



31 July 2014

## QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDING 30 JUNE 2014

### HIGHLIGHTS

#### Corporate

- DYL ended the quarter with cash resources of approximately \$1.2 million.
- An Entitlement Issue, launched in June and closed after the end of the quarter, raised over \$1.5 million which strengthened DYL's cash position to approximately \$2.7 million.
- Board fees, executive and management salaries will be reduced further and a percentage of director fees continue to be deferred with shares being issued in lieu (subject to shareholder approval) in order to protect the company's cash resources.

#### Omahola Project Preliminary Economic Analysis

- The in-house preliminary economic analysis was completed resulting in the conclusion that the project would likely be developed as a heap leach rather than a tank leach operation.
- The analysis has also generated estimates of a likely range of strip ratios and cut-off and cut-over grades.
- A key benefit of the study is that it has obviated the need for a costly metallurgical testwork program at this stage to compare tank leach samples against heap leach samples.
- Omahola's declared resource will be re-defined at a lower cut-off grade, likely to be 100 ppm U<sub>3</sub>O<sub>8</sub> compared to the current 250 ppm U<sub>3</sub>O<sub>8</sub> cut-off.
- The analysis also concluded that drilling deeper at the MS7 deposit (which is open to depth) could be economically justified.

#### Tubas Sand Project Processing Study

- DRA Mineral Projects completed a preliminary techno-economic trade-off study for the Project.
- The study confirmed the economics of the project under various operating scenarios.
- Production of a sand concentrate for sale to an existing Namibian producer was selected as the preferred operating strategy in the short term.
- Importantly, this approach still retains the option of incorporating the sand into DYL's flagship Omahola Project in the longer term.
- While securing an offtaker is the critical next step, interim planning is also underway for further studies which could, depending on funding and market conditions, be completed by end-2015.

#### Marenica Energy Limited *U-PGRADE*<sup>TM</sup> Testwork

- Ore characterisation of samples from the Tubas Sand Deposit were completed by Marenica Energy Limited ('Marenica') to test amenability to the Marenica *U-pgrade*<sup>TM</sup> process.
- Whilst the results were encouraging they were not as conclusive as the palaeochannel results and further test work will be required. A decision has yet to be taken on this additional work.

#### Shiyela Iron Project

- Negotiations on the divestment of the Project continued but were delayed by the preferred bidder.
- As a result of these delays DYL may not be able to close this transaction in the short term.



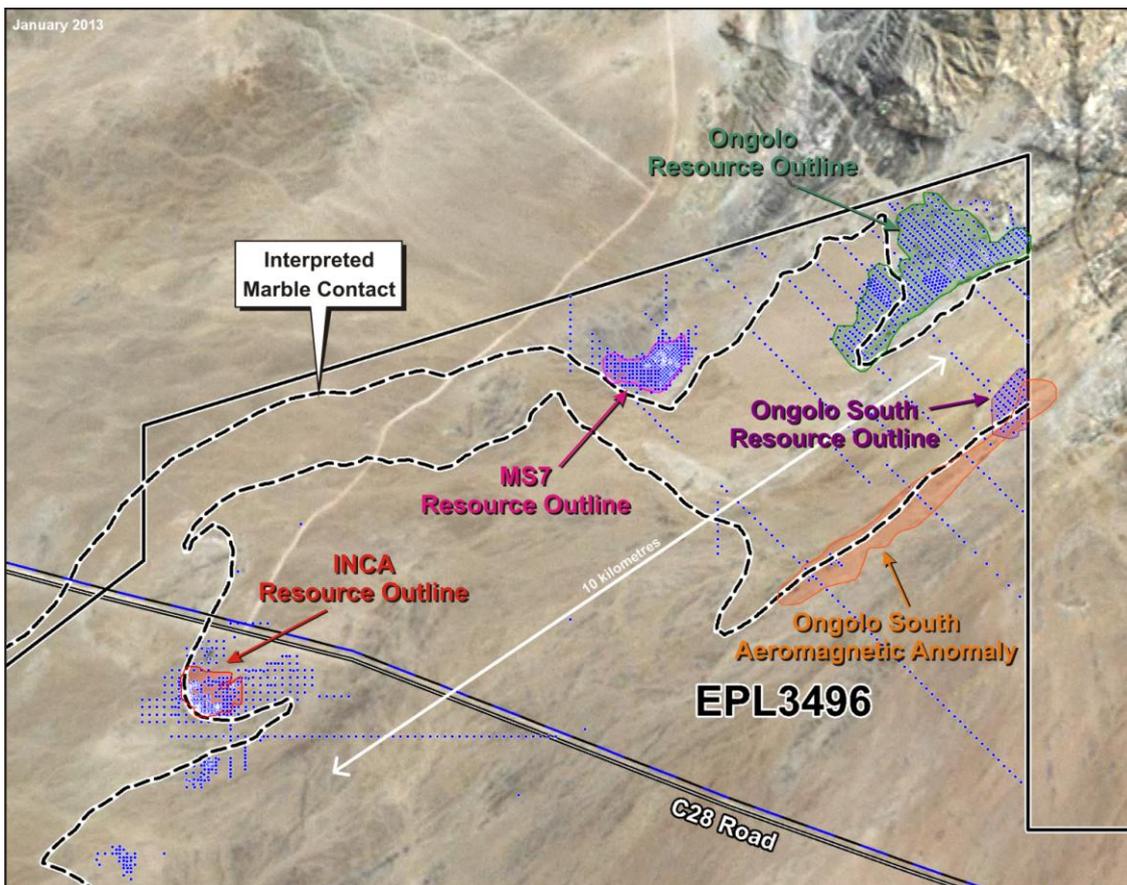
**BUSINESS REVIEW**

**OMAHOLA PROJECT**

**Preliminary Economic Analysis**

During the quarter the results of an in-house Preliminary Economic Analysis ('PEA') on the Omahola Project were released. The primary objective of the PEA was to determine the preferred process route for the project – an acid heap leach or tank leach operation. Historically it was envisaged that the Omahola Project would be a tank leach operation due to its relatively high average uranium grade (420 ppm at a cut-off of 250 ppm U<sub>3</sub>O<sub>8</sub>). However, at this cut-off grade potential economic resources would be ignored (resulting in lower overall metal recovery) and deeper higher grade resources could also have been sterilised.

Other objectives included assessing cut-off grades and cut-over grades (the transition point between a heap leach and a tank leach operation) and the estimation of likely strip ratios for each of the three Omahola deposits (Ongolo, MS7 and INCA – see Figure 1). The decision to conduct the PEA, which required a series of pit optimisation exercises to be completed, was made last year as a result of a successful sighter column leach test on a composite sample generated from seven boreholes across the Ongolo and MS7 alaskite deposits. The results of that test were encouraging with uranium recovery close to 80% after only 7 days of leaching and a low overall sulphuric acid consumption of 12.4kg/tonne. Given that this was only an initial test further extensive trials will be required in future to determine the expected performance figures of an actual heap leach operation at Omahola.



**Figure 1: Locality Map Showing Omahola Project Resource Outlines**

The parameters for a tank leach and a heap leach operation for the in-house pit optimisation exercises were estimated from previous work conducted by DYL, published information on other similar (directly comparable) projects and on quotes from suppliers. A range of uranium prices were used, from as low as US\$30/lb U<sub>3</sub>O<sub>8</sub> up to US\$100/lb U<sub>3</sub>O<sub>8</sub>. In the absence of geotechnical studies a conservative overall pit slope angle of 45° was assumed, although angles in excess of 50° are not unusual in the region. The results of the pit optimisation are believed to be a reasonable indicator of future potential as almost 61 percent of Omahola's resource tonnage (and 60 percent of the contained uranium) is in the measured and indicated category.

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At US\$70/lb U<sub>3</sub>O<sub>8</sub> the tank leach cut-off grade was calculated to be 137 ppm U<sub>3</sub>O<sub>8</sub> compared to 100 ppm U<sub>3</sub>O<sub>8</sub> for a heap leach, whilst the cut-over grade (the grade below which it is always more profitable to treat via the cheaper, lower recovery heap leach process for the given set of assumed parameters) was calculated at 522 ppm U<sub>3</sub>O<sub>8</sub>. This compares to the 400 ppm U<sub>3</sub>O<sub>8</sub> figure that DYL had previously calculated as the lowest acceptable grade to economically process alaskite ores via the tank leach method.

The overall average strip ratios for the two different modelled operating scenarios were very similar, approximately 4.2:1 (waste:ore), with the MS7 deposit having the lowest strip ratio and INCA the highest. INCA had the highest strip ratio and the highest average grade which means that its estimated operating costs are comparable to MS7. Ongolo, the lowest grade deposit, had the highest estimated operating cost.

Different rates of production (in terms of uranium output) were also modelled, from 2.5 Mlbs/a U<sub>3</sub>O<sub>8</sub> up to 3.5 Mlbs/a U<sub>3</sub>O<sub>8</sub> which would require between 7 ~ 10 Mtpa of ore to be mined and treated. These different production rates generated an estimated life of mine of at least 10 years and up to approximately 14 years.

The down dip potential of the MS7 deposit was also confirmed. This was achieved by creating an extended model using the existing resource and copying the mineralisation and placing it down dip in a north westerly direction (Figure 2). The additional portion of the model was only copied into areas that had no previous estimation in order to limit the addition of resource material. The two images below show the effect on the pit optimisations with the original shell in blue and the new shell in orange. The first image shows the existing resource model and the second one the extended model.

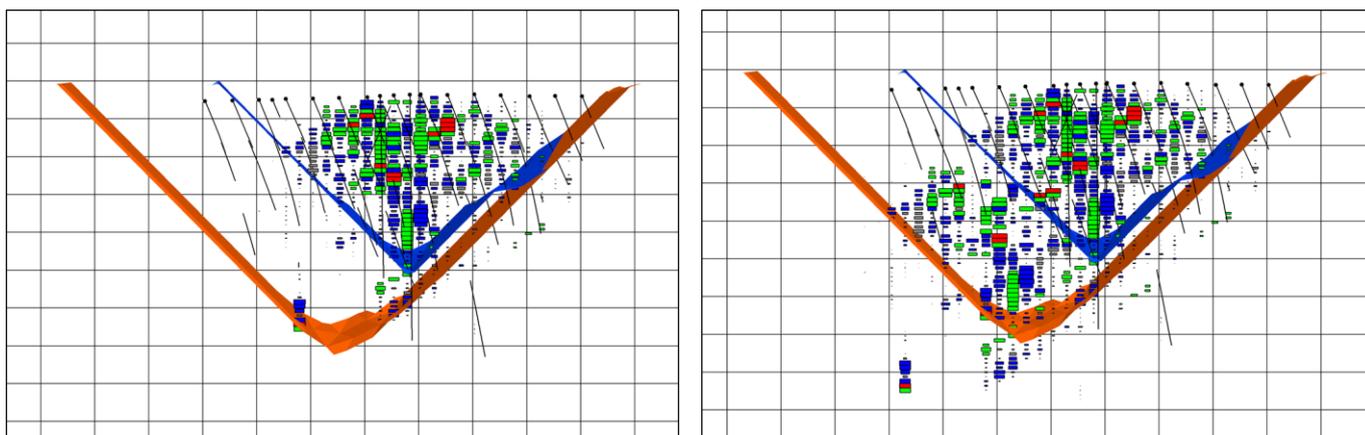


Figure 2: MS7 Original Model & Extended Model Pit Shells

## TUBAS SAND PROJECT

### Ore Characterisation to test application of Marenica Energy Limited's *U-PGRADE™* Technology

A review of the known mineralogical and metallurgical characteristics of the Tubas Sand Deposit was completed by Marenica Energy ('Marenica'). It is evident that application of Marenica's *U-pgrade™* technology to the Tubas Sand ore presents an opportunity to reject the gangue minerals that limit downstream processing of the concentrate produced from the Schauenburg unit. Rejection of these gangue minerals and concentration of the carnotite mineral into a low mass (target of <2%) is expected to reduce the operating cost base and add significant value to the concentrate for potential offtake partners. Whilst the results were encouraging (see Figure 3) they were not as conclusive as the recent palaeochannel results disclosed in the previous quarterly and further test work will be required. A decision has yet to be taken on this additional work.

In Figure 3, a high distribution to the right of the x-axis of the graph indicates very well liberated carnotite that is expected to upgrade through the *U-pgrade™* process into a low mass concentrate for leaching.

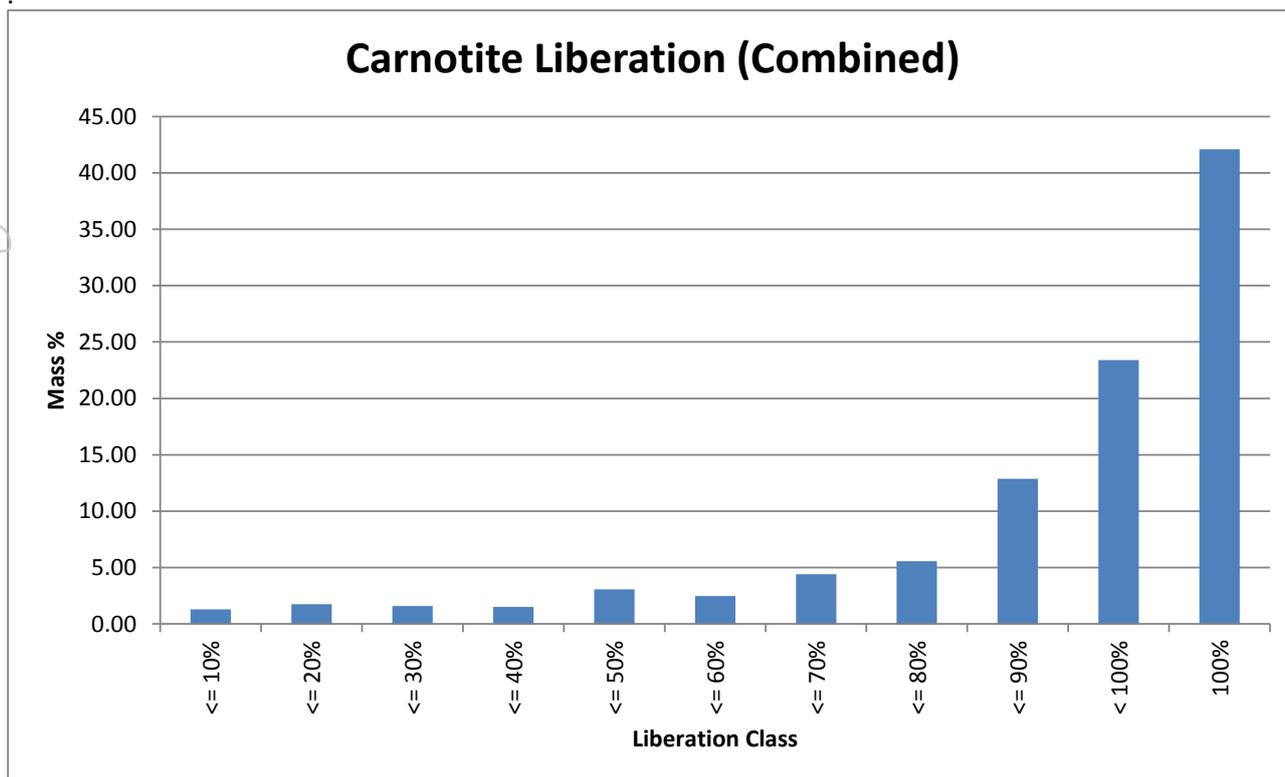


Figure 3. Carnotite Liberation of the Combined -38 μ and -125/+38 μ fractions

**DRA Techno-Economic Trade-off Study**

The results of a preliminary techno-economic trade-off study conducted for DYL by DRA Mineral Projects ('DRA') were announced during the quarter. The study and risk analysis compared five processing options representing various levels of beneficiation, yielding products ranging from an upgraded sand concentrate through to uranium bearing precipitates. Within each of the processing options, subsets of opportunities were considered for overland transport (trucking or pumping) of concentrate, for obtaining process water by desalination and for integration with existing Namibian uranium producers.

A physical beneficiation option consisting of ore scrubbing, classification and dewatering to produce an upgraded sand concentrate for sale to existing Namibian producers has been selected as the preferred strategy.

All options considered well established processing technology and included ore scrubbing and size classification ahead of the main processing facility. The main processing plant comprised of beneficiation combinations of atmospheric acid tank leaching, resin in pulp, elution, solvent extraction and final product precipitation using either hydrogen peroxide or ammonia.

The process design and subsequent capital and operating cost estimates derived for the various options were based on historic and current test work data, together with preliminary engineering, database estimating and by benchmarking with similar operations in Sub-Saharan Africa. Preliminary economic analysis indicated that increased levels of beneficiation will not improve the economic returns.

A physical beneficiation option consisting of ore scrubbing, classification by cyclones and dewatering to produce an upgraded sand concentrate for sale to existing Namibian producers was selected as the preferred processing strategy. This is from an economic, environmental, technical simplicity and capital intensity viewpoint. Previous test work results using Schauenburg technology were reviewed but not included in this study.

Concentrate transportation to existing producers could be done utilising either overland pumping or by using road transportation.

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Depending on ultimate desalinated water and energy input costs it is expected that a mining and physical beneficiation operation could produce the upgraded sand concentrate at a cost of less than US\$25/lb U<sub>3</sub>O<sub>8</sub> before being transported to an existing Namibian producer, based on mining cost estimates provided by DYL's technical team. It is believed that there is significant upside potential and subsequent test work and engineering will be required in order to capture that upside.

Future study phases will aim to complete the necessary metallurgical characterisation test work which will include mineralogy, solid/liquid separation, rheology and diagnostic leaching to provide sufficient data for design and value optimisation. However, this is dependent on securing a commitment from an offtaker.

DYL has always believed that this strategy would be attractive in the short term as it would enable the company to potentially commence production initially at a smaller scale with a gradual increase depending on the resource and other operating and market factors. In the longer term DYL sees part or all of the potential concentrate production from Tubas providing supplemental feed to its own Omahola Project.

The Tubas Sand deposit, albeit relatively low grade, has other inherent advantages – it can be mined in a shallow, low cost free dig truck and shovel operation, is highly amenable to physical beneficiation and already has full environmental clearance from the Republic of Namibia's Ministry of Environment and Tourism. A Mining License Application has also been lodged although approval is not expected in the near term due to the ongoing project studies.

## EXPLORATION OVERVIEW

### Target Generation – Geological Mapping, Surface Sampling and Ground Geophysical Surveys

In August 2013 Deep Yellow released the results of a prospectivity analysis conducted on its subsidiary Reptile Uranium Namibia's (RUN) EPLs in the highly prospective Erongo district of Namibia (See Figure 4). The analysis confirmed the prospectivity of the region and defined new exploration targets on a priority basis.

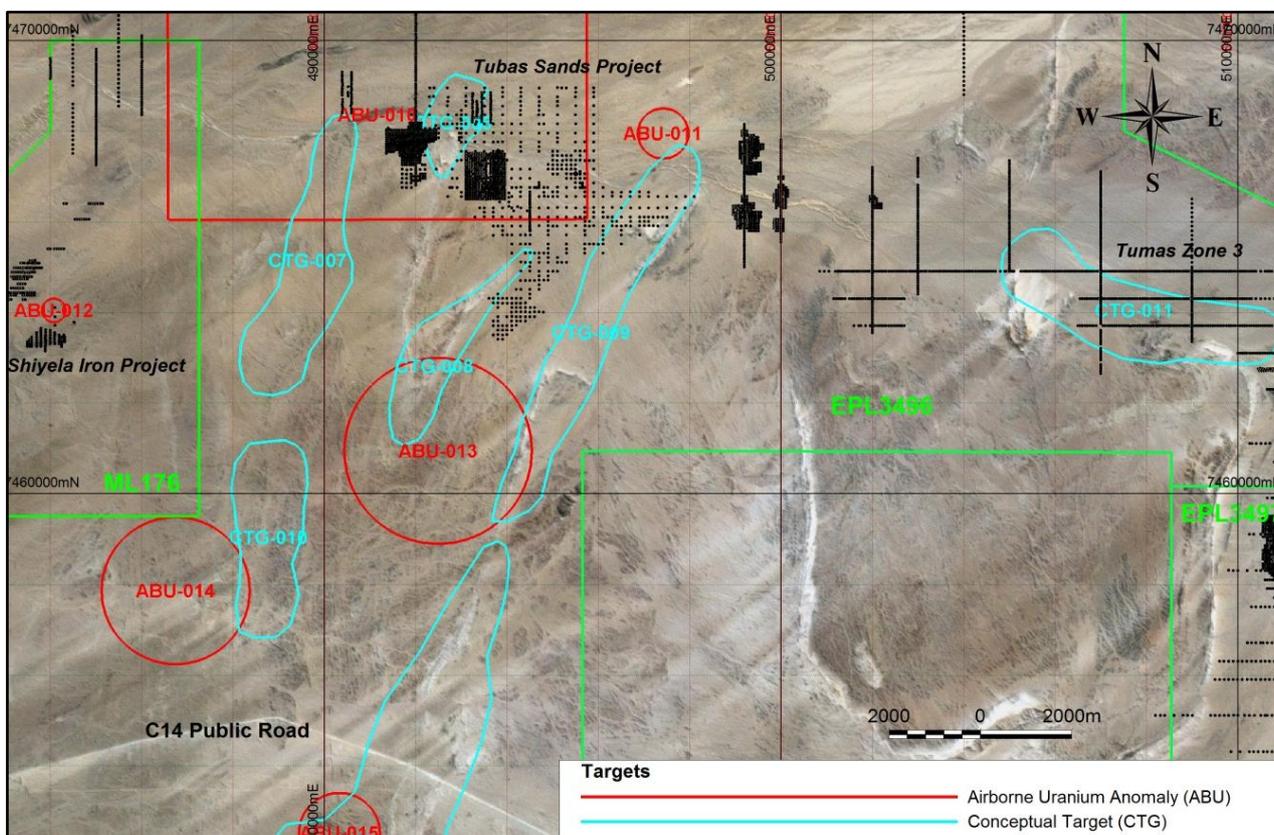


Figure 4: Map showing some of the radiometric as well as conceptual (alaskite) targets on EPL3496

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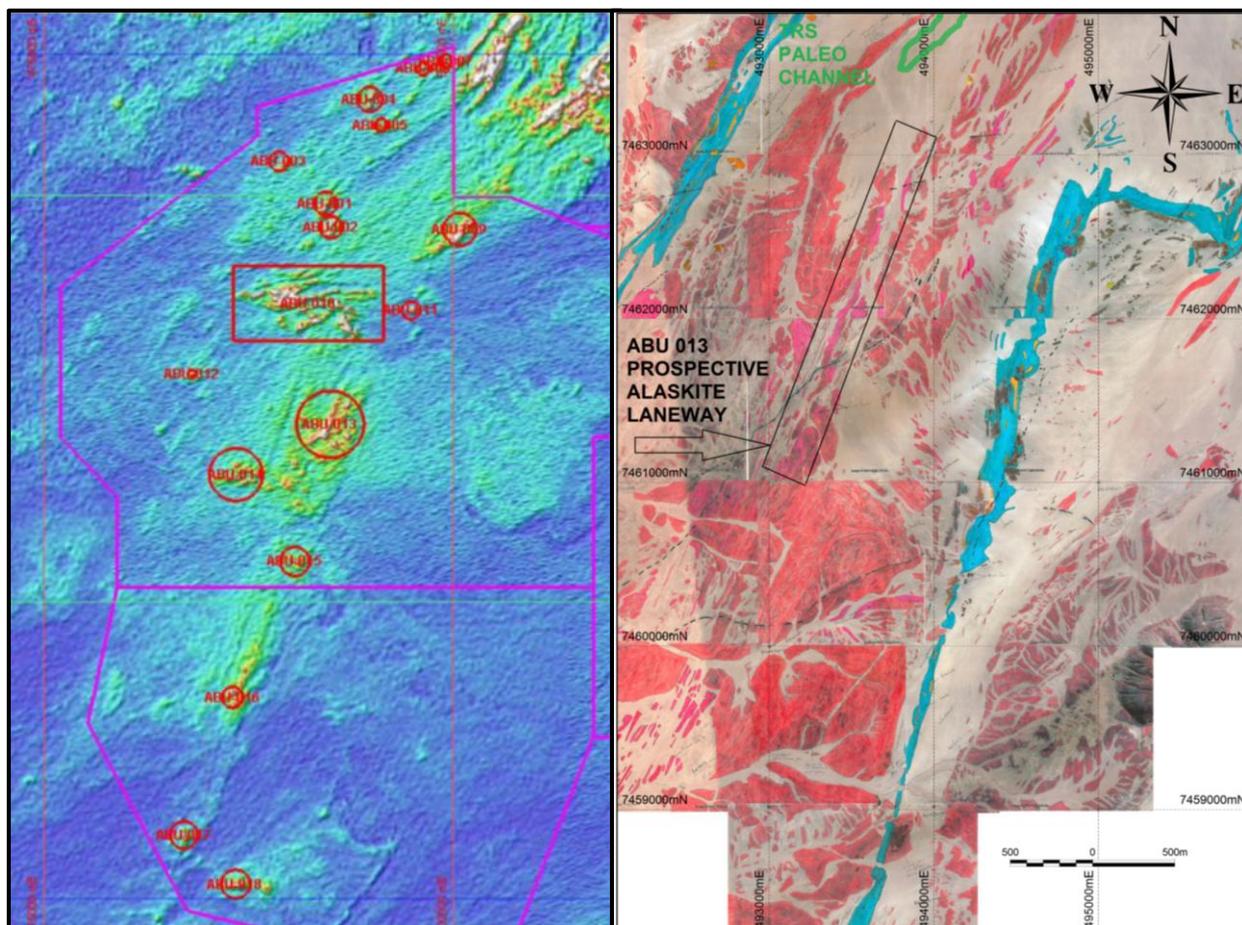


**Assessment of ABU 013 /CTG 009**

Anomalous outcropping alaskite was identified within the area of the prominent ABU 013 airborne anomaly (see Figures 5 and 6). Although much of this anomaly is caused by Th-dominant Red Granite, there are linear zones of uraniferous leucogranite emplaced in structural laneways paralleling the Welwitchia Trend. This target lies just outside of the CTG 009 formulaic envelope where the structural overprint of the Welwitchia Trend over-rides all other location targeting parameters. It has been observed that the surface radiometric expression is similar to the Inca or Ongolo type occurrences, given the degree of surface leaching.

A 2,000 x 100 metre alaskite zone is evident from RUN mapping. Strike extensions are also implied from this mapping. From this zone two good uranium rock assays were obtained; being 489 & 1116 ppm U<sub>3</sub>O<sub>8</sub> respectively. It would seem however that the apparent width may limit tonnage potential, making uranium drill grades decisive for success. A minimum of two drill lines of angled RC (4 to 6 overlapping holes) would be required to test this target, which also appears to be traceable northward to the southerly boundary of the Tubas Sand surficial resource.

Figure 6 shows the location of the prospective corridor of ABU 013 on a RUN Geologic Map and its position in relation to the SW arm of the Tubas Sand palaeochannel margin, shown in green.



**Figure 5: Location of ABU Targets**

**Figure 6: Geologic Map of ABU 013 showing alaskite target**

**Assessment of ABU 002**

It is believed that this target is the most drillable of all the alaskite regional targets assessed to date and is a natural fit with the adjacent planned Tubas Sand Zone E drill out. The ABU 002 target has been inferred on the basis of its proximity to a NE (bedrock-aligned) airborne radiometric uranium anomaly as well as the fact that one of the two existing historical RC holes intersected modestly anomalous alaskite throughout the top 21 metres. Figure 7 shows the location of the airborne anomalism and existing drilling. Two drill lines of east-angled RC holes will be required to test this concept. A positive result here would also elevate the prospectivity of CTG 007 which is the southward continuation of this trend.

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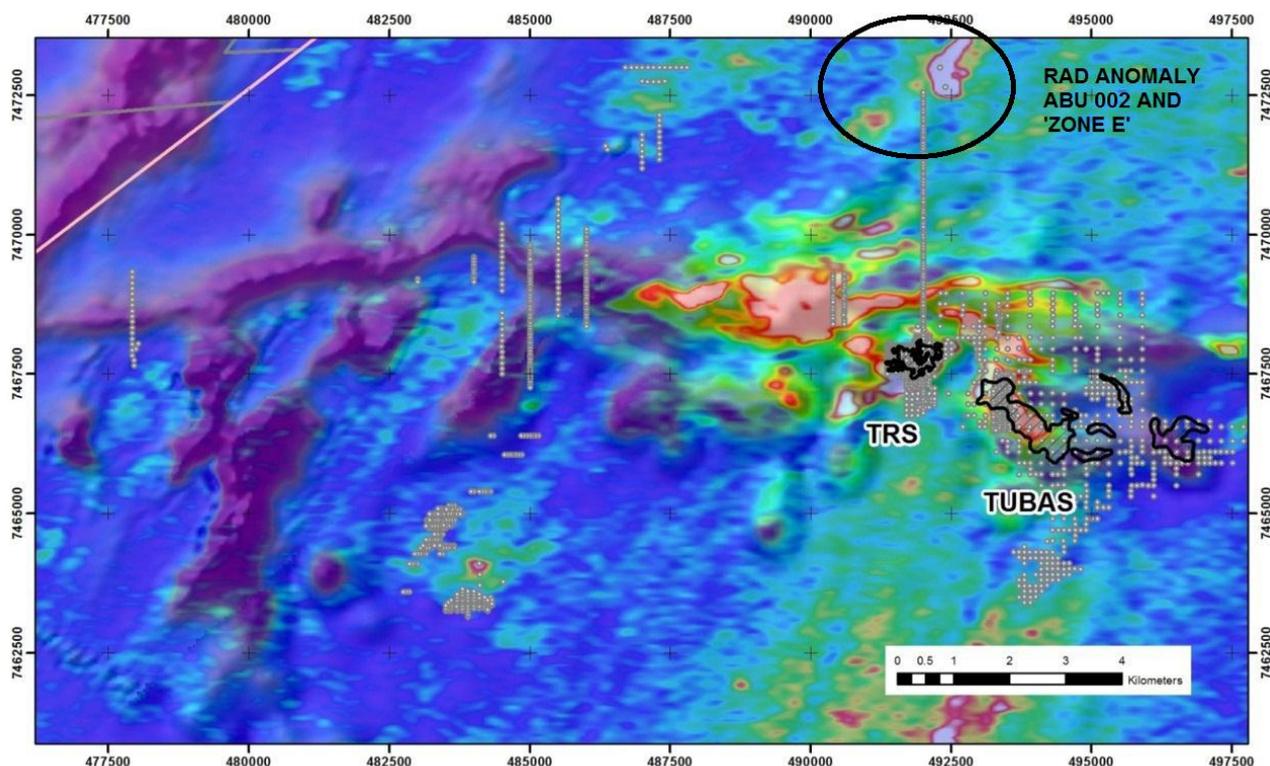


Figure 7. Radiometrics over AEM and existing drilling. Area of interest circled.

## CORPORATE

DYL completed the Quarter with cash and liquid assets of \$1.2 million as at 30 June 2014.

In the September quarter DYL will be taking additional steps to further reduce overhead costs to protect its cash resources. For the third year in succession DYL's Managing Director has voluntarily waived his cash STI bonus and has recently accepted a 30% reduction in cash compensation (cumulatively 45% over the same three-year period), partially offset by shares to be issued in lieu (subject to shareholder approval). As well an increased percentage of Non-Executive Director fees will be deferred with shares proposed to be issued in lieu (also subject to shareholder approval) in order to protect the company's cash resources. Group wide, salaries remain frozen at 2011 levels.

### For further information regarding this announcement, contact:

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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)

### 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 high grade alaskite Omahola Project where further studies are being conducted and the next phase of metallurgical testwork is being planned as inputs into a Pre-Feasibility Study. It is also evaluating fast track development options for its Tubas Sand Project utilising physical beneficiation techniques it successfully tested in 2011.



## Competent Person's Statements

The information in this report that relates to Exploration Results is based on information compiled by Dr Katrin Kärner who is a Member of the Australasian Institute of Mining and Metallurgy (MAusIMM CP(Geo)). Dr Katrin Kärner, who is a consultant to and who was previously employed as 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 she 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 Katrin Kärner consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

### *Tubas Sand Deposit:*

Where the Company refers to the Tubas Sand Project resource upgrade in this report (referencing the release made to the ASX on 24 March 2014), it confirms that it is not aware of any new information or data that materially affects the information included in that announcement and all material assumptions and technical parameters underpinning the resource estimate with that announcement continue to apply and have not materially changed.

The information in this release that relates to the preliminary techno-economic assessment and risk analysis study is based on metallurgical information reviewed by Mr Val Coetzee (B.Eng (Chem), M.Eng, Pr.Eng, SAImm). Mr Coetzee is a full time employee of DRA Global a Consulting Engineering Group. Mr Coetzee is a Professional Engineer registered with the Engineering Council of South Africa and has more than 13 years of relevant experience in this area of work. Mr Coetzee consents to the inclusion in this announcement of the matters based on information provided by him and in the form and context in which it appears.

### *Omahola Project*

The information in this report that relates to the metallurgical testwork was managed by Mr Johannes van Heerden, Manager of the Gecko Laboratories in Swakopmund, Namibia. Mr van Heerden has extensive experience in laboratory management and specifically in uranium and alsakite processing and consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

The Mineral Resource Estimate for the Omahola Project referred to in this report was prepared and first disclosed under the JORC Code 2004 (referencing releases made to the ASX on 27 January and 20 November 2012 as well as 4 February 2013 respectively). The Company confirms that it is not aware of any new information or data that materially affects the information included in those announcements and all material assumptions and technical parameters underpinning the resource estimate in those announcements continue to apply and have not materially changed. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

## Forward-Looking Statements

Certain statements made in this announcement, including, without limitation, those concerning the preliminary economic analysis of the Omahola Project and the techno-economic assessment and risk analysis of the Tubas Sand Project, 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.

# Annexure 1

## Schedule of Mineral Tenure – June 2014

### NAMIBIA

Number	Name	Interest	Expiry Date	JV Parties	Approx. Area (km <sup>2</sup> )
EPL 3496	Tubas	100%	05.06.2015	-	709
EPL 3497	Tumas	100%	05.06.2015	-	637
EPL 3498	Aussinanis	85%	07.05.2014	5% Epangelo #2 10% Oponona #3	253
EPL 3499	Ripnes	85%	05.06.2015		522
EPL 3668	Gawib West	65%	20.11.2015	25% Nova (Africa) #4 10% Sixzone #5	185
EPL 3669	Tumas North	65%	20.11.2015		163
EPL 3670	Chungochoab	65%	20.11.2015		640
ML 173 #1	Tubas Sand	95%	Application	5% Oponona #3	-
ML 174 #1	Inca	95%	Application		-
ML 176 #1	Shiyela	95%	05.12.2027		-

#1 Located entirely within EPL3496

#2 Epangelo Mining (Pty) Ltd

#3 Oponona Investments (Pty) Ltd

#4 Nova (Africa) (Pty) Ltd

#5 Sixzone Investments (Pty) Ltd

**Sub-Total** **3,109**

### NORTHERN TERRITORY

Number.	Name	Interest	Expiry Date	JV Parties	Approx. Area (km <sup>2</sup> )
EL 24246	Napperby	100%	10.10.14	-	477
EL 25146	Mt Morris West	100%	Vetoed Application	-	-
EL 25147	Mt Morris	100%	Vetoed Application	-	-
EL 29385	Highland Rocks 1	100%	Application	-	-
EL 29386	Highland Rocks 2	100%	Application	-	-
EL 29387	Highland Rocks 3	100%	Application	-	-
EL 29388	Highland Rocks 4	100%	Application	-	-

**Sub-Total** **477**

### QUEENSLAND

Number	Name	Interest	Expiry Date	JV Parties	Approx. Area (km <sup>2</sup> )
EPM 14281	Yamamilla	100%	06.07.15	SML #1	118
EPM 14916	Ewen	100%	14.04.16	SML #1	115
EPM 15070	Prospector	100%	27.03.16	SML #1	77

#1 SML – Syndicated Metals Ltd has an 80% interest in the Other Mineral Rights

**Sub-Total** **310**

**DYL Total** **3,896**

### AGREEMENTS

	Approx. Area (km <sup>2</sup> )
ABM Resources NL - Northern Territory (100% uranium rights stay with DYL)	17,094
<b>Sub-Total</b>	<b>17,094</b>
<b>Total Area</b>	<b>21,118</b>

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