



29 January 2016

## QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDING 31 DECEMBER 2015

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### HIGHLIGHTS

#### Corporate and Market Comments:

- DYL is pleased to report a cash and liquid assets balance of \$2.8 million at the end of the quarter.
- Overheads have decreased with the recent departures and non-replacement of the previous chairman and Namibian Country Manager.
- The uranium spot price finished the year 3.5% down on the previous year, second only to lead in commodity price performance for the challenging year that was 2015.
- Uranium supply for the year was marginally up possibly due to one large mine exceeding production expectations (Cigar Lake) whilst another under development experienced delays (Husab).
- The nuclear power industry experienced a second year of consistent growth, whilst the outcomes from COP21 in Paris in December 2015 are likely to encourage greater nuclear expansion.

#### Tumas Project

- A small bulk sample was excavated for metallurgical testwork to be conducted by Marenica Energy Ltd ("MEY") in Perth.
- The testwork is the first phase of a program designed to assess the amenability of MEY's U-pgrade™ flowsheet to Tumas's calcrete ore.
- The sample was delivered to Perth just before year end, a few weeks earlier than anticipated.
- The excavation will be deepened in the New Year and a larger second sample will be sent to Perth to supplement the first sample and enable a wider suite of tests which will take longer than originally anticipated.
- The test will be completed around mid-year, although interim results will be released during the program.
- The market analysis conducted by the Company concluded that in the foreseeable future there will be a competitive offtake market for intermediate feed to the existing uranium mines operating in the region.

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## BUSINESS REVIEW

### TUMAS PROJECT

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#### *Tumas-Tubas Palaeochannel Exploration*

In November 2015 DYL's wholly-owned operating subsidiary, Reptile Uranium Namibia Pty Ltd ("RUN") completed the excavation of a small bulk sample from its Tumas Zone 1 palaeochannel calcrete deposit for metallurgical testwork purposes. The location of the site (see Figure 1) was within the infill drilling area of a program completed in December 2014 and reported in an ASX release dated 16 July 2015 titled "Enhanced Palaeochannel Prospectivity".

The small bulk sample will be the subject of metallurgical testwork to be conducted by Marenica Energy Ltd ("MEY") in Perth, designed to assess the amenability of MEY's U-pgrade™ flowsheet to Tumas's calcrete ore. If the testwork is successful the Company's ultimate objective is to develop an operation capable of cost effectively producing a high grade intermediate product for satellite supply to any one of the existing Namibian uranium mines. If the metallurgical testwork results are similar to what has been achieved by MEY on other deposits, the resulting high grade product should be economical to transport and attractive to existing Namibian uranium producers.

The potential also exists (once again assuming testwork success) that RUN's palaeochannels (Tumas and Tubas) could become a standalone operation, depending primarily on relative capital and operating costs.

Initially, it was planned to send a sample of approximately 1 tonne however during the excavation a hard layer was encountered which the bucket excavator could not penetrate. With no immediate way to break through this layer (equipment availability being a problem at that time of the year) a decision was made to send an initial smaller sample to Perth.

During the festive season break plans were made to recommence excavation immediately once the RUN office re-opened. The excavation will be deepened and a larger second sample will be sent to Perth to supplement the first sample and enable a wider suite of tests.

As a result of this change in plan the testwork is expected to take longer and be completed around mid-year, although it is expected that interim results will be available to be released during the program.

Whilst the existing palaeochannel resource is relatively small its upside potential is substantial as demonstrated by the Company's recent exploration success. (See DYL's previous quarterly reports and its ASX release dated 16 July 2015 titled "Enhanced Palaeochannel Prospectivity" for more information.)

#### *Offtake Market Analysis*

As explained in its previous Quarterly DYL had historically engaged with the two existing Namibian uranium mines and the third aspiring producer (see Figure 2) to find an offtaker for an intermediate product planned to be produced from RUN's Tubas Sand Project. At the time, none of these parties were willing, for their own various reasons, to commit to offtake. DYL is becoming increasingly more confident from its recent market analysis that this picture is changing and has concluded that in the foreseeable future there will be a competitive offtake market for intermediate feed to the existing uranium mines operating in the region.



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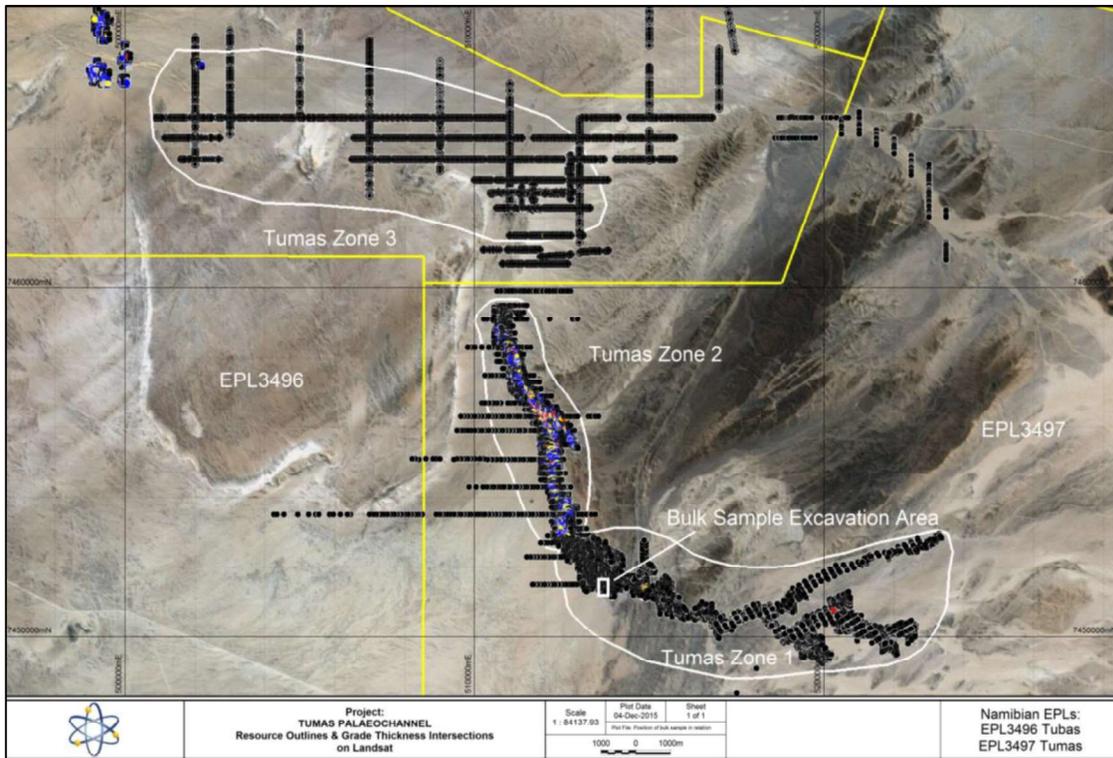


Figure 1: Map showing location of the area from which the bulk sample was excavated.

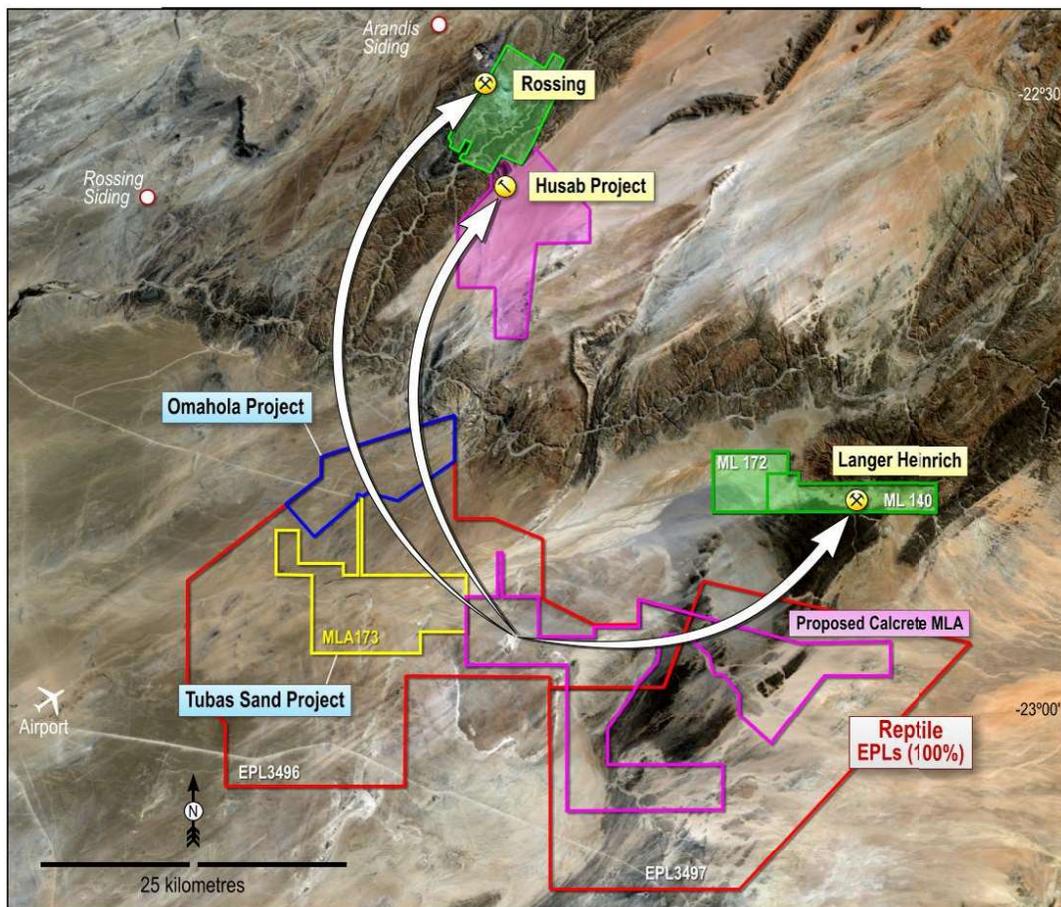


Figure 2: Map showing potential future intermediate product off-takers.



## MARKET COMMENT

The uranium spot price finished the year 3.5% down on the previous year, second only to lead in commodity price performance for the challenging year that was 2015. However on an annual average price basis the price was actually 10% up on the previous year one of the few commodities to do so.

Uranium supply for the year was marginally up possibly due in part to one of the world's largest mines, Cigar Lake, exceeding production expectations in what is still considered its ramp-up phase. On the other hand, CGNPC's Husab Project, located some 25km due north of RUN's Omahola Project, experienced an unfortunate serious mill fire on 29 December 2015 which can reasonably be expected to lead to a significant delay in commissioning. Given the size of the Chinese strategic stockpile it is debatable whether this may have any tangible impact on overall market dynamics; only time will tell.

Market demand in 2015 was encouraging with the nuclear power industry experiencing a second year of consistent growth. China, Russia, India and South Korea continue to drive growth but the prognosis for Japanese restarts also continues to improve, as does new build in regions such as the Middle East and more recently South Africa.

Some may consider it optimistic to claim that the outcomes from the COP21 climate meeting in Paris in December 2015 are likely to encourage greater nuclear expansion across the globe, however many commentators believe this to be an entirely reasonable claim. After all, 196 countries have now signed an agreement to limit the global rise in temperature to 2°C by the end of this century. To achieve this, the planet's power generation will need to be virtually decarbonised by mid-century. The only way to do this is with a mix of technologies including nuclear and renewables.

It is worth noting that nuclear provides some 11% of the world's electricity (without subsidies) and avoids over 2 billion tonnes of CO<sub>2</sub> emissions annually. By comparison, after decades of subsidies, incentives and promotion, the combined output of all renewables (wind, solar, geothermal, and biomass) is still only 2% of the world's electricity and avoid approximately only 0.1 billion tonnes of CO<sub>2</sub> emissions annually.

## CORPORATE

DYL is pleased to report a balance of \$2.8 million of cash and liquid assets as at 31 December 2015. Overheads have decreased with the recent departures and non-replacement of the previous chairman, Mr Tim Netscher and the Namibian Country Manager, Mr Peter Christians and the implementation of a further 10% reduction in non-executive director fees, as signalled in DYL's previous quarterly. Mr Rudolf Brunovs, a longstanding DYL non-executive director succeeded Mr Netscher whilst no replacement will be made for Mr Christians until the situation changes significantly.

During the quarter 12,481,513 shares were issued in relation to shareholder approved payments in lieu of salaries and director fees and 1,250,000 shares were issued as a result of the vesting of performance share rights. During the quarter 43,900,000 performance share rights were granted, 6,012,000 were cancelled and 4,000,000 lapsed unexercised.

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For further information on the Company and its projects - visit the website at [www.deepyellow.com.au](http://www.deepyellow.com.au)

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### **About Deep Yellow Limited**

Deep Yellow Limited is an ASX-listed, Namibian-focussed advanced stage uranium exploration company. It also has a listing on the Namibian Stock Exchange.

Deep Yellow's operations in Namibia are conducted by its 100% owned subsidiary Reptile Uranium Namibia (Pty) Ltd. Its flagship is the higher grade alaskite Omahola Project on which studies are being conducted to supplement the recently completed preliminary economic analysis and the scoping phase of metallurgical testwork is being planned.

The Company is also evaluating fast track development options for its surficial calcrete deposits which are amenable to various physical beneficiation upgrading techniques that have been successfully tested over the last four years.

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### **Competent Person's Statements**

In this report where the Company refers to the results of the Tumas Zone 1 Infill Drilling Exploration Program and the Geophysical Interpretation by consultants Resource Potentials (referencing the release made to the ASX on 16 July 2015), DYL confirms that it is not aware of any new information or data that materially affects the information disclosed in that release and the form and context of the announcement has not materially changed.

### **Forward-Looking Statements**

Certain statements made in this announcement, including, without limitation, those concerning the preliminary economic analysis of the Omahola Project and the resource potential of the Company's Palaeochannel system located in Namibia, contain or comprise certain forward-looking statements regarding DYL's exploration operations, economic performance and financial condition. Although DYL believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives, changes in the regulatory environment and other government actions, fluctuations in metals prices and exchange rates and business and operational risk management. DYL undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events.

The Company notes that an inferred resource has a lower level of confidence than an indicated or measured resource. The Company believes that based on the geological nature of its deposit and the work done over several years by its geological team and its Competent Person that there is a high degree of probability that the inferred resources will upgrade to indicated resources with further exploration work.

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# Annexure 1

## Schedule of Mineral Tenure – December 2015

### NAMIBIA

Number	Name	Interest	Expiry Date	JV Parties	Approx. Area (km <sup>2</sup> )
EPL 3496	Tubas	100%	05.06.2015 <sup>#1</sup>	-	709
EPL 3497	Tumas	100%	05.06.2015 <sup>#1</sup>	-	637
EPL 3498	Aussinanis	85%	07.05.2016	5% Epangelo <sup>#3</sup> 10% Oponona <sup>#4</sup>	253
EPL 3499	Ripnes	85%	05.06.2015 <sup>#1</sup>		522
EPL 3668	Gawib West	65%	20.11.2015 <sup>#1</sup>	25% Nova (Africa) <sup>#5</sup> 10% Sixzone <sup>#6</sup>	185
EPL 3669	Tumas North	65%	20.11.2015 <sup>#1</sup>		163
EPL 3670	Chungochoab	65%	20.11.2015 <sup>#1</sup>		640
ML 173 <sup>#2</sup>	Tubas Sand	95%	Application	5% Oponona <sup>#4</sup>	-
ML 174 <sup>#2</sup>	Inca	95%	Application		-
ML 176 <sup>#2</sup>	Shiyela	95%	05.12.2027		-
<b>Sub-Total</b>					<b>3,109</b>

<sup>#1</sup> Renewal documentation has been submitted and the Company awaits the administrative process to be finalised

<sup>#2</sup> Located entirely within EPL3496

<sup>#3</sup> Epangelo Mining (Pty) Ltd

<sup>#4</sup> Oponona Investments (Pty) Ltd

<sup>#5</sup> Nova (Africa) (Pty) Ltd

<sup>#6</sup> Sixzone Investments (Pty) Ltd

### NORTHERN TERRITORY

Number.	Name	Interest	Expiry Date	JV Parties	Approx. Area (km <sup>2</sup> )
EL 24246	Napperby	100%	10.10.16	-	234
<b>Sub-Total</b>					<b>234</b>

### QUEENSLAND

Number	Name	Interest	Expiry Date	JV Parties	Approx. Area (km <sup>2</sup> )
EPM 14916	Ewen	100%	14.05.16	-	58
EPM 15070	Prospector	100%	27.03.16	-	77
<b>Sub-Total</b>					<b>135</b>
<b>DYL Total</b>					<b>3,478</b>

### AGREEMENTS

	Approx. Area (km <sup>2</sup> )
ABM Resources NL - Northern Territory (100% uranium rights stay with DYL)	14,142
<b>Sub-Total</b>	<b>14,142</b>
<b>Total Area</b>	<b>17,620</b>

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