

25 January 2012

SHIYELA IRON PROJECT – SCOPING STUDY RESULTS

KEY POINTS

- **ProMet Engineers Pty Ltd (ProMet) has completed a scoping study for the Shiyela Iron Project, with results indicating the potential for a financially robust operation.**
- **Base Case capital costs of US\$467 million and operating costs US\$77.40 per tonne of concentrate FOB for a 2 Mtpa operation.**
- **Concept design includes a hematite circuit to produce a blended magnetite-hematite concentrate.**
- **Study was based on mining some 8 Mtpa ore to produce 2 Mtpa of concentrate and an assumed 2.5:1 waste to ore stripping ratio.**
- **Plant capital cost is US\$268 million, the remainder made up of mining-related capex and infrastructure.**
- **Initial design based on magnetite only; improved by the addition of a hematite flotation circuit which increases recovery and reduces estimated operating costs.**
- **The resource database is being reassessed to incorporate low magnetite – high hematite material (initially considered waste) as potential ore grade material.**
- **A large diameter diamond drilling programme is underway to provide 16 tonnes of core for additional metallurgical testwork.**
- **Subject to the availability of funding, further resource drilling will be conducted and the planned Feasibility Study will need to include the results of the drilling and the metallurgical testwork,**

Deep Yellow Limited (ASX : DYL) is pleased to announce that ProMet Engineers Pty Ltd (ProMet) (Perth) has completed a Scoping Study for its Shiyela Iron Project in Namibia. The Project is located on EPL 3496 which is held 100% by DYL's wholly-owned Namibian subsidiary, Reptile Uranium Namibia (Pty) Ltd (RUN) (Figure 1).

The study was based on the Shiyela Maiden Inferred Mineral Resource of 78.7 Mt at 18.88% Fe for the M62 and M63 deposits. An open pit contract mining operation will extract 7.7 Mtpa ROM ore to produce 2 Mtpa of high grade magnetite and hematite concentrate, at 68% Fe with a low silica content of approximately 4.5% and low levels of impurities (sulphur, phosphorous and alumina). An average 26.1% weight recovery was assumed based on testwork already completed, 7.1% higher than the pure magnetite option.

DYL's Managing Director, Greg Cochran commented "the results of the Scoping Study have demonstrated the potential of the Shiyela Iron Project. The addition of the hematite fraction to produce a blend product has enhanced overall project economics and given us the confidence, subject to funding, to continue conducting testwork that will add value to the project. We also recognise the potential for some improvement in capital



costs, in particular for infrastructure where we made some conservative assumptions for power and particularly water to ensure that, if needs be, the project can provide its own supply.”

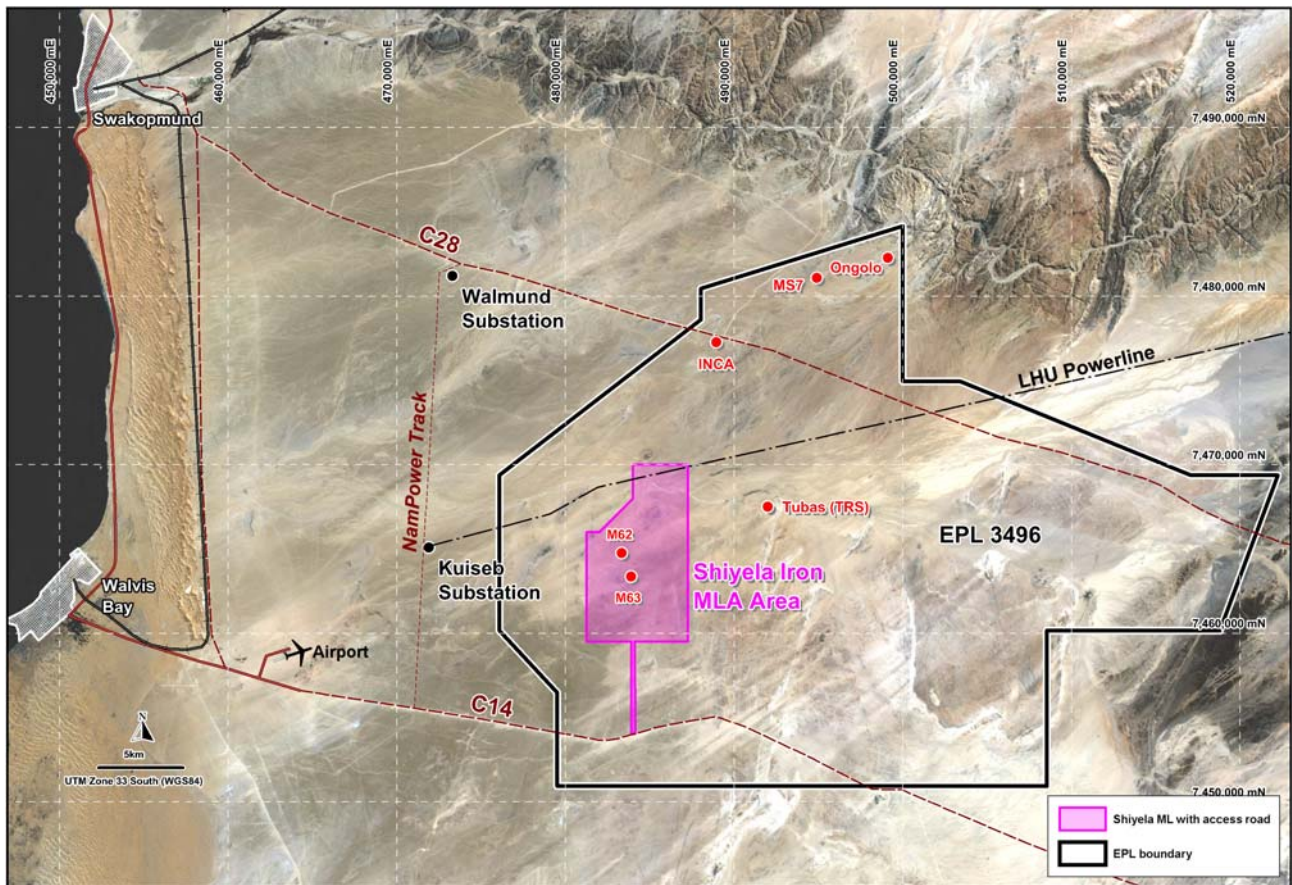


Figure 1: Shiyela Iron Project – MLA and Local and Infrastructure Plan

FORWARD PROGRAMME

ProMet have commenced a testwork programme on existing material to evaluate the quality of the hematite product that could be recovered and added to the magnetite concentrate.

A large diameter diamond drilling programme (PQ – 85 mm) is underway to provide core for the next phase of metallurgical testwork to be conducted by ProMet, as a part of the planned Feasibility Study. The programme will comprise at least 3 holes at both the M62 and the M63 deposits for approximately 1,000 metres of PQ core to generate some 16 tonnes of mineralised material (+10% DTR).

Currently designated ‘waste’ intervals with low DTR (<10%) but with high Fe will also be evaluated to assess hematite recovery.

Further assaying of the Davis Tube Concentrates (DTC) from the original DTR work will be undertaken to provide confidence in the quality of the product, thereby enhancing the confidence of the Shiyela resource which should allow the Inferred Resource to be re-classified as an Indicated Resource.

Subject to the availability of funding a Feasibility Study will be conducted incorporating the results of the metallurgical testwork. The study will also require additional resource drilling and a programme of RC and diamond drilling to target lateral and depth extensions to the M62 and M63 deposits will be planned in 2012. In addition the geophysical signature of the main zone of magnetic anomalism that hosts M62, which is some 20 kilometres long, will be drilled to outline additional resource potential. Further discussions will also be held to secure power and water supply as well as port access.



RUN submitted a Mining Licence Application to the Namibian Ministry of Mines and Energy for the Shiyela Project in December last year and it is expected that further engagement with the regulators will be required in the coming months prior to it being awarded. The application was made on behalf of a 95% owned subsidiary, Shiyela Iron (Pty) Ltd under section 91 of the Minerals (Prospecting and Mining) Act of 1992. Oponona Investments (Pty) Ltd, a local Namibian company and RUN's empowerment partner, holds the remaining 5%.

ENDS

For further information regarding this announcement, contact:

Greg Cochran
Managing Director

Phone: +61 8 9286 6999
Email: info@deepyellow.com.au

Media
Annette Ellis

Phone: +61 8 6314 6302
Email: aellis@purplecom.com.au

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

About Deep Yellow Limited

Deep Yellow Limited (DYL) is an ASX-listed, advanced stage uranium exploration Company with extensive operations in the southern African nation of Namibia and in Australia. It also has a listing on the NSX.

DYL's primary focus is in Namibia where its operations are conducted by its 100% owned subsidiary Reptile Uranium Namibia (Pty) Ltd (RUN). Its flagship is the Omahola Project currently under Pre-Feasibility Study with concurrent resource drill-outs on the high grade Ongolo Alaskite – INCA trend. It is also assessing the Shiyela Magnetite deposit located just 45 kilometres from the Namibian port of Walvis Bay.

In Australia the Company is focused on resource delineation of mid to high grade discoveries in the Mount Isa district in Queensland and also owns the Napperby Uranium Project and numerous exploration tenements in the Northern Territory.



APPENDIX 1: PROJECT SUMMARY

ProMet supervised the metallurgical testwork for DYL relating to the Shiyela Iron Project located in Namibia. It was completed in two stages with unconfined compressive strength (UCS), crushing work index (CWI), abrasion index (Ai) and Bond work indices (rod and ball) included as well as optimum grind, tailings rejection and liberation testwork. The testwork programme was designed on the basis of a mainly magnetite resource and a full suite of iron ore tests were not conducted.

The deposit is located 45 kilometres by road from Walvis Bay deep sea port and 10 kilometres from the Kuiseb electricity substation as well as a potential source of water in the nearby Tubas channel to the north of the project area.

The ore is low weight recovery at approximately 20% however the magnetite is coarse grained so that a blast furnace (BF) grade concentrate can be produced at 80% passing 150 micron (μm) which substantially decreases the power required compared to conventional banded iron formations (BIF) which normally require grinding to P80 45 μm .

An initial project scope was developed based on mining and processing the ore at site to produce 2 Mtpa of concentrate which is then road hauled to the port of Walvis Bay. Power is assumed to come from the main grid and water from a desalination plant built near a brine field to be located to the south of Walvis Bay.

The testwork suggests that if a MIMS circuit is included at the first separation point of 3 mm then the Fe yield will be 90.9%. As the size is reduced to final product size – in this case 150 micron then it would be proposed to include a WHIMS circuit for yield followed by a flotation circuit to reach grade. The combined LIMS and WHIMS Fe yield according to testwork is 96% but it was assumed that some of this yield is lost in achieving grade.

The current design is based on an ore of 14.4% Magnetic Fe with an ore grade of 24.9% Fe – this gives an Fe yield of 56.8%. With the inclusion of a MIMS and WHIMS circuit it is assumed that the Fe yield can be increased to 75%. (90% first stage, 92% second stage and 90.6% at flotation to achieve grade.)

On the assumption that the final product will be 68% Fe (68.9% Fe at 80% passing 165 micron in testwork) then the overall weight recovery will increase to 26.1% from 19% - after allowing for plant yield factors in addition to the test measurements.

The benefits of producing 2 Mtpa of a magnetite-hematite concentrate, using an assumed 2.5:1 waste to ore ratio are:

- Ore requirement drops to 7.66 Mtpa from 10.52 Mtpa, and
- Waste movement drops to 19.2 Mtpa from 26.2 Mtpa
- Tailings tonnage drops from 8.5 Mtpa to 5.7 Mtpa
- Water usage drops to 244 tph from 370 tph (less tailings)
- It could lead to a reduction in the size of equipment throughout the plant – however these have not been adjusted for this conceptual analysis until further testwork proves that grade can be achieved

ProMet's analysis indicates that this project could generate a 12% IRR with a minimum price of \$134/t – after allowing for \$US15/t delivery charge to Northern China and assigning 18% of the capital cost as an annual cost and assuming a 10 year mine life.

The current proposed market is a blast furnace grade but consideration could also be given to producing a direct reduction grade concentrate suitable for the DR plants in the Middle East.

Capital and Operating Costs

The inclusion of the hematite recovery circuit in this project will increase the capital cost by \$US50 million which is a 23% increase in plant costs to \$US268 million but the overall project capital cost will only increase from \$US417 million to \$US467 million – an increase of 12% on the overall capital.

By contrast the operating cost drops from \$US90/t to \$US77.40/t – a 14% reduction.



The estimated capital cost (CAPEX) for the concentrator plant is shown below. This estimate excludes all owners' costs.

Table 1: Concentrator CAPEX

Area	Cost US\$M
Mechanical Equipment	\$82.14
Earthworks	\$2.91
Civil Works	\$5.07
Platework	\$15.03
Structural Steel	\$15.04
Piping	\$7.89
Electrical	\$22.44
Instruments	\$2.02
Buildings Admin	\$1.42
Building Ops	\$4.91
Hematite Recovery Circuit	\$50.0
Sub-Total Direct Cost	\$208.88
Sub Total Indirect Cost	\$31.22
Contingency	\$28.51
Total CAPEX Concentrator Plant	\$US268.61

Table 2: Base Case Operating Cost (\$US)

		Annual Dollars	Unit Cost	\$/T Concentrate	Cumulative \$/T Concentrate
Site Administration	\$/t Conc	\$2,900,000	\$1.42	\$1.42	\$1.42
Mining and Primary Crushing	\$/t Ore	\$73,700,000	\$9.62	\$36.83	\$38.25
Secondary Crushing & HPG	\$/t Ore	\$27,600,000	\$3.60	\$13.78	\$52.03
Concentrator	\$/t Conc	\$29,500,000	\$14.74	\$14.74	\$66.76
Transport	\$/t Conc	\$10,500,000	\$5.22	\$5.22	\$71.98
Port	\$/t Conc	\$9,600,000	\$4.76	\$4.76	\$76.74
RUN Office	\$/t Conc	\$1,400,000	\$0.66	\$0.66	\$77.40
Overall	\$/t Conc	\$154,900,000	\$77.40		

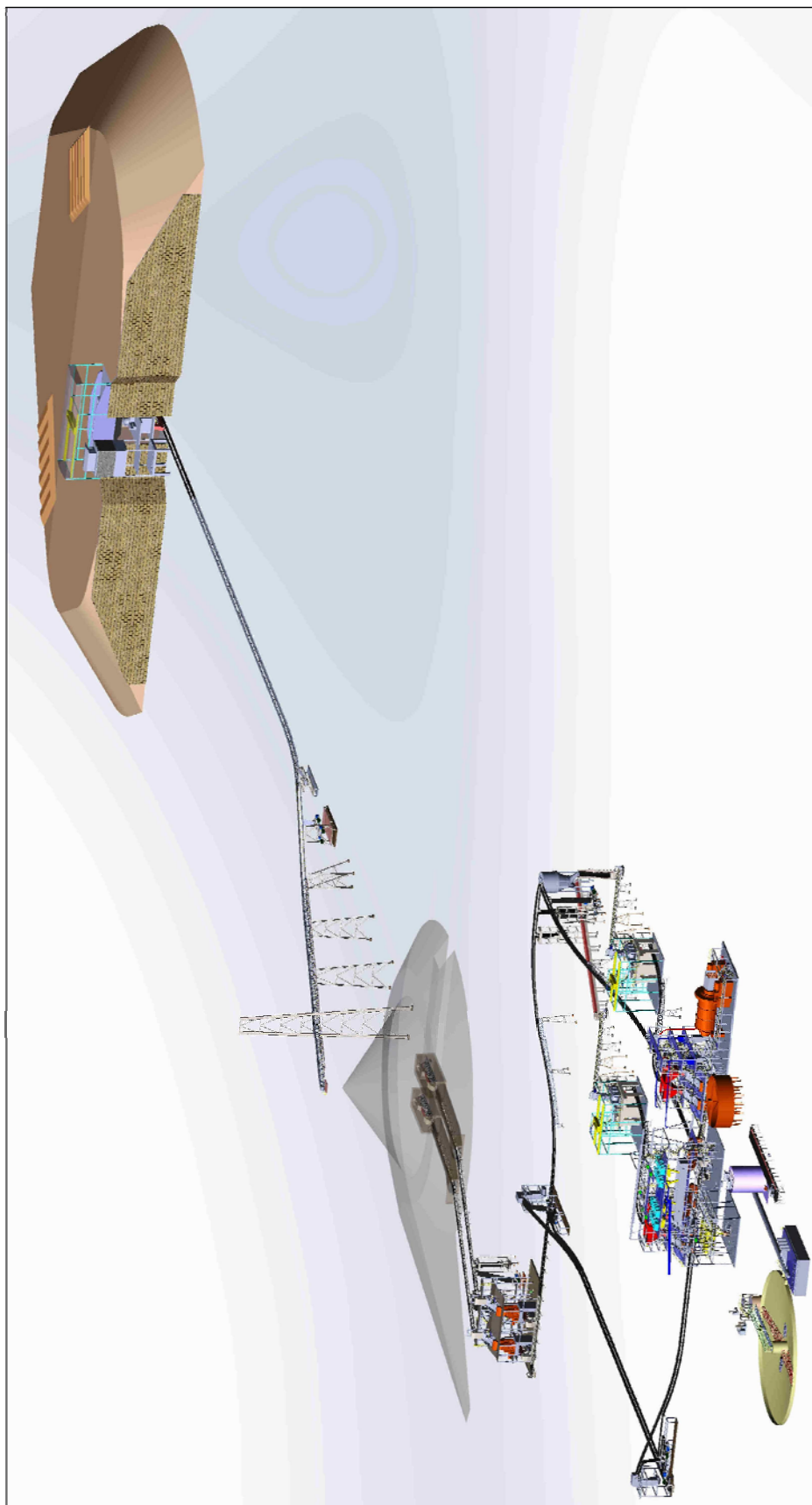
ProMet believes that the cost of power is a critical issue for the project. The current assumed cost is \$Nb0.90/kWh which represents 12.2% of the project operating cost. Alternative costs have been suggested at \$Nb1.60 to \$Nb2.40/kWh, which if correct would add nearly \$US20/t to the operating cost and also increase the cost of water. This will also be an area of focus during the planned feasibility study.

**Table 3: Infrastructure and Mining Capital**

Area	Cost US\$M
Mining Pre-Strip: At surface ore	\$21.58
Mining Establishment	\$13.50
Power Reticulation to site Transformer and line	\$50.00
Accommodation camp 900 Man	\$4.60
Desalination Plant, Pumps and Pipeline	\$59.93
Mobile Plant and non-mining equipment	\$2.80
Tailings Dam	\$16.80
Concentrate Storage Shed at Walvis Bay Port	\$3.40
Total Cost	\$172.61
EPCM on Infrastructure (15%)	\$25.89
Total	\$US198.50

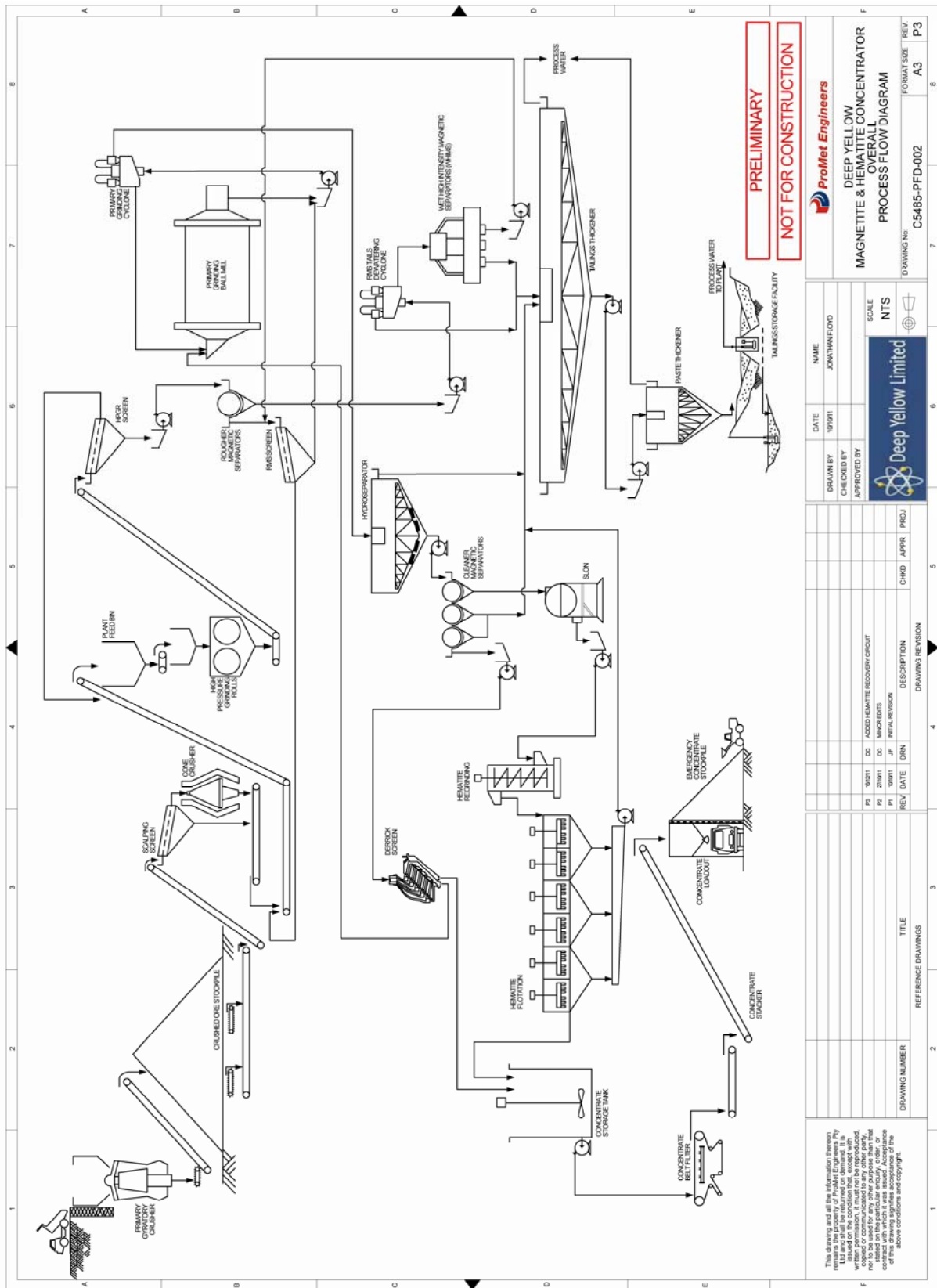


APPENDIX 2: PLANT LAYOUT





APPENDIX 3: PROCESS FLOW DIAGRAM



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<p>PROJ: C5485-PFD-002 CHD: A3 APPR: P3 DESCR: DEEP YELLOW MAGNETITE & HEMATITE CONCENTRATOR OVERALL PROCESS FLOW DIAGRAM</p>		<p>SCALE: NTS DRAWING NO: C5485-PFD-002 SHEET NO: P3</p>	
<p>REV. DATE DRN JF INTAL REVISION</p>		<p>DESCRIPTION DRAWING REVISION</p>	
<p>DRAWING NUMBER TITLE REFERENCE DRAWINGS</p>		<p>CONCENTRATE LOGOUT CONCENTRATE STACKER EMERGENCY HEMATITE STOCKPILE</p>	



APPENDIX 4: SHIYELA JORC MINERAL RESOURCE ESTIMATE – DECEMBER 2011

Deposit	Category	Cut-off (DTR%)	Tonnes (M)	DTR (%)	Fe (%)
REPTILE URANIUM NAMIBIA (NAMIBIA)					
M62 - Fresh	Inferred	10	40.2	17.12	17.02
M62 - Oxide	Inferred	10	3.5	15.46	18.13
	Total		43.7	16.99	17.11
M63 - Fresh	Inferred	10	34.8	15.15	21.10
M63 - Oxide	Inferred	10	0.2	16.16	18.87
	Total		35	15.16	21.09
SHIYELA TOTAL			78.7	16.17	18.88
TOTAL FRESH			75.0	16.21	18.91
TOTAL OXIDE			3.7	15.50	18.17
TOTAL SHIYELA RESOURCES			78.7	16.17	18.88

Notes: Figures have been rounded and totals may reflect small rounding errors
Resource Estimation using a 10% DTR Wt% cut-off.
Fe% - head assay of composited drill samples

Compliance Statements:

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Dr Leon Pretorius, a Fellow of the Australasian Institute of Mining and Metallurgy. Dr Pretorius, Managing Director of 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 as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Pretorius 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 Mineral Resource is based on information compiled by Mr Alan Miller 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 Miller 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 JORC Code (2004).