



1 February 2014

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDING 31 DECEMBER 2013

HIGHLIGHTS

Corporate

- Seamless transition for Mr Tim Netscher in his first quarter as DYL's new Chairman.
- Successful Share Purchase Plan closed with subscriptions for 48,295,000 ordinary shares at 2 cents per share resulting in the raising of \$965,900.
- DYL ended the quarter with cash resources of approximately \$2.7 million.
- Fee and salary reductions remain in force and the board resolved to defer a percentage of director fees and issue shares in lieu (subject to shareholder approval) as a further means of saving cash.

Namibian Nova Joint Venture EPLs Renewed

- EPLs 3668, 3669 and 3670 were renewed for a further two years by the Minister of Mines and Energy of Namibia.
- EPL3669 and EPL3670 are considered prospective for uranium bearing alaskites similar to those found on DYL's EPL3496 that hosts its flagship Omahola Project.
- The combined area of the EPLs was voluntarily reduced by 24% in what was the third renewal for these licences.

Omahola Project

- Pit optimisation exercises on all three deposits that comprise the Project were nearing conclusion by the end of the quarter.
- An assessment of the resource expansion potential of the MS7 deposit, which is open to depth, was incorporated into the pit optimisation exercises.

Target Generation – Follow-up work

- Reconnaissance work continued on the alaskite-type targets identified in the Prospectivity Analysis that was completed during the previous quarter.

Marenica Energy Limited *U-PGRADE*TM Testwork

- Samples were provided to Marenica Energy Limited ('Marenica') from deposits in Namibia and Australia for ore characterisation.
- Results for the first samples characterised (from the Tumas Palaeochannel and Napperby Deposits) were encouraging with the potential to achieve upgrades similar to those of the Marenica deposit.

Tubas Sand Project

- Ongoing evaluation and interpretation of a selected higher grade mineralisation envelope within the existing JORC resource area prompted the decision to progress a formal resource update.
- By the end of the quarter the resource update was nearing completion and a release on the new resource is imminent.
- As a result of positive indicative results from a pit optimisation study on the higher grade zone it was decided to conduct a trade-off study to assess the various process options available for the development of the project. The study commenced at the end of the quarter.

Shiyela Iron Project

- The competitive process to find a development partner was reaching a conclusion with an announcement on the preferred development partner expected well before the end of the next quarter.



BUSINESS REVIEW

NAMIBIAN NOVA JOINT VENTURE EPLs RENEWED

DYL's wholly owned Namibian operating subsidiary Reptile Uranium Namibia Ltd (RUN) received renewal confirmation for the Nova Joint Venture Exclusive Prospecting Licences (EPLs) 3668, 3669 and 3670 (see figure in Appendix 1). This renewal will allow DYL to gradually expand its search for higher grade alaskites, specifically on EPL3669 and EPL3670, by drawing on the results from the recently completed highly successful target generation study. The combined area of the EPLs was voluntarily reduced by 24%, from 1,303 km² to 989 km².

OMAHOLA PROJECT

Pit Optimisation Exercises

The multiple pit optimisations being conducted on the three deposits that comprise the Omahola Project continued throughout the quarter with a clearer indication that the project is likely to be an acid heap leach operation. In addition, it was decided to assess the potential for the MS7 resource to be deepened given that the deposit is open to depth.

The work was close to completion at the end of the quarter and the results will be released to the market before the end of the first quarter in calendar 2014.

EXPLORATION OVERVIEW

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

The Prospectivity Analysis undertaken in July 2013 identified the next generation of high grade alaskite targets on RUN's EPLs. The study covered a substantial part of the Erongo uranium region and exceeded the area covered by RUN's EPLs to test the targeting methodology against the location of known deposits.

Ground follow-up work of these conceptual targets continued up to the year-end break (Figure 1).

CTG-011 (CTG-Conceptual target)

Geological mapping was completed at CTG-011, an alaskite target underneath and immediately to the south of surficial mineralisation discovered at Zone 3 of the Cenozoic Tumas palaeochannel. Drill chips from drilling work previously conducted at Tumas Zone 3 were also inspected in order to generate a sub-surface geology map and assess the potential for alaskite-hosted mineralisation underneath the palaeo-channel.

Both geological mapping and drill chip logging revealed that garnet- and tourmaline-bearing sheeted leucogranites, which are not considered prospective for uranium, dominate in the area.

CTG-007 (CTG-Conceptual target)

This alaskite target is located immediately to the west and southwest of the Tubas Sand Project. At CTG-007, uraniferous magnetite skarn was discovered at the contact to a marble unit. However, bedrock outcrop is limited and the continuation of the magnetite skarn under cover is currently being assessed.

Radiometric surface anomalies over Cenozoic sediments were also discovered and additional work may be warranted in the future in order to test the potential for surficial uranium mineralisation similar Tubas Sands.

Tumas Palaeochannel Drilling

A small drilling programme was conducted across Zone 1 and 2 of the Tumas palaeo-channel in order to obtain sample material for mineralogical test work conducted by Marenica Energy Limited (Marenica). Marenica aims to assess the suitability of the Tumas ore to the Marenica **U-pgrade**[™] beneficiation process.

Eight RC holes (Figure 2) were drilled for a total of 158 m. All holes were lithologically logged and gamma probed down the hole. 17 mineralised one metre samples were selected based on lithology and eU₃O₈ grades.

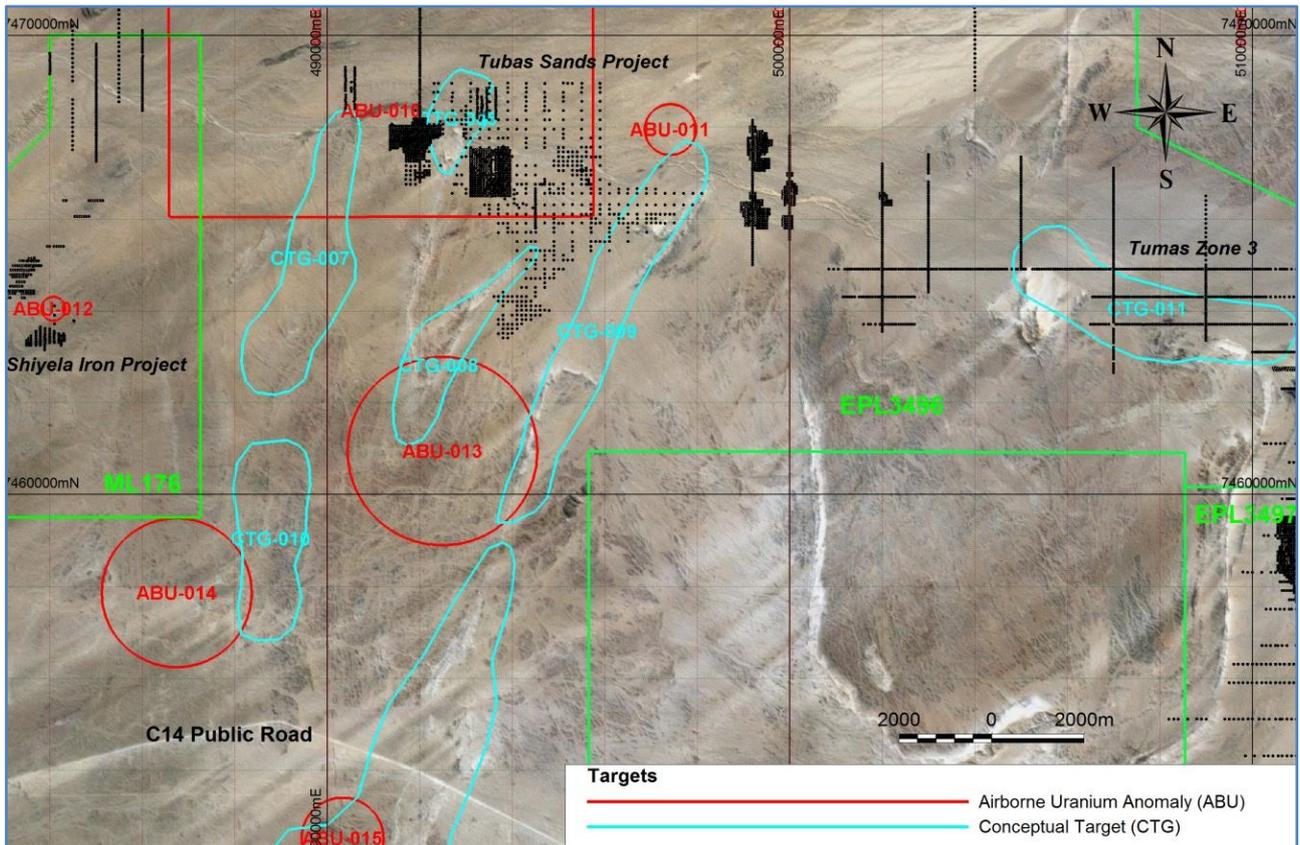


Figure 1: Map showing radiometric as well as conceptual (alaskite) targets on EPL3496

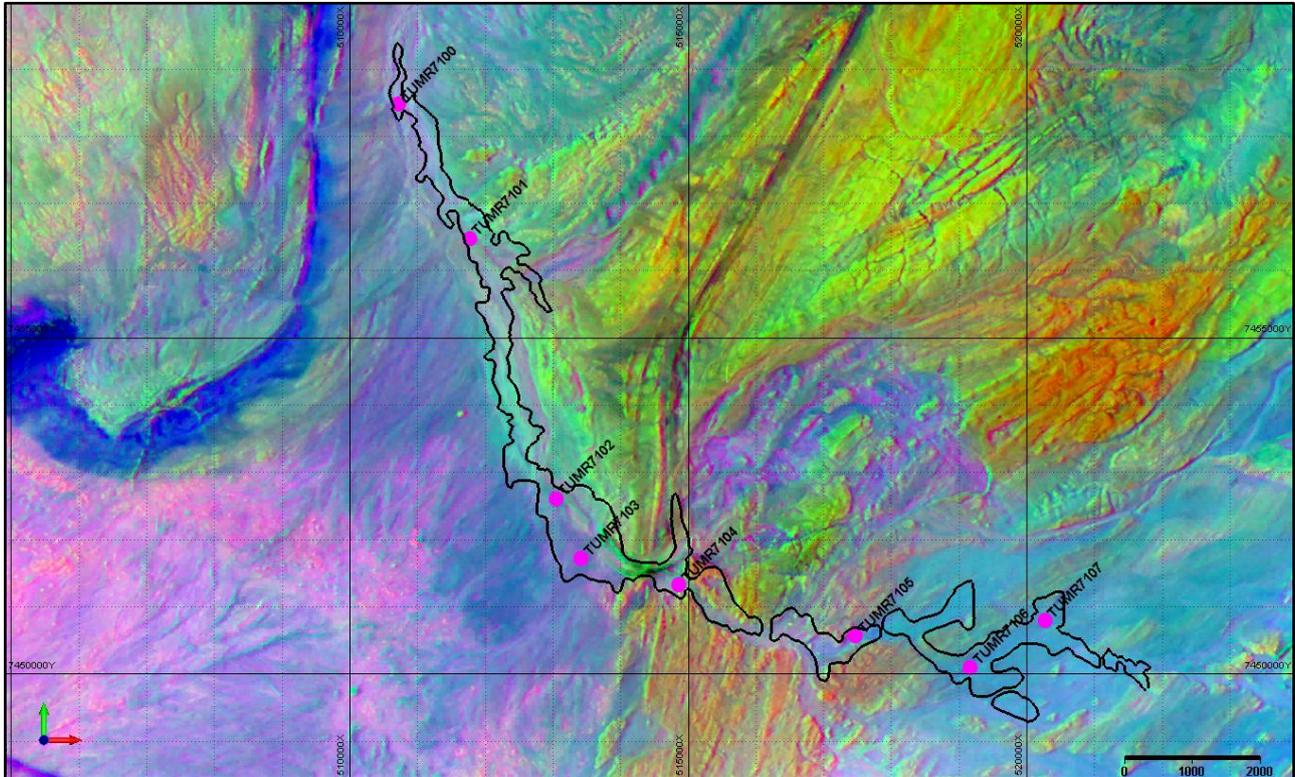


Figure 2: Map showing location of Tumas Palaeochannel drill hole collars



METALLURGICAL TESTWORK

Application of Marenica Energy Limited's *U-PGRADE™* Technology

Samples were provided to Marenica Energy Ltd (Marenica) from RUN's Tumas Palaeochannel Calcrete and Aussinanis deposits as well as DYL's Napperby deposit for ore characterisation testwork. All three samples, which are from surficial deposits are of significantly higher grade than the Marenica deposit (at least 3 times on average) on which testwork has been conducted to date.

Ore characterisation testwork on the Tumas Palaeochannel Calcrete sample has been evaluated and the results appear to be very similar to the Marenica *U-pgrade™* ore characterisation results. Six drill holes along the entire strike length of the Tumas Calcrete deposit produced 14 x 1kg samples for testing. The samples selected for metallurgical testing varied in depth from 1 to 17m. Three composites, varying in sulphate, dolomite and calcite concentrations, were formed. The ore characterisation results are summarised in Figure 3 and demonstrated a high degree of carnotite (uranium mineral) liberation, indicating a high propensity to upgrade through Marenica's *U-pgrade™* process.

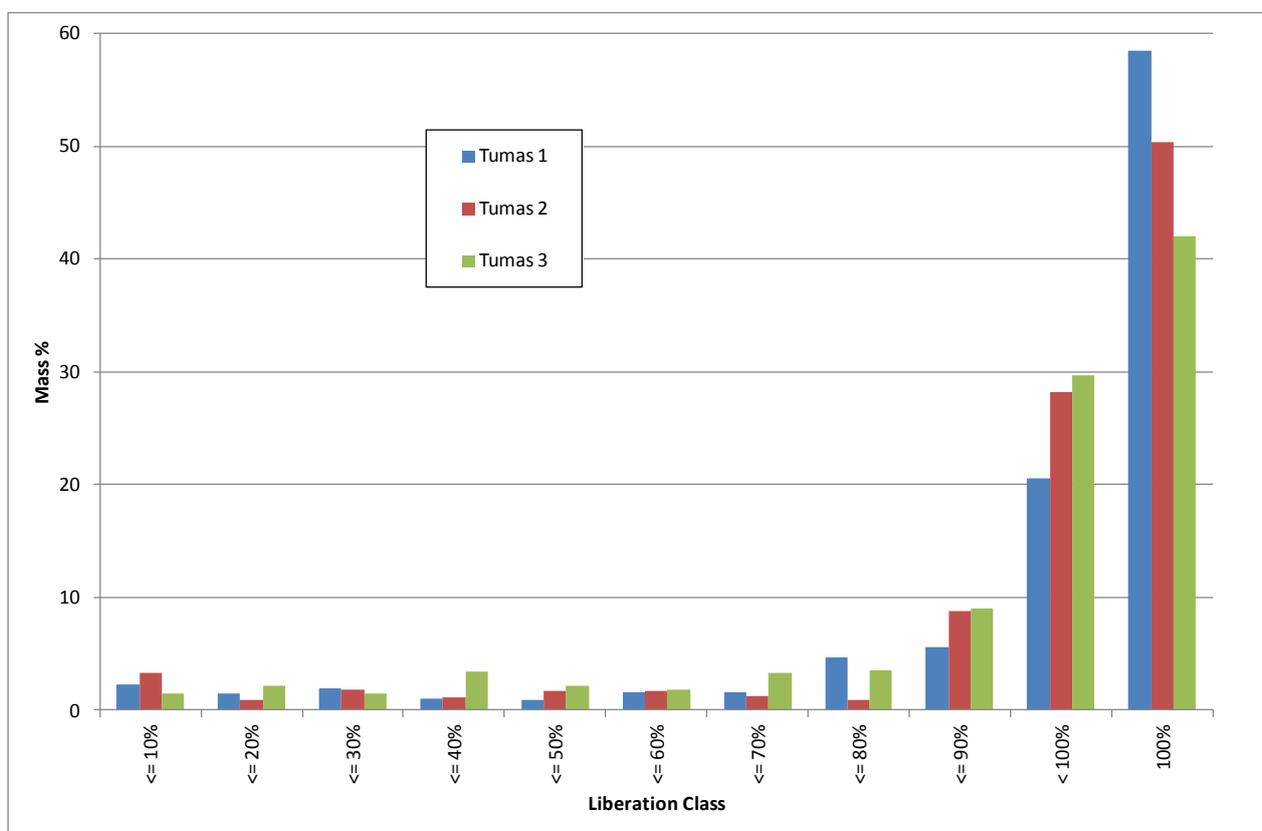


Figure 3: Tumas Palaeochannel Ore Characterisation Carnotite Liberation Summary

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

The Tumas 2 composite samples were taken from a depth of 1 to 3m and contained a high distribution of sulphate minerals, assay result of 6.3% sulphate. Marenica expected the mineralogy of this sample to be more complex with less liberation than the deeper, low sulphate samples. However, the liberation analysis demonstrated a very similar liberation to the low sulphate samples, which is a positive result for Tumas as no modifications of the *U-pgrade™* flowsheet would be required to process this ore type.

Most other mineralogical characteristics of the Tumas deposit are similar to the Marenica deposit and Marenica have indicated a high confidence level that *U-pgrade™* will be effective on the Tumas deposit. Testwork on the Aussinanis deposit was in progress at the end of the quarter.

Nine 2kg samples were taken along strike from the Napperby deposit in the Northern Territory. The samples were combined to form three Lithology composites. A full ore characterisation programme was completed on each composite to determine the amenability of the Napperby ore to Marenica's proprietary *U-pgrade™*



technology. The results from the ore characterisation, summarised in Figure 4, demonstrated a high degree of carnotite (uranium mineral) liberation, therefore also indicating a high propensity to upgrade through Marenica's **U-pgrade™** process.

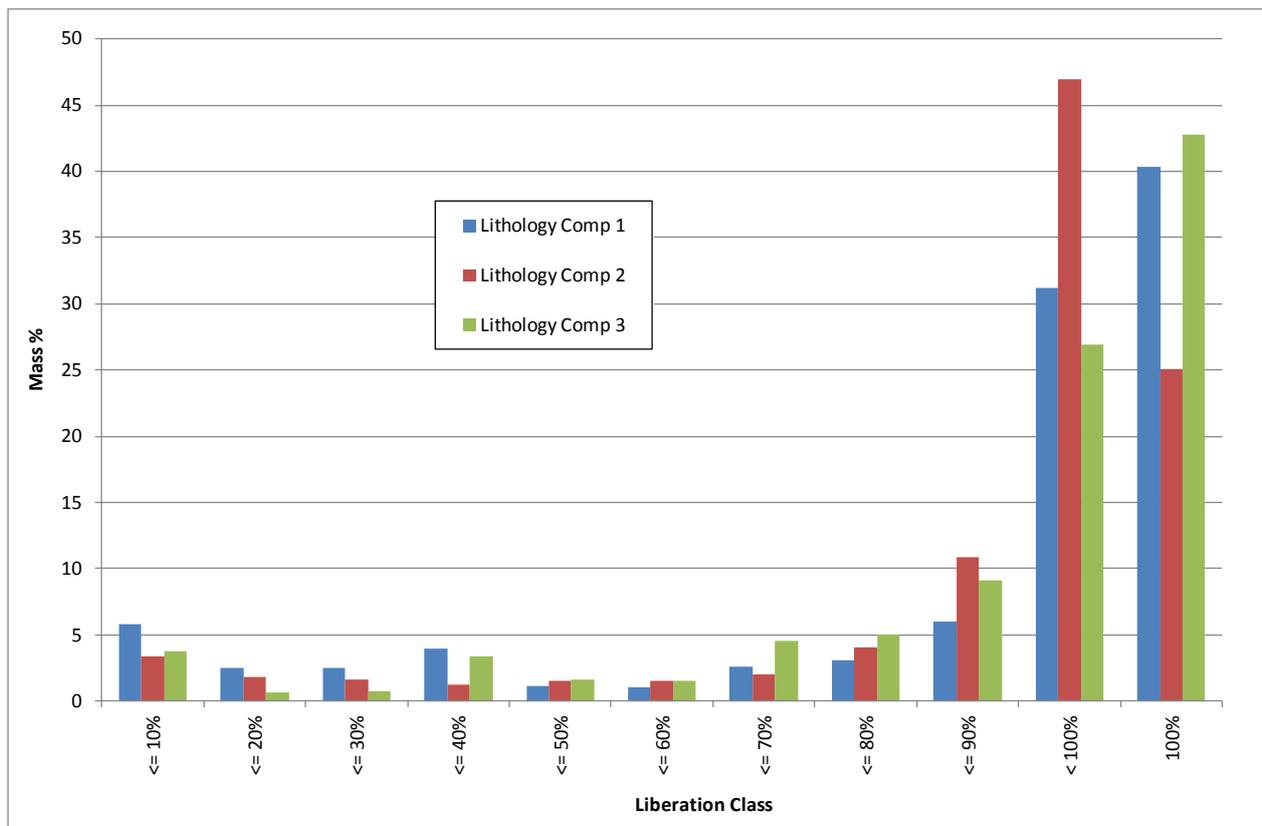


Figure 4: Napperby Ore Characterisation Carnotite Liberation Summary

Also of particular importance at Napperby is that one of the deleterious elements that limits mineral separations on the Namibian resources has not been identified at Napperby. This means that it would be expected that a higher uranium recovery could be achieved at Napperby than on Marenica's uranium resource, which has been extensively tested and used to develop **U-pgrade™**.

All ore characterisation completed under the guidance of Marenica was completed at CSIRO facilities in Perth.

Based on the ore characterisation results Marenica has a high level of confidence that **U-pgrade™** can be successfully applied to the deposits tested and as a result an additional sample, from RUN's Tubas Sand Project, was dispatched to Australia for ore characterisation testwork as well.

TUBAS SAND PROJECT

The internally derived geological model which consists of a higher grade mineralisation envelope was used to conduct pit optimisation exercises to test the overall potential project economics of various development scenarios. Operating costs were estimated in-house based on previous process testwork and engineering studies completed in previous years by RUN and external consultants. On the back of the positive, albeit indicative results received from the pit optimisation exercises it was decided to conduct a process trade-off study to evaluate the different operating options for the project, starting with the existing model of producing a physically beneficiated high grade sand concentrate for sale to one of the two existing Namibian uranium producers, through various stages of intermediate product (such as loaded resin, ADU or SDU) to final product.

The trade-off study commenced at the end of the quarter and is expected to be completed by the end of March. The results of the trade-off will be incorporated into a scoping study, the result of which will drive a decision to proceed with a pre-feasibility study.



Drilling programmes were also being prepared to infill the higher grade mineralisation envelope as well as resource expansion on other zones beyond this envelope but still within the existing JORC compliant resource area. A decision to proceed with any drill programme will be dependent on the results of the trade-off and scoping study as well as capital availability.

SHIYELA IRON PROJECT

The process to find a development partner for the Shiyela Iron Project was reaching a conclusion and it is expected that the preferred partner would be announced in the first quarter of 2014.

AUSTRALIA

Australian Exploration Portfolio

DYL announced in June 2012 that it had decided to divest its portfolio of early stage exploration assets in Australia to allow it to focus on its advanced stage projects in Namibia. Despite protracted attempts to negotiate a successful transfer of these assets to a new, Australian focussed explorer, no company has been willing to take on the commitments of these tenements. Accordingly tenements that required significant commitments have been dropped. The Company has retained tenements with JORC resources, such as Napperby in the Northern Territory, which still retains some value.

CORPORATE

FINANCIAL

DYL completed the Quarter with cash and liquid assets of \$2.7 million at 31 December 2013.

During the quarter 18,610,000 performance share rights were issued, 760,400 lapsed or were cancelled according to their terms and conditions and 1,568,320 shares were issued in relation to vested performance rights.

DYL's Share Purchase Plan closed on Friday, 18 October 2013 with subscriptions for 48,295,000 shares issued at 2c per share to raise a total of \$965,900.

CORPORATE COSTS – DIRECTOR FEES DEFERRED

The six month, 5 per cent reduction in base salary and fees for the Managing Director, non-executive directors and executives was reviewed and the decision was taken to maintain this reduction until further notice.

In addition, the Board has resolved to defer 20% of Director fees payable to Non Executive Directors and issue DYL shares in lieu in an effort to ensure cash is focused on key development outcomes. The Managing Director, Mr Greg Cochran, who has already taken a 15% cut in his contracted remuneration and waived incentive bonuses for 2012 & 2013 has agreed to defer a further 10% of his base remuneration on the same basis.

The shares to be issued would be calculated at the end of each month based on the 3 day VWAP of the closing price of DYL shares following the end of the month. The total number of shares would then be put to shareholders for approval at the 2014 Annual General Meeting.

The Chairman Mr Tim Netscher said “the intent is to defer fees payable until the Annual General Meeting at which time the board will propose a resolution to shareholders to issue shares in lieu of payment.”

For further information regarding this announcement, contact:

Greg Cochran
Managing Director

Phone: +61 8 9286 6999
Email: info@deepyellow.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 is an ASX-listed, Namibian-focussed advanced stage uranium exploration company. It also has a listing on the Namibian Stock Exchange.

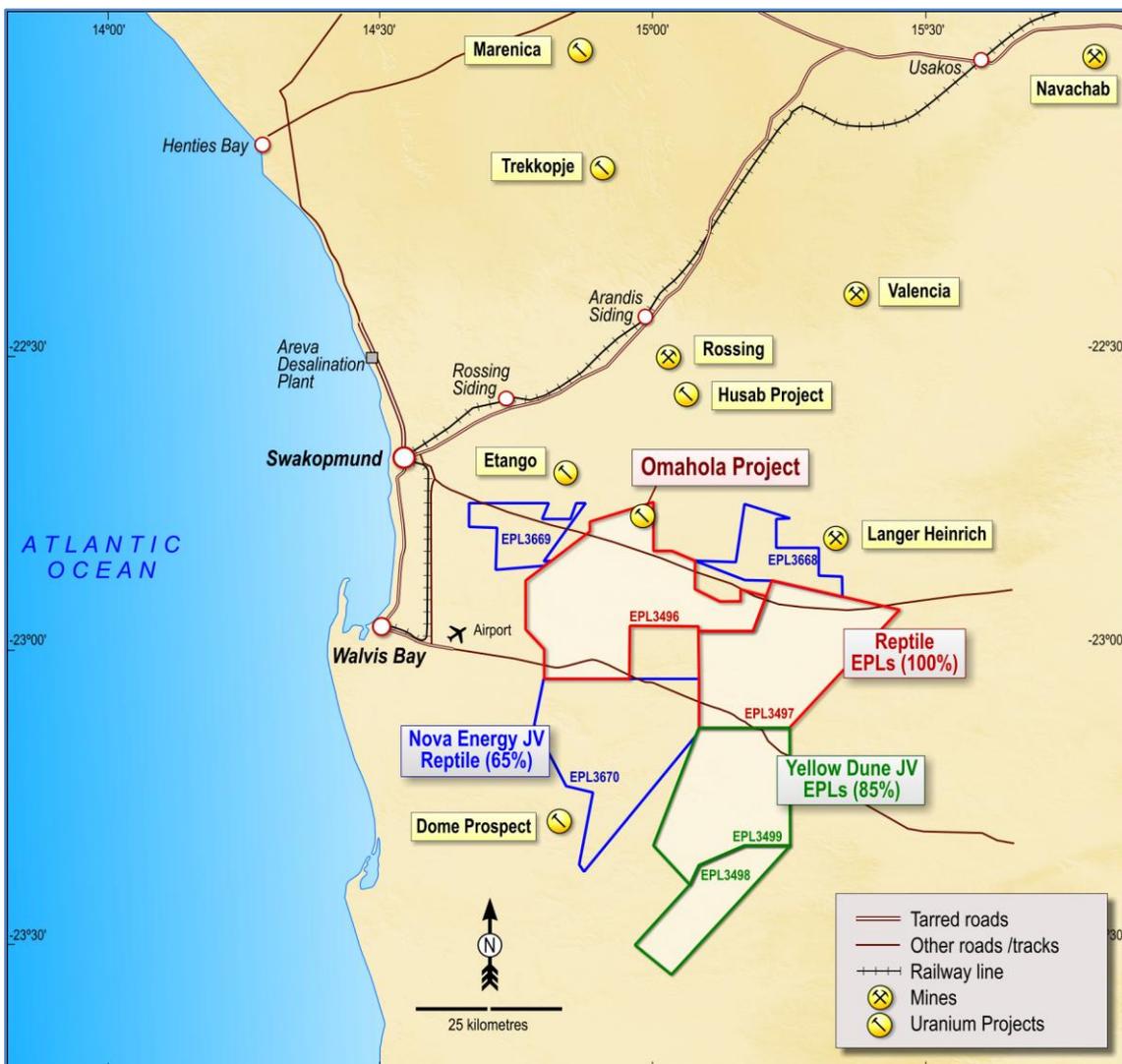
Deep Yellow’s operations in Namibia are conducted by its 100% owned subsidiary Reptile Uranium Namibia (Pty) Ltd. Its flagship is the high grade alaskite Omahola Project where mining studies are being conducted and the next phase of metallurgical testwork is being planned as inputs into a Pre-Feasibility Study. It is also evaluating fast track development options for its Tubas Sand Project utilising physical beneficiation techniques it successfully tested in 2011.

In Australia the Company owns the Napperby Uranium Project and other exploration tenements in the Northern Territory and in Queensland.

Competent Person’s Statement

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 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 2012 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.

Appendix 1: Namibian Tenement Map as at 31 December 2013





Annexure 1

Schedule of Mineral Tenure – December 2013

NAMIBIA

| Number | Name | Interest | Expiry Date | JV Parties | Approx. Area (km ²) | |
|-----------------------|-------------|----------|-------------|----------------------------------|---------------------------------|-----|
| 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 | 253 | |
| EPL 3499 | Ripnes | 85% | 05.06.2015 | | 10% Oponona # ³ | 522 |
| EPL 3668 | Gawib West | 65% | 20.11.2015 | 25% Nova (Africa) # ⁴ | 185 | |
| EPL 3669 | Tumas North | 65% | 20.11.2015 | | 10% Sixzone # ⁵ | 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 | | - | |
| Sub-Total | | | | | 3,109 | |

#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

NORTHERN TERRITORY

| Number. | Name | Interest | Expiry Date | JV Parties | Approx. Area (km ²) |
|-----------|------------------|----------|--------------------|------------|---------------------------------|
| EL 24246 | Napperby | 100% | 10.10.14 | - | 535 |
| EL 24606 | Lake Lewis | 100% | 27.12.13 | - | 266 |
| 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 | | | | | 801 |

QUEENSLAND

| Number | Name | Interest | Expiry Date | JV Parties | Approx. Area (km ²) |
|-----------|------------|----------|-------------|--------------------|---------------------------------|
| EPM 14281 | Yamamilla | 100% | 06.07.15 | SML # ¹ | 118 |
| EPM 14916 | Ewen | 100% | 14.04.16 | SML # ¹ | 243 |
| EPM 15070 | Prospector | 100% | 27.03.16 | SML # ¹ | 125 |
| Sub-Total | | | | | 486 |

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

DYL Total 4,396

AGREEMENTS

| | Approx. Area (km ²) |
|---|---------------------------------|
| ABM Resources NL - Northern Territory (100% uranium rights stay with DYL) | 16,518 |
| Sub-Total | 16,518 |
| Total Area | 20,914 |