



1 November 2013

## QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDING 30 SEPTEMBER 2013

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### HIGHLIGHTS

#### Corporate

- Mr Tim Netscher succeeded Mr Mervyn Greene as Chairman with effect from 1 September 2013.
- Corporate costs reduced by additional cuts to executive remuneration and board fees.
- Share Purchase Plan announced with the intention to raise a maximum of \$1,500,000 at 2 cents per share.
- DYL ended the quarter with cash resources of \$2.7 million.

#### Namibian EPLs Renewed

- EPLs 3496, 3497 and 3499 were renewed for a further two years by the Minister of Mines and Energy of Namibia.
- EPL 3496 hosts DYL's flagship Omahola Project, as well as the Tubas Sand Project and Tubas Palaeochannel Resource.
- The combined area of the EPLs was voluntarily reduced by 29% in what was the third renewal for these licences.

#### Omahola Project

- Pit optimisation exercises on all three deposits that comprise the Project continued throughout the quarter.
- Due to the number of different scenarios being considered the exercises were not completed as originally scheduled by the end of September and will continue into the next quarter.
- The small infill drill programme conducted at the INCA deposit was completed early in the quarter but results did not allow the conversion of the targeted unclassified material to inferred resources.

#### Successful Completion of Target Generation – Prospectivity Exercise

- Fifteen alaskite-type targets were identified in the Prospectivity Analysis that was completed during the quarter.
- Six targets were assigned a high priority for follow-up, based on degree of outcrop, radiometric response and extent of previous drilling.
- Elements of the analysis were applied for the first time in seeking to identify alaskite targets in Namibia.
- Known deposits both on and beyond DYL EPLs scored highly in the analysis, giving increased confidence in the results.

#### Tubas Sand Project

- The Tubas sectional interpretation and wireframing which included the results of the 560 hole infill drill programme conducted in mid-February was completed.
- The wireframing included the generation of an 80 ppm cut-off mineralisation envelope as well as gypcrete, calcrete and bedrock surfaces, which allows the classification of ore types.
- An internal resource block model was created and grades estimated using Multiple Indicator Kriging (MIK).
- The model was sub-divided into two ore domains based on grade distribution and drill density, however it was decided not to finalise the resource update until further work (which may include additional drilling) is completed.

#### Shiyela Iron Project

- The competitive process to find a development partner continued throughout the quarter.
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**BUSINESS REVIEW**

**NAMIBIAN EPLs RENEWED**

DYL's wholly owned Namibian operating subsidiary, Reptile Uranium Namibia (RUN) received confirmation that all three EPLs (3496, 3497 and 3499) had been renewed by Namibia's Ministry of Mines and Energy for a further two years (Appendix 1). This is the third time that the EPLs have been renewed which will allow the Company to progress its core projects and exploration activities, primarily focussed on EPL3496. The combined area of the EPLs was voluntarily reduced by 29%, from 262,222 hectares to 186,752 hectares.

DYL's flagship high grade alaskite Omahola Project is located on EPL3496, as well as the surficial, lower grade Tubas Sand Project which is amenable to physical beneficiation. RUN's extensive palaeochannel system prospects (Tubas and Tumas) straddle EPLs 3496 and 3497.

**OMAHOLA PROJECT**

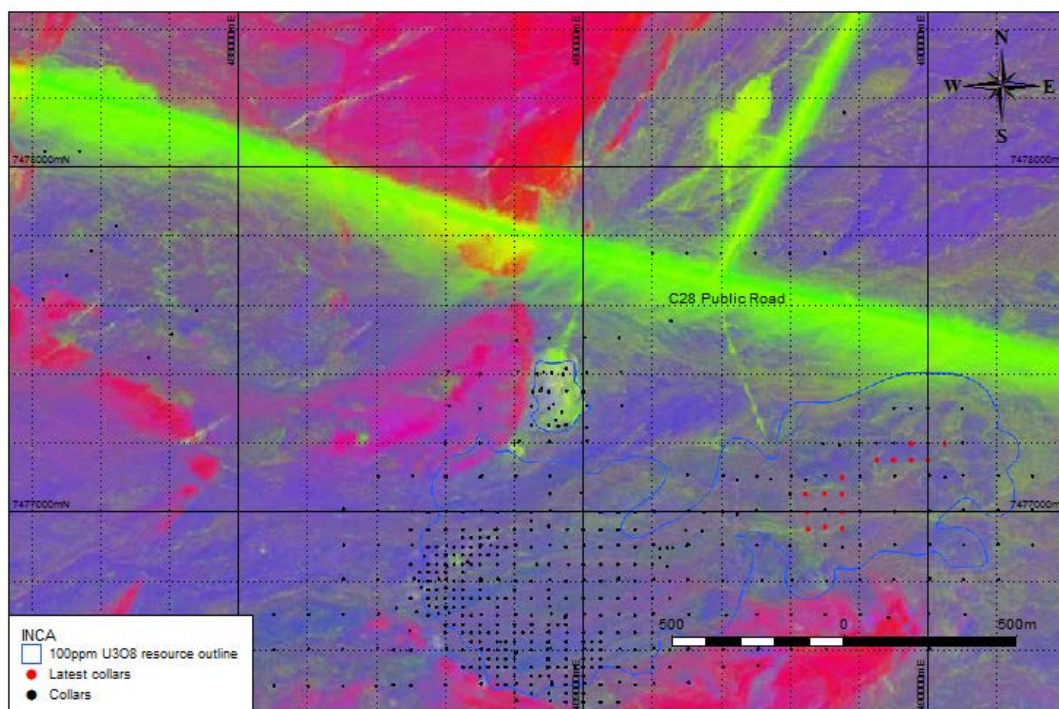
**Pit Optimisation Exercises**

Multiple pit optimisation exercises were conducted throughout the quarter (and are continuing) with the primary objective being to resolve the "heap leach or tank leach" question for Omahola. Cost assumptions used in the exercises have been based on a mixture of public sources, vendor quotes and internal assessments to present realistic scenarios reflecting the current cost environment. Most analysts would agree that cost escalations have been significant over the past three years and this factor will impact on the economics of any mining project. Resolving this question at this early stage would obviate the need for a metallurgical trade-off study between the two processing methods which would be considerably more costly.

At this stage there is already a clear indication that in today's cost environment Omahola will likely be a heap leach operation, implying a larger, lower grade resource than that currently quoted.

**INCA Infill Drill Programme**

This programme was designed to convert shallow unclassified mineralisation that falls inside preliminary estimated 100 ppm pit shells into Inferred material to increase INCA's Mineral Resource. The infill drilling was completed in July with a total of 28 holes drilled totalling 2,179 m. In July, 15 holes were drilled for 944 m (Figure 1), of which seven intercepted low to medium-grade mineralisation (Table 1). All holes were radiometrically logged and surveyed by RUN using a differential GPS.



**Figure 1: Infill drilling at INCA**



Table 1: INCA infill drilling – mineralised intercepts in July

Hole	East	North	Azimuth	Dip	EOH [m]	Depth [m]		Measured thickness [m]	eU <sub>3</sub> O <sub>8</sub> [ppm]
						From	To		
INCR571	489751	7477000	0	-90	60	45	46	1	285
INCR572	489750	7477100	0	-90	75	53	67	14	146
INCR573	489750	7477051	0	-90	103	13	14	1	365
INCR574	489700	7477054	0	-90	103	37	40	3	330
INCR577	489652	7476952	0	-90	43	13	31	18	148
INCR579	489602	7477052	0	-90	103	20	23	3	259
INCR580	489951	7477198	0	-90	49	28	47	19	183

Visual checks of drill data and existing model indicate it is unlikely that the envisaged conversion will be achieved as drill intercepts were generally below expectations. Therefore, a Mineral Resource update is not warranted at this stage.

### TARGET GENERATION – PROSPECTIVITY ANALYSIS

The Prospectivity Analysis undertaken to identify the next generation of high grade alaskite targets on DYL's Namibian tenements was completed with outstanding results. 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. Several spatial datasets were used by presenting them in grid form and assigning prospectivity values to the majority of the 100m cells within each grid.

In the analysis three layers were used to score and then rank prospectivity: proximity to dome structures, proximity to marble and occurrence in remanently magnetised domains. It is believed that this is the first time that a prospectivity analysis has combined these specific layers in one map to identify alaskite targets in Namibia. The analysis generated fifteen conceptual alaskite-type targets with six assigned for high priority follow-up, based on degree of outcrop, radiometric response and extent of previous drilling.

### Progress with Geological Mapping, Surface Sampling and Ground Geophysical Surveys (See Figure 2)

#### *ABU-014 (ABU-Airborne uranium)*

The geological mapping at ABU-014 (Figure 2) at a scale of 1:5,000 was completed in September. A number of radioactive granitic intrusions, which occur along the limbs of two marble synclines and also intruded metasediments of the Khan Formation, were identified. Although the geological setting seems to be favourable for alaskite occurrences, the granitic bodies mapped across ABU-014 appear to belong to the group of syn- to post-tectonic 'Red Granites' and 'Salem Granites', which are characterised by high Th/U ratios. Spectrometer surveys showed that all granites in the area of interest have Th/U ratios significantly higher than 1 with very low uranium concentrations ranging between 4 and 14 ppm, measured using a RS125-spectrometer.

Whilst geological mapping has not identified immediate alaskite-type drill targets ground spectrometer surveys are being continued to fully assess the exploration potential of the area.

During an earlier reconnaissance visit to the area surficial uranium mineralisation (carnotite in gypcretised sediments) was discovered at ABU-014. Subsequently, a ground radiometric survey was conducted in this area. However, results are not yet available as data is currently being captured.

#### *CTG-011 (CTG-Conceptual target)*

Geological mapping started at CTG-011 (Figure 2), a conceptual alaskite target underneath and immediately to the south of surficial mineralisation discovered at Zone 3 of the Tumas palaeo-channel. In vast areas mapping of the Proterozoic bedrock and Archean basement is hampered by Cenozoic sediment cover. Approximately 10 km<sup>2</sup> out of 20 km<sup>2</sup> (50%) were mapped in September. Garnet- and tourmaline-bearing sheeted leucogranites do occur in the area but they are not considered prospective for uranium. The results of the full prospectivity assessment of this area are likely to be presented in the next quarter.



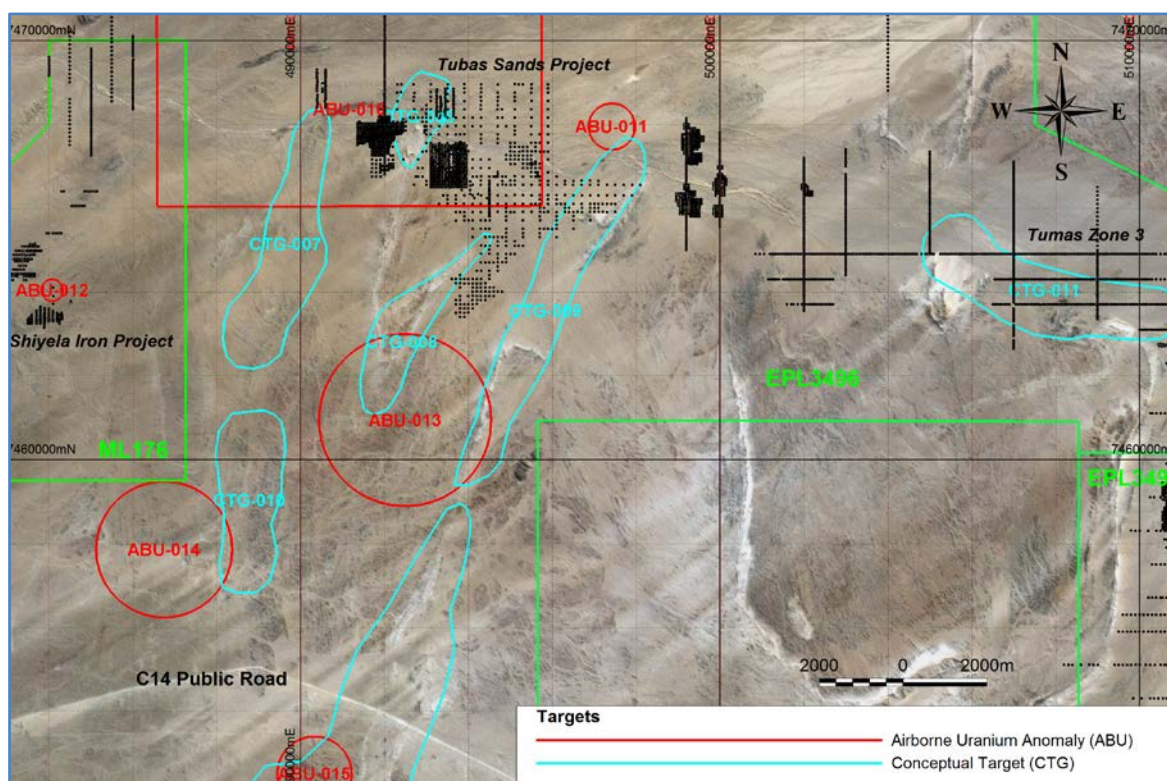


Figure 2: Map showing radiometric as well as conceptual (alaskite) targets on EPL3496

**ABU-013**

During the quarter both, geological mapping and ground-radiometric surveys at ABU-013 (Figure 2) identified a narrow NNE-trending zone that is composed of high uranium/low thorium granites. The zone has a strike length of approximately 2 km and an average width of 100 m and is likely to extend further south. Fresh bedrock samples were collected along strike of this zone and analysed for uranium and thorium by Scientific Services Laboratories, Cape Town, using pressed powder pellet XRF. Uranium concentrations range between 15 and 946 ppm and thorium concentrations range between 13 and 216 ppm. Five out of 53 samples show thorium/uranium ratios of less than 0.6 (Table 2). These samples contain between 70 and 946 ppm uranium and compare favourably to uranium-enhanced sheets in the wider Rossing area.

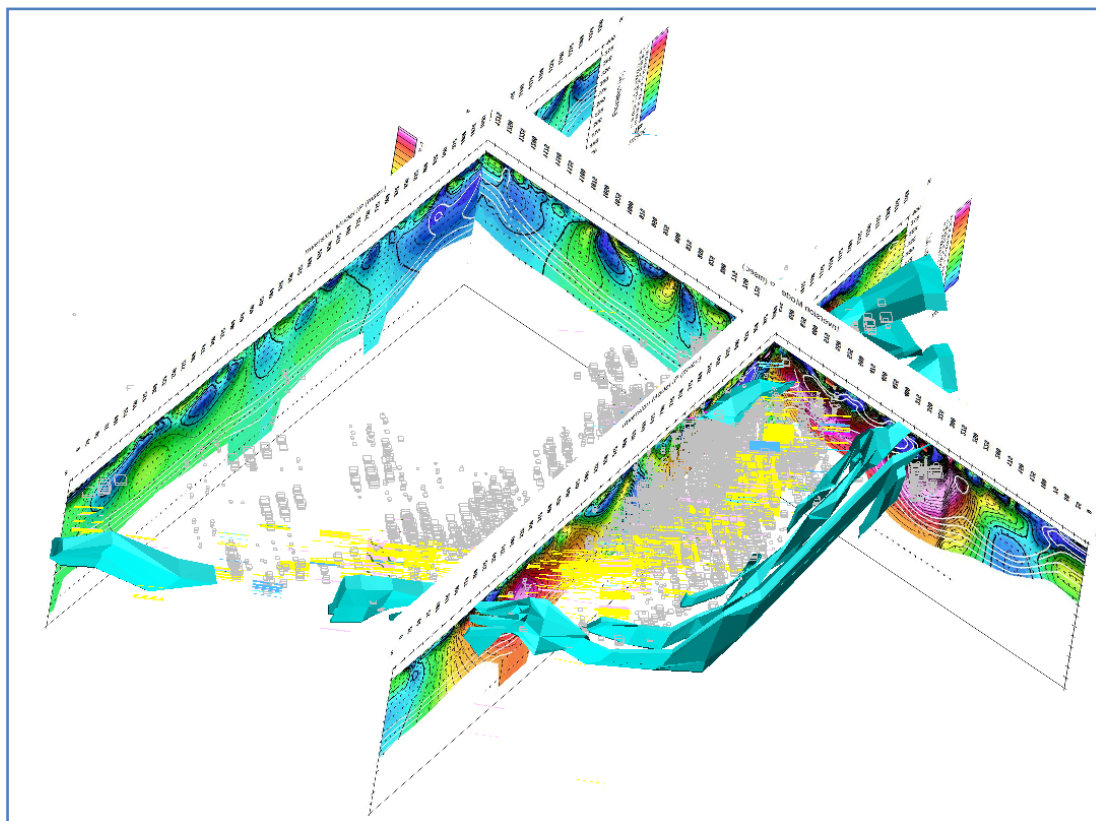
This prospective zone appears to continue further to the south, and therefore, the ground-radiometric survey area has been extended in this direction with the survey currently being underway. Additional surface sampling has also been planned for the next quarter.

Table 2: Surface samples of granites from ABU-013 with favourable thorium/uranium ratios

Easting	Northing	U <sub>3</sub> O <sub>8</sub> [ppm]	ThO <sub>2</sub> [ppm]
493,676	7,462,601	143	77
493,622	7,462,462	1,116	30
493,442	7,461,999	83	41
493,065	7,461,025	105	21
493,682	7,462,629	489	34

**Ground Induced Polarisation (IP) Survey**

The pole-dipole IP data generated early in the reporting period was interpreted. The results looked promising with sulphides at depth, which are considered as a pathfinder to alaskite-hosted uranium mineralisation, being detected using the IP method (Figure 3). Therefore it is believed that the method can be used in the future as an exploration tool searching indirectly for uranium mineralisation hosted in alaskite.



**Figure 3: 3D model of the MS7 deposit showing IP sections in relation to uranium mineralisation (grey) and sulphide occurrences (yellow). Marble wireframe is shown in blue.**

## **TUBAS SAND PROJECT**

Following the completion of in-house geological modelling of the results from the recent infill drill programme further sectional interpretations and wireframes were prepared. The wireframes include an 80 ppm cut-off mineralisation envelope as well as gypcrete, calcrete and bedrock surfaces, which now allow the classification of the different ore types in the project.

An internal Mineral Resource was estimated using Multiple Indicator Kriging (MIK). The estimation highlighted that further work, which, amongst other, includes further Quality Analysis/Quality Control (QAQC) and additional infill drilling, is required before the resource update can be finalised.

Pre-Feasibility planning also progressed and a high level pit optimisation exercise commenced. The results of the pit optimisation will inform the decision on the requirement for further extension and/or infill drilling.

## **SHIYELA IRON PROJECT**

The process to find a development partner for the Shiyela project is continuing.

## **AUSTRALIA**

### **Divestment of 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. The Australian portfolio consists of projects located in both Queensland and the Northern Territory and includes the Napperby Deposit. Discussions continue with interested parties.



## CORPORATE

### Financial

DYL completed the Quarter with cash and liquid assets of \$2.7 million at 30 September 2013.

During the quarter 4,000,000 performance share rights were issued, 2,062,010 lapsed according to their terms and conditions and 1,934,960 shares were issued in relation to vested performance rights.

### Corporate Costs and Unmarketable Parcel

As reported in the June Quarterly, DYL took additional steps at the beginning of the 2013 financial year to further reduce overhead costs due to ongoing volatility in financial markets and uncertainty in the uranium sector.

Following on from the previous year's ten per cent reduction in base salary and fees for the Managing Director and non-executive directors, board fees and executive remuneration were reduced by a further 5 per cent for six months (to be reviewed at the end of November 2013). Group-wide salaries have remained frozen as well, whilst DYL's Perth head office was downsized to three people.

The Company announced earlier in the year that an Unmarketable Parcel Facility would be put in place to assist holders of unmarketable parcels sell their holdings. During August 2013, the Company announced its election not to proceed with the Facility given the state of the capital markets and the likely ultimate return to shareholders.

### Chairman Succession

Mr Tim Netscher succeeded Mr Mervyn Greene as the Chairman of DYL on 1 September 2013. Mr Netscher joined the DYL Board as a Non-Executive Director at the beginning of 2013. Perth-based Mr Netscher, 62, has considerable board experience and has worked as a senior executive in the international mining industry in roles spanning marketing, operations management, project management and business development. He will soon be stepping down as the Managing Director and Chief Executive Officer of Gindalbie Metals Limited (GBG.AX), an ASX listed iron ore producer.

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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)

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### 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 (RUN). Its flagship is the high grade alaskite Omahola Project where mining studies are being conducted and the next phase of metallurgical test work is being planned as inputs into a Pre-Feasibility Study. The timing of the completion of a pre-feasibility study is largely dependent on the choice of preferred processing method and the identification of additional recoverable resources. It is also evaluating the early stage development of its Tubas Sand uranium deposit utilising the 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 the Mount Isa District in Queensland.

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Appendix 1: Namibian Tenement Map as at 30 September 2013



**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.