Deep Yellow Limited

**ASX Announcement** **ASX: DYL**

**12 October 2017**

# SCOUT DRILLING IDENTIFIES NEW MINERALISED PALAEOCHANNEL ON NOVA JV PROJECT

## HIGHLIGHTS

- **Early scout RC drilling on the Nova JV project identifies greater than 100ppm $eU_3O_8$ calcrete uranium mineralisation in a newly delineated palaeochannel.**

- **The mineralisation occurs in 3 adjacent holes with an average thickness of 3.5M grading 220ppm $eU_3O_8$.**

- **The mineralisation has no surface expression and is located in a previously unknown palaeochannel, only recently identified by geophysical surveys.**

  - this significantly upgrades regional prospectivity of the palaeochannels occurring in the project area.

- **Additionally, 3 drill holes testing basement targets intersected narrow uranium mineralisation in skarn type lithologies.**

Deep Yellow Limited (**Deep Yellow**) is pleased to announce positive results from the early part of a 7,500m scout drilling program currently being carried out on its Nova Joint Venture project Namibia (**the JV**) where JOGMEC is earning a 39.5% interest. The overall drilling is designed to gain initial assessment of 10 alaskite and skarn associated basement targets and to test 3 newly identified palaeochannels that have been delineated within EPLs 3669 and 3670. This first-pass drilling campaign commenced 11 September on the Speke's group of targets located in the northern part of EPL3669 and, as of 10 October, 25 RC holes for 2,299m have been completed. Figure 1 shows the general Nova JV tenement locations also with the EPL3669 prospect locations, Figure 2 shows the drill-hole locations and Appendix 1 lists all drill-hole information.

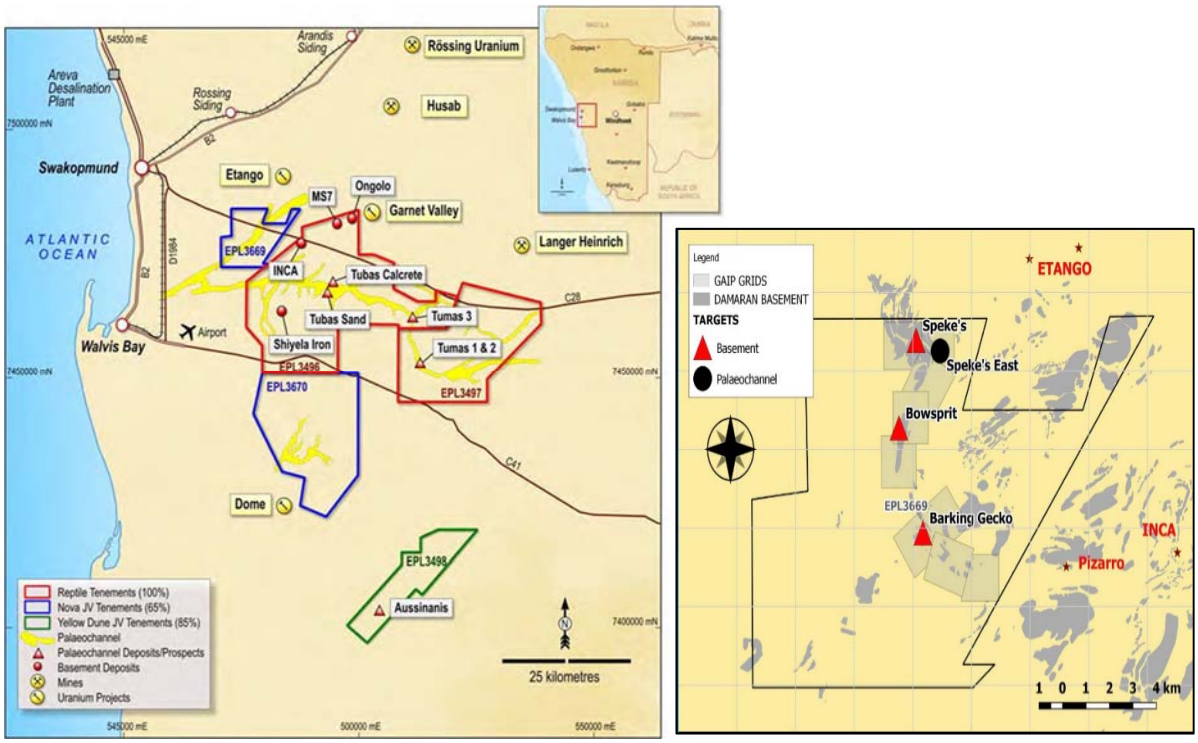


***Figure 1: Tenement and Prospect location maps.***

## Palaeochannel Target

The reinterpretation of a previously flown VTEM survey identified palaeochannels not known to exist on both of the tenements. These channels are essentially new discoveries not identifiable from the surface. Their geophysical similarities with other mineralised palaeochannels in the region indicated that they may contain calcrete type uranium mineralisation.

Three drill sections involving 14 holes for 639m were completed to test one of these newly identified palaeochannels. In the most northern section, drilling encountered uranium mineralisation in three adjacent holes (TN035 to TN037 – see Figure 2). These averaged 220ppm $eU_3O_8$ over 3.5m between depths of 18 to 23m as determined by fully calibrated Auslog down-hole gamma logging unit. An historic hole (NTNR4) drilled in 2010 located 100m to the west, targeting basement mineralisation also showed uranium mineralisation, in cover sediments. The details are listed on Table 1. Figure 3 shows a cross-section of the holes drilled through the mineralised channel.

| Hole ID | From (m) | To (m) | Interval (m) | Average $eU_3O_8$ | Peak $eU_3O_8$ | Background (cps) |
|---|---|---|---|---|---|---|
| **TN035RC** | 18.8 | 24.4 | 5.6 | 281 | 725 | 8 |
| **TN036RC** | 20.67 | 23.87 | 3.2 | 128 | 431 | 6 |
| **TN037RC** | 22.88 | 24.68 | 1.8 | 192 | 336 | 8 |

***Table 1: Palaeochannel Drilling.*** *Drill holes with uranium intercepts greater than 100ppm $eU_3O_8$.*

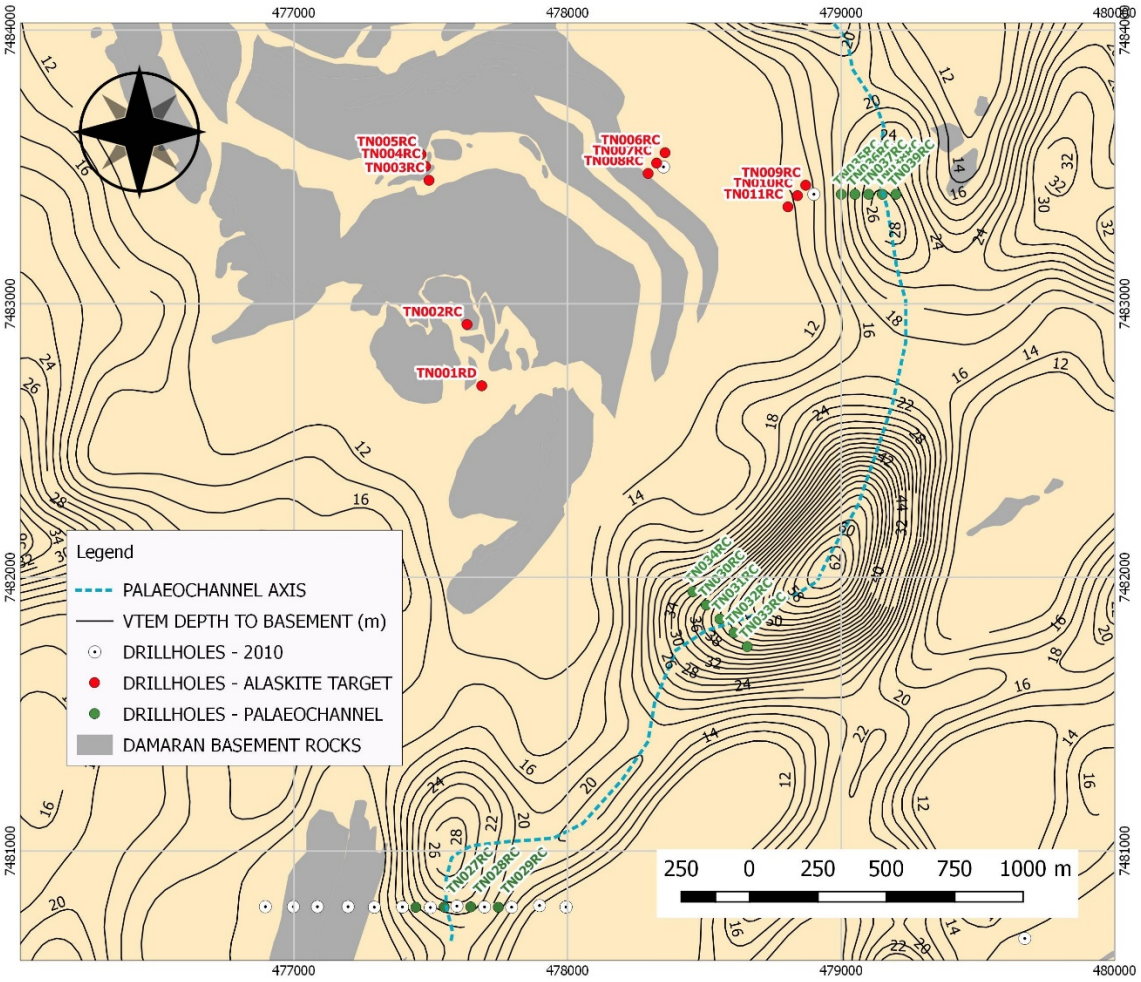


***Figure 2*: *Drill-hole locations.*** *Basement drilling (red collars), palaeochannel drilling (green collars).*

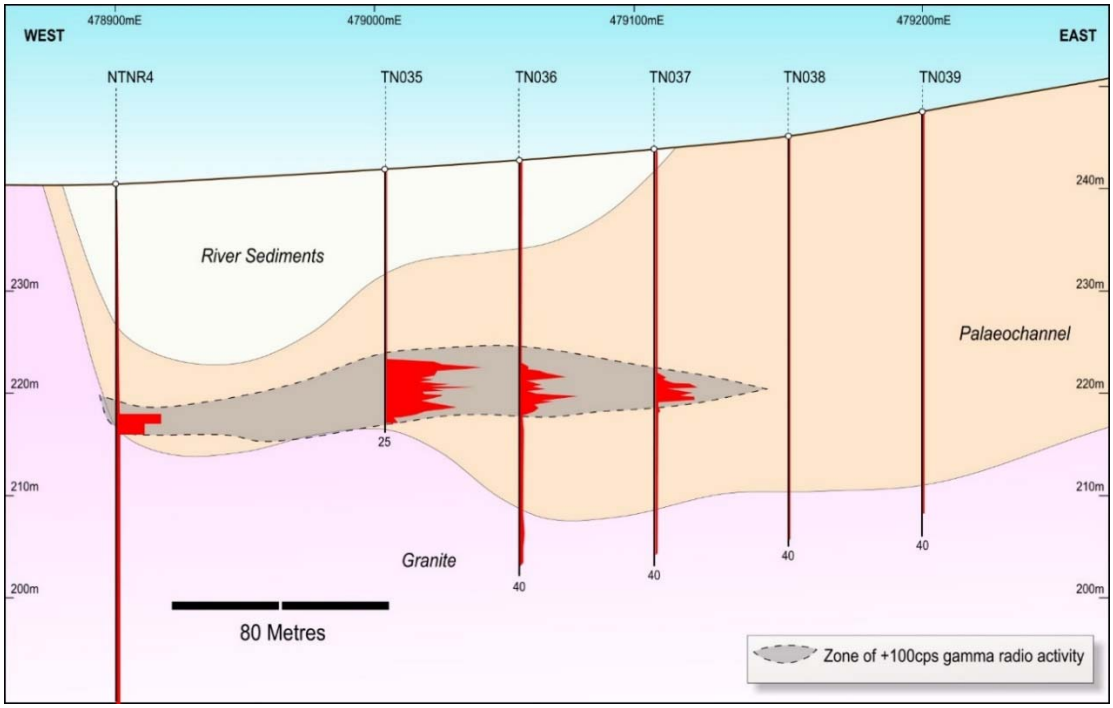


***Figure 3: Speke's East Drill Hole Cross-Section of Palaeochannel Drilling****. NTNR4 log (historic) is $U_3O_8$ ppm from XRF, TN prefixed holes are current logs – gamma in counts per second. Note: section shows vertical exaggeration.*

## Basement Targets

Geophysical ground surveys carried out from May to August 2017 identified 10 targets in 4 areas showing potential for uranium mineralisation in the basement rocks of the JV tenements. A total of 11 RC holes for 1660m on 3 drill sections were completed on the Speke's basement targets to test for skarn type lithologies and whether these are associated with uranium.

Drilling intersected quartz-carbonate-pyrite veins cutting quartzo-feldspathic rocks. Narrow zones of elevated uranium are associated with the most pyritic vein intervals suggesting the discovery of a hitherto unknown type of hydrothermal uranium mineralisation. The equivalent uranium values as determined from the fully calibrated Auslog down-hole gamma logging unit are listed in Table 2. There appears to be a correlation between elevated down-hole gamma counts, high pyrite content and high vein density indicating a hydrothermal nature of the uranium mineralisation in this area and this will be further investigated.

| Hole ID | From [m] | To [m] | Interval [m] | Average $eU_3O_8$ | Peak $eU_3O_8$ | Background [cps] |
|---|---|---|---|---|---|---|
| **TN004RC** | 61.51 | 61.96 | 0.45 | 274 | 505 | 13 |
| **TN004RC** | 92.26 | 92.56 | 0.3 | 154 | 189 | 13 |
| **TN005RC** | 65.12 | 66.27 | 1.15 | 319 | 544 | 1 |
| **TN005RC** | 85.12 | 86.47 | 1.35 | 117 | 209 | 1 |
| **TN006RC** | 87.6 | 87.8 | 0.2 | 358 | 669 | 8 |
| **TN006RC** | 92.6 | 92.75 | 0.15 | 146 | 238 | 8 |

***Table 2**: **Basement Drilling**. Drill holes with uranium intercepts greater than 100ppm $eU_3O_8$ suggestive of a hydrothermal mineralising system.*

## Conclusions

The indication that previously unexplored (and unknown) palaeochannels carry uranium mineralisation as identified in 3 adjoining holes at Speke's East is regarded as a very positive development. Although the two sections drilled 1.5km and 2.5km further to the south of this mineralisation did not encounter uranium mineralisation, the identification of calcrete associated mineralisation within the palaeochannels in the JV area is considered significant as this has expanded the prospectivity of the extensive palaeochannels which have now been defined to a considerable extent.

Up until now the possibility of uranium mineralisation in the JV tenements was conjecture, hypothesising on observations and results gained from the adjoining Reptile project and interpretation of new geophysical data. The discovery of the calcrete mineralisation at Speke's East has now validated this concept thus providing a legitimate exploration target, which the JV partners can pursue with confidence.

**Ongoing Drilling**

Drilling is continuing on this program with over 5,000m remaining to be completed. Another 7 basement targets will be tested in this current program plus a further 7 to 8 drill sections planned to test the newly identified prospective palaeochannels on EPLs 3669 and 3670.

Yours Faithfully

**JOHN BORSHOFF**
Managing Director/CEO
Deep Yellow Limited

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***Exploration Competent Person's Statement***

*The information in this report as it relates to exploration results was compiled by Mr Martin Hirsch, a Competent Person who is a Member of the Institute of Materials, Mining and Metallurgy (IMMM) in the UK. Mr Hirsch, who is currently 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 as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Hirsch consents to the inclusion in this presentation of the matters based on the information in the form and context in which it appears. Mr Hirsch holds shares in the Company.*

**APPENDIX 1: Drill Hole Details**

| Hole ID | Type | Easting | Northing | RL | PTD | Drilled | Azi Grid | Dip | Target |
|---|---|---|---|---|---|---|---|---|---|
| TN001 | RC | 477686 | 7482700 | 200 | 300 | 101 | 345 | -60 | Hydrothermal-skarn |
| TN002 | RC | 477632 | 7482924 | 200 | 250 | 250 | 345 | -60 | Hydrothermal-skarn |
| TN003 | RC | 477493 | 7483451 | 200 | 150 | 151 | 165 | -60 | Hydrothermal-skarn |
| TN004 | RC | 477480 | 7483502 | 200 | 150 | 151 | 165 | -60 | Hydrothermal-skarn |
| TN005 | RC | 477464 | 7483546 | 200 | 150 | 151 | 165 | -60 | Hydrothermal-skarn |
| TN006 | RC | 478356 | 7483552 | 200 | 150 | 151 | 225 | -60 | Hydrothermal-skarn |
| TN007 | RC | 478325 | 7483514 | 200 | 150 | 151 | 219 | -60 | Hydrothermal-skarn |
| TN008 | RC | 478294 | 7483476 | 200 | 150 | 101 | 219 | -60 | Hydrothermal-skarn |
| TN009 | RC | 478870 | 7483433 | 200 | 150 | 151 | 219 | -60 | Hydrothermal-skarn |
| TN010 | RC | 478840 | 7483395 | 200 | 150 | 151 | 219 | -60 | Hydrothermal-skarn |
| TN011 | RC | 478805 | 7483354 | 200 | 150 | 151 | 219 | -60 | Hydrothermal-skarn |
| TN026 | RC | 477445 | 7480794 | 245.1 | 75 | 56 | 0 | -90 | Palaeochannel |
| TN027 | RC | 477548 | 7480795 | 245.5 | 75 | 51 | 0 | -90 | Palaeochannel |
| TN028 | RC | 477646 | 7480795 | 245.8 | 75 | 41 | 0 | -90 | Palaeochannel |
| TN029 | RC | 477746 | 7480794 | 245.6 | 75 | 66 | 0 | -90 | Palaeochannel |
| TN030 | RC | 478501 | 7481900 | 200 | 50 | 36 | 0 | -90 | Palaeochannel |
| TN031 | RC | 478550 | 7481851 | 200 | 50 | 46 | 0 | -90 | Palaeochannel |
| TN032 | RC | 478600 | 7481800 | 200 | 50 | 56 | 0 | -90 | Palaeochannel |
| TN033 | RC | 478651 | 7481750 | 200 | 50 | 56 | 0 | -90 | Palaeochannel |
| TN034 | RC | 478464 | 7481940 | 200 | 50 | 41 | 0 | -90 | Palaeochannel |
| TN035 | RC | 479000 | 7483400 | 200 | 30 | 26 | 0 | -90 | Palaeochannel |
| TN036 | RC | 479050 | 7483400 | 200 | 30 | 41 | 0 | -90 | Palaeochannel |
| TN037 | RC | 479100 | 7483400 | 200 | 30 | 41 | 0 | -90 | Palaeochannel |
| TN038 | RC | 479150 | 7483400 | 200 | 30 | 41 | 0 | -90 | Palaeochannel |
| TN039 | RC | 479200 | 7483400 | 200 | 30 | 41 | 0 | -90 | Palaeochannel |

**Appendix 2: Table 1 Report (JORC Code 2012 addition)**

# JORC Code, 2012 Edition – Table 1 report template

## Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

| Criteria | JORC Code explanation | • Commentary |
|---|---|---|
| ***Sampling techniques*** | • *Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.*<br>• *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.*<br>• *Aspects of the determination of mineralisation that are Material to the Public Report.*<br>• *In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30g charge for fire assay'). In other cases, more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.* | • The current drilling relies only on $U_3O_8$ values derived from down-hole total gamma counting ($eU_3O_8$). First check geochemical assay data are expected in the December quarter. Previous drill data used in this report includes both geochemical assay data ($U_3O_8$) and down hole gamma equivalent uranium derived values ($eU_3O_8$).<br>• Appropriate factors were applied to all downhole gamma counting results to make allowance for drill rod thickness, gamma probe dead times and incorporating all other applicable calibration factors.<br>**Total gamma $eU_3O_8$**<br>• 33 mm Auslog total gamma probes were used and operated by Company personnel.<br>• Gamma probes were calibrated by a qualified technician at Langer Heinrich Mine in May 2017 (T029, T030, T161 and T164) and again in August 2017 (T010, T029, T030, T161, T162, T164 and T165).<br>• During the drilling, probes are checked daily by sensitivity checks against a standard source.<br>• Probing was done with probe T162 Gamma measurements were taken at 5cm intervals at a logging speed of approximately 2m per minute.<br>• Probing was done immediately after drilling mainly through the drill rods and in some cases in the open holes. Rod factors were established to compensate for the reduced gamma counts when logging was done through the rods.<br>• Some holes encountered water.<br>• The gamma measurements were recorded in counts per second (c/s) and were converted to equivalent $eU_3O_8$ values over 1m intervals using the probe-specific K-factor. |

| Criteria | JORC Code explanation | • Commentary |
|---|---|---|
| | | **Chemical sampling**<br>• Geochemical samples were derived from reverse circulation (RC) drilling at intervals of 1 m. Samples were spilt at the drill site using either a riffle or cone splitter to obtain a 1 kg sample for portable XRF analyses. |
| ***Drilling techniques*** | • *Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).* | • RC drilling is being used for the Nova JV drilling program. Selected holes are planned to be tailed with diamond drilling.<br>• All holes targeting palaeochannel mineralisation are being drilled vertically and intersections measured present true thicknesses.<br>• All holes targeting basement are being drilled inclined at various angles ranging from -30 to -60 degrees at azimuths optimised to geology. |
| ***Drill sample recovery*** | • *Method of recording and assessing core and chip sample recoveries and results assessed.*<br>• *Measures taken to maximise sample recovery and ensure representative nature of the samples.*<br>• *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.* | • Drill chip recoveries are good at around 90%.<br>• Drill chip recoveries were assessed by weighing 1m drill chip samples at the drill site. Weights were recorded in sample tag books.<br>• Sample loss was minimised by placing the sample bags directly underneath cyclone/splitter. |
| ***Logging*** | • *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.*<br>• *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.*<br>• *The total length and percentage of the relevant intersections logged.* | • All drill holes are being geologically logged.<br>• The logging is qualitative in nature. The lithology type is being determined for all samples.<br>• Other parameters routinely logged include colour, colour intensity, weathering, oxidation, grain size, carbonate ($CaCO_3$) content, sample condition (wet, dry) and total gamma count (by Rad-eye scintillometer).<br>• Lithology codes were used to record the geology. |
| ***Sub-sampling techniques and sample preparation*** | • *If core, whether cut or sawn and whether quarter, half or all core taken.*<br>• *If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.*<br>• *For all sample types, the nature, quality and appropriateness of the sample preparation technique.*<br>• *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* | • A portable 2-tier (75%/25%) splitter was used to treat a full 1m sample from the cyclone into an appropriate size assay sample. All sampling was dry.<br>• The above sub-sampling techniques are common industry practice and appropriate.<br>• Sample sizes are considered appropriate to the grain size of the material being sampled. |

| Criteria | JORC Code explanation | • Commentary |
|---|---|---|
| | • *Measures taken to ensure that the sampling is representative of the in-situ material collected, including for instance results for field duplicate/second-half sampling.*<br>• *Whether sample sizes are appropriate to the grain size of the material being sampled.* | |
| ***Quality of assay data and laboratory tests*** | • *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.*<br>• *For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.*<br>• *Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.* | • The analytical method employed will be XRF (portable) NITON XL3t 500.<br>• Downhole gamma tools were used as explained under 'Sampling techniques'. This is the principal evaluating technique. |
| ***Verification of sampling and assaying*** | • *The verification of significant intersections by either independent or alternative company personnel.*<br>• *The use of twinned holes.*<br>• *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.*<br>• *Discuss any adjustment to assay data.* | • Geology was directly recorded into a tablet in the field and sample tag books filed in at the drill site.<br>• The drill data of those logs and tag books (lithology, sample specifications etc.) were transferred by designated personnel into a geological database.<br>• Twinning was not considered due to the high variability in grade distribution.<br>• Equivalent $eU_3O_8$ values have been calculated from raw gamma files by applying calibration factors and casing factors where applicable.<br>• The ratio of $eU_3O_8$ vs assayed $U_3O_8$ for matching composites will be used to quantify the statistical error. |
| ***Location of data points*** | • *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.*<br>• *Specification of the grid system used.*<br>• *Quality and adequacy of topographic control.* | • The collars are being surveyed by in-house operators using a differential GPS.<br>• All drill holes are of exploratory nature and for this no down-hole surveying was required.<br>• The grid system is World Geodetic System (WGS) 1984, Zone 33 South. |
| ***Data spacing and distribution*** | • *Data spacing for reporting of Exploration Results.*<br>• *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve* | • The data spacing and distribution is optimised to test the selected exploration targets. |

| Criteria | JORC Code explanation | • Commentary |
|---|---|---|
| | *estimation procedure(s) and classifications applied.*<br>• *Whether sample compositing has been applied.* | |
| ***Orientation of data in relation to geological structure*** | • *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.*<br>• *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.* | • In the palaeochannels uranium mineralisation is stratabound and distributed in continuous horizontal layers. Holes are being drilled vertically and mineralised intercepts represent the true width.<br>• The basement target mineralisation is vertical to steeply dipping and the drill holes are aimed at appropriate angels into the target zones. The intersections will not represent the true width and has to be evaluated for each hole depending on the structural setting<br>• All holes were sampled down-hole from surface. Geochemical samples are being collected at 1m intervals. Total-gamma count data is being collected at 5cm intervals. |
| ***Sample security*** | • *The measures taken to ensure sample security.* | • 1m RC drill chip samples were prepared at the drill site. The samples were stored in plastic bags. Sample tags were placed inside the bags. The samples are placed into plastic crates and transported from the drill site to RMR's site premises in Swakopmund by Company personnel, prior to analyses.<br>• Upon completion of the portable XRF assay work the remainder of the drill chip sample bags for each hole will be packed back into crates and then stored in designated containers in chronological order, locked up and kept safe at RUN's dedicated sample storage yard at Rocky Point located outside Swakopmund. |
| ***Audits or reviews*** | • *The results of any audits or reviews of sampling techniques and data.* | • D. M. Barrett (PhD MAIG) conducted an audit of gross count gamma logging procedures and log reduction methods used by Deep Yellow Limited.<br>• He concludes his audit commenting: "In summary, it is my belief that the equivalent uranium grades reported by Reptile from their gamma logging program are reliable and are probably within a few percent to the true grade". |