities | | 890,534 | 3,168,672 |
| Net Assets | | 95,520,191 | 92,930,800 |
| Equity | | | |
| Issued capital | 9 | 215,203,383 | 195,948,041 |
| Accumulated losses | | (118,852,563) | (111,046,335) |
| Other reserves | 9 | - | 7,307,333 |
| Employee equity benefits reserve | | 10,264,414 | 10,362,807 |
| Asset fair value adjustment reserve | | 238,300 | 16,000 |
| Foreign currency translation reserve | | (11,333,343) | (9,657,046) |
| Total Equity | | 95,520,191 | 92,930,800 |

The accompanying notes form part of these financial statements

Interim Consolidated Statement of Changes in Equity
For the Half Year Ended 31 December 2012

| | Issued capital | Accumulated losses | Other reserves | Employee equity benefits reserve | Asset fair value adjustment reserve | Foreign currency translation reserve | Total Equity |
|-------------------------------------------------------|--------------------|----------------------|----------------|----------------------------------|-------------------------------------|--------------------------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| At 1 July 2012 | 195,948,041 | (111,046,335) | 7,307,333 | 10,362,807 | 16,000 | (9,657,046) | 92,930,800 |
| Loss for the period | - | (7,806,228) | - | - | - | - | (7,806,228) |
| Other comprehensive income/(loss) | - | - | - | - | 222,300 | (1,676,297) | (1,453,997) |
| Total comprehensive (loss)/income for the period | - | (7,806,228) | - | - | 222,300 | (1,676,297) | (9,260,225) |
| Transactions with owners in their capacity as owners: | | | | | | | |
| Share issues | 19,644,401 | - | - | - | - | - | 19,644,401 |
| Share issue costs | (777,815) | - | - | - | - | - | (777,815) |
| Settlement of Raptor earn-out agreement | - | - | (7,307,333) | - | - | - | (7,307,333) |
| Vesting of performance rights | 388,756 | - | - | (388,756) | - | - | - |
| Share based payments | - | - | - | 290,363 | - | - | 290,363 |
| At 31 December 2012 | 215,203,383 | (118,852,563) | - | 10,264,414 | 238,300 | (11,333,343) | 95,520,191 |

| | Issued capital | Accumulated losses | Other reserves | Employee equity benefits reserve | Asset fair value adjustment reserve | Foreign currency translation reserve | Total Equity |
|-------------------------------------------------------|--------------------|---------------------|----------------|----------------------------------|-------------------------------------|--------------------------------------|--------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| At 1 July 2011 | 195,589,154 | (62,458,120) | - | 9,872,461 | 40,133 | (3,922,655) | 139,120,973 |
| Loss for the period | - | (1,925,463) | - | - | - | - | (1,925,463) |
| Other comprehensive income/(loss) | - | - | - | - | 47,200 | (4,591,122) | (4,543,922) |
| Total comprehensive (loss)/income for the period | - | (1,925,463) | - | - | 47,200 | (4,591,122) | (6,469,385) |
| Transactions with owners in their capacity as owners: | | | | | | | |
| Vesting of performance rights | 358,887 | - | - | (358,887) | - | - | - |
| Share based payments/(forfeitures) | - | - | - | 438,706 | - | - | 438,706 |
| At 31 December 2011 | 195,948,041 | (64,383,583) | - | 9,952,280 | 87,333 | (8,513,777) | 133,090,294 |

The accompanying notes form part of these financial statements

Interim Consolidated Statement of Cash Flows
For the Half Year Ended 31 December 2012

| | Notes | Consolidated | |
|-----------------------------------------------------------|-------|------------------------|------------------------|
| | | 31 December 2012 \$ | 31 December 2011 \$ |
| Cash flows from operating activities | | | |
| Payments to suppliers and employees | | (1,403,552) | (1,874,380) |
| Interest received | | 90,448 | 393,780 |
| Tax refund | | - | 2,125,378 |
| Net cash flows from/(used in) operating activities | | (1,313,104) | 644,778 |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (2,211) | (11,867) |
| Proceeds on disposal of property, plant and equipment | | 130,145 | 12,020 |
| Payments for exploration expenditure | | (3,614,637) | (6,672,670) |
| Proceeds from sale of investment | | 15,000 | - |
| Proceeds on disposal of security deposits | | 13,000 | 205,285 |
| Net cash flows used in investing activities | | (3,458,703) | (6,467,232) |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | | 10,601,972 | - |
| Capital Raising Costs | | (777,815) | - |
| Net cash flows from financing activities | | 9,824,157 | - |
| Net increase/(decrease) in cash held | | 5,052,350 | (5,822,454) |
| Net foreign exchange difference | | (90,578) | 102,833 |
| Cash and cash equivalents at the beginning of the period | | 2,211,948 | 13,053,098 |
| Cash and cash equivalents at the end of the period | 7 | 7,173,720 | 7,333,477 |

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 (the Group) for the six months ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on 6 March 2013. Deep Yellow Limited is a limited company incorporated and domiciled in Australia whose shares are publicly traded. The principle activities of the Company and its subsidiaries (the Group) are:

- Uranium mineral exploration and pre-development activities in Namibia and Australia; and
- Activities associated with the intended divestment of its iron ore project in Namibia.

Basis of preparation

This general purpose condensed consolidated financial report for the half-year ended 31 December 2012 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report 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 half-year financial report be read in conjunction with the annual report for the year ended 30 June 2012 and considered together with any public announcements made by Deep Yellow Limited during the half-year ended 31 December 2012 in accordance with the continuous disclosure obligations of the ASX listing rules.

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

Going concern

As at 31 December 2012, the Group had cash reserves of \$7,173,720 and net current assets of \$6,762,792. For the reporting period the Group had cash expenditure on exploration of \$3,614,637 and on corporate overheads of \$1,313,104.

The consolidated financial statements have been prepared on a going concern basis which contemplates that the Group will continue to meet its commitments and can therefore continue normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The directors have reached this conclusion based on the following:

- the Group cash reserves of \$7,173,720 as at 31 December 2012;
- the Group continues to re-assess its activities in an effort to preserve its cash position whilst maintaining momentum on its core projects; and
- the Group is investigating various options for the raising of additional funds such as the sale of non-core assets and implementing strategic joint ventures.

At the date of this financial report the Directors are satisfied that there are reasonable grounds to believe that, having regard to the Group's position and its available funding options, the Group will be able to raise the additional capital to enable it to continue to operate and meet its obligations as and when they fall due.

Should the Group not achieve the matters set out above, there is uncertainty whether the Group would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include adjustments relating to the recoverability or classification of the recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as going concern.

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

The accounting policies adopted in the preparation of the interim consolidated financial report are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2012, except for the adoption of new standards and interpretations as of 1 July 2012, noted below:

| | |
|-------------|---------------------------------------------------------------------------------------------------|
| AASB 2011-3 | Amendments to Australian Accounting Standards - <i>Orderly Adoption of Changes to the ABS GFS</i> |
| AASB 2011-9 | Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income |
| AASB 2012-8 | Amendments to Australian Accounting Standards - <i>Orderly Adoption of Changes to the ABS GFS</i> |

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 2012 | 31 December 2011 |
| | \$ | \$ |
| Loss for the period includes: | | |
| Other income | | |
| Gain on sale of fixed assets | 112,903 | 6,780 |
| Equipment rental income | 6,000 | - |
| Consultancy fee income | 75,450 | - |
| | 194,353 | 6,780 |
| Fair value movements | | |
| Fair value gain/(loss) on held for trading financial assets (note 4) | (42,000) | 82,000 |
| | (42,000) | 82,000 |
| Depreciation expense | | |
| Office equipment | 11,036 | 23,664 |
| Motor vehicles | 6,816 | 49,481 |
| Site equipment | 10,449 | 74,072 |
| Buildings | 25,011 | 13,965 |
| | 53,312 | 161,182 |
| Employee expenses | | |
| Wages, salaries and fees | 474,031 | 675,245 |
| Superannuation | 36,520 | 46,507 |
| Share based payments | 187,950 | 439,933 |
| | 698,501 | 1,161,685 |

Income Tax

Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate

| | | |
|----------------------------------------------------------|-------------|-------------|
| Loss before income tax | (7,806,228) | (1,925,463) |
| Prima facie tax on result at 30% (2011: 30%) | (2,341,868) | (577,639) |
| Share based payment expense | 87,109 | 131,612 |
| Net fair value loss on held for trading financial assets | 12,600 | (24,600) |
| Gain on sale of fixed assets not taxable | (33,871) | (2,034) |
| Under/(Over) provision in prior year | (204,374) | 5,835 |
| Carry forward tax losses not brought to account | 2,362,746 | 440,083 |
| Other | 117,658 | 26,743 |
| Tax benefit/(expense) for the reporting period | - | - |

Note 3 Operating segment information

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 31 December 2012 and 2011, respectively.

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

- Interest income and Finance costs
- Fair value gains/(losses) on held for trading financial assets
- Foreign currency gains and losses
- Cash
- Receivables
- Available for sale assets
- Held for trading assets

| | Australia \$ | Namibia \$ | Total \$ |
|--------------------------------------------------|-----------------|---------------|-------------|
| Year Ended 31 December 2012 | | | |
| Revenue | | | |
| Other income | 194,353 | - | 194,353 |
| Unallocated | | | |
| Interest income | | | 98,569 |
| Total revenue | | | 292,922 |
| Results | | | |
| Pre-tax segment profit and loss | (7,616,813) | (214,372) | (7,831,185) |
| Unallocated | | | |
| Interest income | | | 98,569 |
| Finance costs | | | (31,612) |
| Fair value loss on held for trading assets | | | (42,000) |
| Income tax benefit | | | - |
| Loss from continuing operations after income tax | | | (7,806,228) |

Notes to the Financial Statements for the Half Year ended 31 December 2012

Note 3 Operating segment information (Cont'd)

| | Australia \$ | Namibia \$ | Total \$ |
|-------------------------------------|-----------------|---------------|--------------------------|
| Year Ended 31 December 2012 | | | |
| Segment Assets | | | |
| Segment operating assets | 465,858 | 87,865,041 | 88,330,899 |
| Unallocated assets | | | |
| Cash | | | 7,173,720 |
| Receivables | | | 325,273 |
| Held for trading financial assets | | | - |
| Available for sale financial assets | | | 580,833 |
| Total assets | | | <u><u>96,410,725</u></u> |

| | Australia \$ | Namibia \$ | Total \$ |
|--------------------------------------------------|-----------------|---------------|---------------------------|
| Year Ended 31 December 2011 | | | |
| Revenue | | | |
| Other income | 6,780 | - | 6,780 |
| Unallocated | | | |
| Interest income | | | 284,879 |
| Total revenue | | | <u><u>291,659</u></u> |
| Results | | | |
| Pre-tax segment profit and loss | (1,808,956) | (483,386) | (2,292,342) |
| Unallocated | | | |
| Interest income | | | 284,879 |
| Fair value gain on held for trading assets | | | 82,000 |
| Income tax benefit | | | - |
| Loss from continuing operations after income tax | | | <u><u>(1,925,463)</u></u> |

Year Ended 31 December 2011

Segment Assets

| | | | |
|-------------------------------------|------------|------------|---------------------------|
| Segment operating assets | 43,121,207 | 82,449,979 | 125,571,186 |
| Unallocated assets | | | |
| Cash | | | 7,333,477 |
| Receivables | | | 322,492 |
| Held for trading financial assets | | | 340,000 |
| Available for sale financial assets | | | 319,867 |
| Total assets | | | <u><u>133,887,022</u></u> |

Note 4 Held for trading financial assets

A reconciliation of movements in held for trading financial assets is as follows:

| | 31 December 2012 | Consolidated 30 June 2012 | 31 December 2011 |
|--------------------------------------------------------------------------|------------------|------------------------------|------------------|
| | \$ | \$ | \$ |
| <i>Rum Jungle Uranium Limited Options</i> | | | |
| Value of investment at the start of the reporting period | 57,000 | 340,000 | 258,000 |
| Options exercised during the reporting period | - | (76,000) | - |
| Options sold during the reporting period | (15,000) | - | - |
| Unrealised fair value gain/(loss) recognised during the reporting period | (42,000) | (207,000) | 82,000 |
| Value of investment at the end of the reporting period | - | 57,000 | 340,000 |

Note 5 Available-for-sale financial assets

Available for sale investments consist of investments in ordinary shares quoted on the ASX and the fair value has been determined by reference to published price quotations.

Note 6 Deferred exploration expenditure

| | 31 December 2012 | Consolidated 30 June 2012 | 31 December 2011 |
|------------------------------------------------------------|------------------|------------------------------|------------------|
| | \$ | \$ | \$ |
| Cost brought forward at the start of the reporting period | 91,169,926 | 123,765,367 | 122,024,322 |
| Exploration expenditure incurred during the period at cost | 3,566,392 | 4,758,205 | 5,805,001 |
| Exchange adjustment | (1,508,772) | (628,288) | (3,985,689) |
| Exploration expenditure written off | (6,335,207) | (36,725,358) | (78,267) |
| Cost carried forward at the end of the reporting period | 86,892,339 | 91,169,926 | 123,765,367 |

The Group has in the last two years restricted its Exploration expenditure in Australia. It has not budgeted or planned significant expenditure for the future given its intention to divest all its Australian assets. Exploration expenditure written off relates to the full impairment of Australian assets' total exploration expenditure to date. The impairment is not seen as a reflection of the assets fundamental value but rather as a conservative view in line with AASB6's criteria for impairment.

Note 7 Current assets – cash and cash equivalents

| | 31 December 2012 | Consolidated 30 June 2012 | 31 December 2011 |
|--------------------------|------------------|------------------------------|------------------|
| | \$ | \$ | \$ |
| Cash at bank and in hand | 3,173,720 | 2,211,948 | 4,313,477 |
| Deposits | 4,000,000 | - | 3,000,000 |
| | 7,173,720 | 2,211,948 | 7,313,477 |

Notes to the Financial Statements for the Half Year ended 31 December 2012

Note 8 Convertible loan

| | Consolidated | |
|-----------------------------|------------------|--------------|
| | 31 December 2012 | 30 June 2012 |
| | \$ | \$ |
| Loan from major shareholder | 296,516 | 2,000,000 |
| | 296,516 | 2,000,000 |
| | 296,516 | 2,000,000 |

On 19 June 2012, the Company and Paladin Energy Ltd ("Paladin") entered into a loan agreement pursuant to which Paladin agreed to provide an unsecured loan of \$2,000,000 to the Company. The loan with all accrued but unpaid interest and any other monies due under the terms of the loan is payable not later than 31 March 2013. Interest on the loan is recognised at the aggregate rate of 10% per annum until the amount outstanding has been paid in full and without any deduction.

- a. *Fair values*
The carrying amount of the loan approximates its fair value.
- b. *Set-offs*
Under the loan agreement, Paladin may at any time prior to repayment in full, convert all or any part of the amount outstanding into new fully paid shares in the Company at 4.2 cents per share. Paladin may set-off such a portion of the loan outstanding against any amount owing by Paladin in respect of an application for securities under a capital raising conducted by the Company. On 27 July 2012 Paladin has set-off a portion of the loan outstanding by converting \$1,735,096 into 41,311,821 new fully paid shares in the Company at 4.2 cents per share in satisfaction of an underwriting commitment.
- c. *Defaults and breaches*
There were no defaults or breaches on the loan during the reporting period.

Note 9 Contributed equity

| | Consolidated | |
|------------------------------------------------------|------------------|---------------|
| | 31 December 2012 | 30 June 2012 |
| | \$ | \$ |
| <i>(a) Share capital</i> | | |
| Issued and fully paid | 215,203,383 | 195,948,041 |
| | 215,203,383 | 195,948,041 |
| <i>(b) Share movements during the year</i> | \$ | No. |
| At 1 July 2012 | 195,948,041 | 1,128,736,403 |
| Vested performance rights | 388,756 | 1,697,715 |
| Non-renounceable rights issue | 12,337,068 | 293,739,843 |
| Raptor share issue | 7,307,333 | 129,333,333 |
| Share issue costs | (777,815) | - |
| At 31 December 2012 | 215,203,383 | 1,553,507,294 |
| | 215,203,383 | 1,553,507,294 |
| <i>(c) Share rights - Movement during the period</i> | No. | |
| On issue at 1 July 2012 | 6,840,470 | |
| Granted during the period | 12,817,300 | |
| Vested during period | (1,697,715) | |
| Lapsed during period | (920,000) | |
| Forfeited during period | (202,505) | |
| On issue at 31 December 2012 | 16,837,550 | |
| | 16,837,550 | |

Note 10 Share based payment

Between July and December 2012, a total of 12,817,300 share rights were granted to employees under the Deep Yellow Limited Awards Plan (Awards Plan). Share rights were granted under the 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 at the date of grant 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 performance periods ranging from 1-3 years. There is no cash settlement for the rights. The fair value of rights granted during the six months ended 31 December 2012 was estimated on the date of grant using the following assumptions:

| | Grant dates | |
|-------------------------------------|----------------|-----------------|
| | 3 October 2012 | 6 December 2012 |
| Dividend yield (%) | - | - |
| Expected volatility (%) | 85.00 | 85.00 |
| Risk-free interest rate (%) | 2.46 | 2.73 |
| Expected life (years) | 7.00 | 7.00 |
| Underlying Security spot price (\$) | 0.044 | 0.052 |

For the six months ended 31 December 2012, the Group has recognised \$187,950 as share-based payments in the statement of comprehensive income (31 December 2011: \$439,933) as part of employee expenses and \$102,413 as capitalised mineral and evaluation expenditure in the statement of financial position (31 December 2011: Nil).

Note 11 Contingent liabilities and contingent assets

(i) Contingent liabilities

There were no material contingent liabilities as at 31 December 2012 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 2012.

Note 12 Events after balance sheet date

No event or circumstance has arisen since 31 December 2012 that would require disclosure in the financial report.

Director's Declaration

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, as set out on pages 8 to 18, are in accordance with the *Corporations Act 2001*, including:
 - a. Giving a true and fair view of financial position as at 31 December 2012 and performance
 - b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*
2. Subject to the matters outlined in Note 1 "Going Concern", 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 7 March 2013

Independent review report to 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 statement of financial position as at 31 December 2012, the statement of comprehensive income, statement of changes in equity and 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 2012 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.

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 2012 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*.

Emphasis of Matter - Going Concern

Without qualification to the conclusion expressed above, we draw attention to the following matter. As a result of the matters described in Note 1, there is a material uncertainty whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'GH Meyerowitz'.

GH Meyerowitz
Partner
Perth
7 March 2013