Deep Yellow Limited

ASX Announcement **ASX: DYL**

26 October 2016

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDING 30 SEPTEMBER 2016

HIGHLIGHTS

- **Post quarter-end, John Borshoff appointed MD/CEO with accompanying strategic relationship with the Sprott Group and funding commitment to raise an initial A$1.42M.**
- **Post quarter-end, a Mineral Resource Estimate completed for the Tumas Project.**
  - A 12% increase in metal content at the previous average grade and cut-off.
  - Mineral Resource Estimate now totals 16.6Mt at 366 ppm U_3O_8 for 13.4Mlb of U_3O_8 at a cut-off of 200 ppm U_3O_8.
  - Mineral Resources classified with 62% in Measured Category, 36% Indicated Category and 2% Inferred Category.
- **Technology Licence Agreement for the application of the *U-pgrade*™ process signed with Marenica Energy Ltd on the Company's Tumas Project in Namibia**.
  - If the Technology is proven and adopted, the agreement allows for sharing of the economic benefit based on a sliding scale and various criteria.
  - Final test work report received confirming preliminary findings.
  - Further test work required to prove up the Technology which shows potential to reduce both capital and operating costs

CORPORATE

On 24 October 2016, the Company announced the appointment of Mr John Borshoff as Chief Executive Officer and Managing Director and the establishment of a strategic relationship with an affiliate of the Sprott Group ("Sprott"). Concurrently, an affiliate of Sprott will be making an initial A$1.42M investment to recapitalise DYL and support the Company's future growth strategy, anchored by its flagship Namibian assets. A strategic review of the uranium sector will be undertaken to evaluate growth opportunities in addition to determining the priority focus for the Company's current projects.

The Board expressed its gratitude to the outgoing Managing Director, Mr Greg Cochran, for his efforts over the past 5 years.

Exploration Capital Partners 2014 Limited Partnership ("ECP"), an affiliate of Sprott, has agreed to subscribe to a private placement of 15% of the issued capital of DYL for gross proceeds of A$1,415,253.85. ECP will be issued 321,648,376 fully paid ordinary shares ("Shares") at A$0.0044 per Share, which price was calculated by reference to a discount to the volume weighted average share price ("Placement"). In being issued the Shares, Sprott will become the Company's largest shareholder and will have the right to nominate a Non-executive Director to the board so long as its ownership remains above 10% and a second Non-executive Director should its shareholding exceed 25%[1].

The Placement is expected to settle on or about 28 October 2016.

[1] Calculated on an undiluted basis

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It is the intention of the Company and Sprott to develop a strategic relationship and, subject to ASX granting a waiver to Listing Rule 6.18, the Company will also grant Sprott a top up right[2] to allow Sprott to maintain its equity position in DYL. The top up right will cease if Sprott's holding in DYL falls below 10%.

Should Sprott's shareholding exceed 25%, it may request the Company to seek a listing on the TSX-Venture Exchange.

TUMAS PROJECT

As announced on 12 and 25 October 2016, a new Mineral Resource Estimate conforming to the JORC (2012) Code has been completed for the Tumas Project.

The results, using a 200ppm U_3O_8 cut-off, estimate a Measured Mineral Resource of 8.2 Mlb U_3O_8 at an average grade of 386 ppm U_3O_8, an Indicated Mineral Resource of 4.8 Mlb at an average grade of 336 ppm U_3O_8 and an Inferred Mineral Resource of 0.3Mlb U_3O_8 at an average grade of 351 ppm U_3O_8 for a total Mineral Resource of 13.4 Mlb U_3O_8 at an average grade of 366 ppm U_3O_8.

Compared to the previous Mineral Resource Estimate announced in October 2010 for the Tumas 1 and 2 zones, this latest estimate shows an increase of 12% in the total contained uranium metal and a substantial upgrade in confidence in the Mineral Resource now stated as being 62% in the Measured Category, 36% in the Indicated Category and 2% in the Inferred Category.

The study included geological modelling of the Tumas 3 zone which indicates the potential to host an Exploration Target of 20Mt to 30Mt at possible grades in the range of 200 to 250 ppm U_3O_8 at a cut-off grade of 200 ppm further highlighting the potential of the area. This potential mineralisation is based on broadly spaced drilling and has had insufficient exploration to define a Mineral Resource, and the estimates of tonnage are conceptual in nature. It is uncertain that further drilling will convert any of the exploration potential to a Mineral Resource.

LICENCE APPLICATION RENEWALS – NOVA TENEMENTS

A meeting was held mid-October with the Minister of Mines in Namibia to seek clarification on the renewal of the applications for the Nova Joint Venture Exclusive Prospecting Licences EPLs 3668 and 3670. The Minister, along with the Mining Commissioner, undertook to expedite the process for these tenements.

MARENICA ENERGY LTD TECHNOLOGY LICENCE AND TESTWORK PROGRAM

In September 2016 DYL announced that it entered into a Technology Licence Agreement ("TLA") with Marenica Energy Ltd ("MEY") giving DYL the ability to use MEY's *U-pgrade™* process on its Tumas Project located in Namibia. The agreement with MEY allows DYL to move into a follow-on phase of project development at DYL's cost, being further metallurgical test work and a resource expansion drilling program before a feasibility study can be commenced.

The TLA aims to share the economic benefit of the combination of the resource and technology on a sliding scale (depending on uranium pricing inputs) and comprises initially a series of lump sum payments and then ongoing production-based fees once the *U-pgrade™* plant has met specific performance indicators. As reported, production-based payments to MEY vary with sales price and are nominal if uranium is sold at a price below US$50/lb and capped at US$4.80/lb if the uranium price received exceeds US$80/lb.

The preliminary results from the metallurgical test work completed at the end of June 2016 showed that more than 95% of the carbonate minerals could be removed with a loss of less than 5% of the uranium whilst the de-sliming step rejected ~27% of the mass as fine particulate material. These results, using Tumas samples, indicated that the critical carbonate and de-slime removal steps used in the process would enable a significant reduction in the mass being handled with a minor loss of uranium, allowing the upgrading of uranium into a low mass concentrate.

[2] The "top up right" will not apply in circumstances where DYL issues securities in relation to an off-market takeover bid or a scheme of arrangement, securities issued on conversion of convertible securities, securities issued pursuant to compensation or incentive schemes or securities issued pursuant to a dividend reinvestment plan or bonus share plan.

The final report on the bench scale metallurgical test work program was received during the quarter. The test work was conducted on bulk samples excavated from the Tumas calcrete deposit late in 2015 and early 2016.

The program proved to be a success, demonstrating the ability of MEY's *U-pgrade™* process, which uses standard mineral processing unit operations, to effectively beneficiate Tumas's calcrete ore and produce a low mass, high-grade concentrate at high recoveries. The results generally met and, in some cases, exceeded expectations.

The critical first step of the process is the removal of ultrafine clays from the ore and this proved highly effective. This enabled a large increase in grade and also improved the efficiency of the calcite removal step significantly reducing projected reagent consumption.

Overall uranium recoveries of between 80% to 83% were achieved from the test sample which had a relatively low grade of 190 ppm U (220 ppm U_3O_8) compared to the higher average grade of the Mineral Resource as estimated for the Tumas deposit of 312 ppm U (366 ppm U_3O_8). It is expected therefore that slightly higher recoveries (82% to 85%) could be achieved from a higher feed grade which could potentially enable the production of a concentrate with a grade well in excess of 10,000 ppm U. The test work results were extrapolated from the lower grade test sample to generate mass balance data for the 366 ppm U_3O_8 average grade estimated for the deposit.

The recommended next steps for the project include an extensive variability test work program on samples generated by PQ diamond drilling from across Tumas Zones 1 and 2 to confirm variability factors within the deposit. A detailed project plan through to development, with cost estimates and schedule, including geometallurgical drilling, has been proposed. This proposal is now on hold pending a full operational review to establish the optimal way forward for the Company.

AGM

The 2016 AGM is scheduled for 30 November at 2.00pm WST. It is to be held at the EY Building, City Beach Room, Level 5, 11 Mounts Bay Road, Perth Western Australia.

For further information regarding this announcement, contact:

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Managing Director/CEO

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For further information on the Company and its projects - visit the website at www.deepyellow.com.au

Competent Person's Statement

The information in this report that relates to exploration results and mineral resource estimates for the Tumas Deposit is based on information compiled by Mr. Martin Hirsch, M.Sc. Geology, who is a member of the Institute of Materials, Minerals and Mining (UK) and the South African Council for Natural Science Professionals. Mr. Hirsch is the Exploration Manager for Reptile Uranium Namibia (Pty) Ltd, 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 in terms of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code 2012 Edition). Mr. Hirsch consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Annexure 1
Schedule of Mineral Tenure – September 2016

NAMIBIA

Number	Name	Interest	Expiry Date	JV Parties	Approx. Area (km²)
EPL 3496	Tubas	100%	05.06.2017	-	709
EPL 3497	Tumas	100%	05.06.2017	-	422
EPL 3498	Aussinanis	85%	07.05.2016 #1	5% Epangelo #3 10% Oponona #4	253
EPL 3669	Tumas North	65%	20.11.2015 #1	25% Nova (Africa) #5	163
EPL 3670	Chungochoab	65%	20.11.2015 #1	10% Sixzone #6	640
ML 176 #2	Shiyela	95%	05.12.2027	5% Oponona #4	54

#1 Renewal documentation has been submitted and the Company awaits the administrative process to be finalised
#2 Located entirely within EPL3496
#3 Epangelo Mining (Pty) Ltd
#4 Oponona Investments (Pty) Ltd
#5 Nova (Africa) (Pty) Ltd
#6 Sixzone Investments (Pty) Ltd

Sub-Total	**2,241**

NORTHERN TERRITORY

Number.	Name	Interest	Expiry Date	JV Parties	Approx. Area (km²)
EL 24246	Napperby	100%	10.10.16	-	234

Sub-Total	**234**
DYL Total	**2,475**

AGREEMENTS

	Approx. Area (km²)
ABM Resources NL - Northern Territory (100% uranium rights stay with DYL)	5,257
Sub-Total	**5,257**
Total Area	**7,732**