



15 June 2012

### STRATEGIC UPDATE

---

#### HIGHLIGHTS

- **Activities prioritised over the next 12 months to ensure value add to core projects**
  - **Overheads and exploration spend to be significantly reduced from 1 July**
  - **Significant progress on portfolio restructuring initiatives to enhance focus:**
    - ✓ *Rio Tinto considering joint venture on Nova Energy Namibia leases*
    - ✓ *Process to divest Australian exploration portfolio commenced*
    - ✓ *Shiyela Iron Project divestment process underway*
  - **Flagship Omahola Project progressing towards critical mass:**
    - ✓ *Resource drilling at high grade Ongolo and MS7 alaskite deposits reaching conclusion*
    - ✓ *Resource upgrades, metallurgical testwork and mining studies to commence shortly, post completion of current drilling programmes*
- 

**Advanced stage uranium explorer Deep Yellow Limited (ASX: DYL)** is pleased to provide a **Strategic Update** to coincide with the announcement of a settlement with **Raptor Partners Limited** ('Raptor') to terminate its earn-out agreement on the Company's wholly owned Namibian Exclusive Prospecting Licences (EPLs).

As DYL approaches the end of the 2012 financial year during which it achieved many outstanding results the Company, like its peers, finds itself facing ongoing volatility in the world's financial markets and uncertainty in the uranium sector. It is in this context that DYL has continued its process of reviewing, aligning and refining its strategy. **We have therefore prioritised what we need to do in the coming year to not only protect but also add value to our assets to ensure that DYL will, one year hence, be in a strong position to capture opportunities on the back of an anticipated improvement in the markets.** To achieve this, DYL will significantly reduce overhead and exploration spend by reducing the number of drilling rigs deployed from the current seven to two and its staff count accordingly.

A more detailed description of the Company's activities for the next year follows.



## **Omahola Project – Flagship Asset – Resource upgrades and mining studies**

*Three deposits to feed one plant. Current resource 38.2 Mt at 441 ppm for 37 Mlbs U<sub>3</sub>O<sub>8</sub>.*

The immediate priority is to achieve a targeted resource of 50 Mlbs U<sub>3</sub>O<sub>8</sub> of predominantly alaskite ore. To achieve this DYL will:

- Shortly conclude the drilling programme on the MS7 alaskite deposit;
- Continue with a targeted drilling programme on the Ongolo alaskite deposit;
- Conduct resource upgrades on both deposits to incorporate the last six to eight months' outstanding drilling results;
- Complete mining studies and metallurgical testwork on both deposits; and
- Conduct a detailed review of mining and processing options and an economic assessment of the project on completion of the above.

These activities should all be completed by year's end and will provide the basis for the path forward which will then feed into the prefeasibility study (PFS).

## **Tubas Sand Project – Potential earlier cashflow for DYL**

*Physical beneficiation of a free dig, low grade deposit to recover a high grade sand concentrate. Current resource 87.0 Mt at 148 ppm for 28.4 Mlbs U<sub>3</sub>O<sub>8</sub> – upgrades to ~1,000 ppm in concentrate.*

Following the successful physical beneficiation trials conducted last year, the Company updated the Tubas Sand Project's JORC compliant resource in February this year and tested the appetite for off-take of an intermediate product (uranium loaded on resin), with existing Namibian producers. Longer term the project could enhance production output from the Omahola Project, but the immediate focus is additional resource analysis and mining studies which will be completed within the next six months. These results are expected to allow DYL to make a decision on whether to conduct a PFS on the Project.

## **Shiyela Iron Project – Divestment process underway**

*78.7 Mt at 18.88% Fe - high quality, coarse grained magnetite blast furnace concentrate product.*

Divestment of the Shiyela Iron Project (Shiyela) is a priority for DYL as it believes that the project presents a potential opportunity to source non-dilutionary funding for the Company. DYL has appointed RMB Namibia to divest the project and that process is underway. A final phase of testwork has begun to assess the potential to recover a saleable hematite fraction in addition to or to be blended with the high quality magnetite product. If successful, this will increase the resource base, reduce the estimated stripping ratio and operating cost and improve project economics. This will make the project more attractive and thus enable a more competitive divestment process. Whilst the testwork and divestment process will be run in parallel, it is conservatively estimated that these phases should be completed by the end of 2012.



## Rio Tinto in discussion on joint venture into the Nova Energy EPLs in Namibia

The Company is engaged in discussions with Rio Tinto Mining and Exploration Limited ('Rio Tinto') over the three Nova Energy (Namibia) (Pty) Ltd ('Nova') EPLs. Nova is the legal and beneficial owner of the EPLs and Nova is 65% owned by DYL subsidiary Reptile Mineral Resources and Exploration (Pty) Ltd ('Reptile'). The other shareholders of Nova are Nova Energy (Africa) (Pty) Ltd (25%), a subsidiary of Toro Energy Limited (ASX: TOE) and Sixzone Investments (Pty) Ltd (10%), a Namibian empowerment company. If the agreement is concluded with Rio Tinto, Rio Tinto shall have the right to earn into a share in the EPLs by fulfilling certain work and expenditure obligations.

## Divestment of Australian Exploration Portfolio

DYL has 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 (where uranium mining is not yet allowed) and the Northern Territory and includes the 7.4 Mlb of JORC compliant resources within the Napperby Deposit. DYL has appointed Patersons Securities Limited (Patersons) to investigate a trade sale, merger or spin-off of the portfolio which may lead to a full or partial divestment of its interest in these projects. Patersons has already identified a number of target companies that are being approached to gauge initial interest.

It is anticipated that the divestment process will be completed in the second half of this calendar year.

## Raptor Partners Limited – Termination of earn-out agreement

As per the separate ASX release made today, Deep Yellow has reached a settlement with **Raptor Partners Limited** ('Raptor') to terminate its earn-out agreement on the Company's wholly owned Namibian Exclusive Prospecting Licences (EPLs). The settlement is for \$15 million to be settled with the issue of 129.3 million shares and \$100,000 in cash.

DYL's Managing Director Greg Cochran said "the removal of the Raptor Earn-out is a good outcome for all shareholders, Raptor has demonstrated its support for the Company by accepting shares with a deemed value of 11.52 cents and has agreed to a phased escrow over the next three years. This removes a significant future strategic and financial impediment and leaves the Company ideally poised to progress its attractive assets in Namibia."

## Conclusion

These initiatives will allow DYL's management team to focus and concentrate their attention and the resources of the Company on the rapid progression of its key, highly promising projects in Namibia. Namibia remains one of the premier uranium provinces in the world and the DYL assets are the last remaining independent, higher grade deposits in this mining friendly jurisdiction.

DYL believes that the prospects for a material increase in the price of uranium in the medium term are improving and that DYL will benefit significantly as it advances its projects. Recent announcements connected with the full resumption of the nuclear build programme in China and the prospect of Japanese nuclear power plants being returned to service have served to reinforce that view.

Ends



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

Greg Cochran  
Managing Director

Phone: +61 8 9286 6999  
Email: [info@deepyellow.com.au](mailto:info@deepyellow.com.au)

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, 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 Namibian Stock Exchange.

Deep Yellow'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 – MS7 trend. It is also evaluating a stand-alone project for its Tubas Sand uranium deposit utilising physical beneficiation techniques it successfully tested in 2011.

In Australia the Company owns the Napperby Uranium Project and numerous exploration tenements in the Northern Territory and in the Mount Isa District in Queensland.

---



## JORC Mineral Resource Estimate Summary – March 2012

Deposit	Category	Cut-off (ppm U <sub>3</sub> O <sub>8</sub> )	Tonnes (M)	U <sub>3</sub> O <sub>8</sub> (ppm)	U <sub>3</sub> O <sub>8</sub> (t)	U <sub>3</sub> O <sub>8</sub> (Mlb)
<b>NAMIBIA</b>						
<b>Omahola Project</b>						
INCA ♦	Indicated	250	7.0	470	3,300	7.2
INCA ♦	Inferred	250	5.4	520	2,800	6.2
Ongolo #	Indicated	250	14.7	410	6,027	13.2
Ongolo #	Inferred	250	5.8	380	2,204	4.8
MS7 #	Indicated	250	3.3	430	1,400	3.2
MS7 #	Inferred	250	2.0	540	1,100	2.4
<b>Omahola Project Total</b>			<b>38.2</b>	<b>441</b>	<b>16,831</b>	<b>37.0</b>
<b>Tubas-TRS Project</b>						
Tubas-TRS	Inferred	70	87.0	148	12,876	28.4
<b>Tubas-TRS Project Total</b>			<b>87.0</b>	<b>148</b>	<b>12,876</b>	<b>28.4</b>
<b>Tubas-Tumas Palaeochannel</b>						
Tumas ♦	Indicated	200	14.4	366	5,270	11.6
Tumas ♦	Inferred	200	0.4	360	144	0.3
Tubas-Calcrete	Inferred	100	7.4	374	2,767	6.1
<b>Tubas-Tumas Palaeochannel Total</b>			<b>22.2</b>	<b>369</b>	<b>8,181</b>	<b>18.0</b>
<b>Aussinanis Project</b>						
Aussinanis ♦	Indicated	150	5.6	222	1,243	2.7
Aussinanis ♦	Inferred	150	29.0	240	6,960	15.3
<b>Aussinanis Project Total</b>			<b>34.6</b>	<b>237</b>	<b>8,203</b>	<b>18.0</b>
<b>TOTAL - NAMIBIA</b>			<b>182.0</b>	<b>253</b>	<b>46,091</b>	<b>101.4</b>
<b>AUSTRALIA</b>						
<b>Napperby Project (NT)</b>						
Napperby	Inferred	200	9.3	359	3,351	7.4
<b>Napperby Total</b>			<b>9.3</b>	<b>359</b>	<b>3,351</b>	<b>7.4</b>
<b>Mount Isa Project (QLD)</b>						
Mount Isa	Indicated	300	2.2	470	1,050	2.3
Mount Isa	Inferred	300	2.5	450	1,120	2.5
<b>Mount Isa Total</b>			<b>4.7</b>	<b>460</b>	<b>2,170</b>	<b>4.8</b>
<b>TOTAL - AUSTRALIA</b>			<b>14.0</b>	<b>394</b>	<b>5,521</b>	<b>12.2</b>
<b>TOTAL INDICATED RESOURCES</b>			<b>47.2</b>	<b>387</b>	<b>18,290</b>	<b>40.2</b>
<b>TOTAL INFERRED RESOURCES</b>			<b>148.8</b>	<b>224</b>	<b>33,322</b>	<b>73.4</b>
<b>TOTAL RESOURCES</b>			<b>196.0</b>	<b>263</b>	<b>51,612</b>	<b>113.6</b>

**Notes:**

Figures have been rounded and totals may reflect small rounding errors  
 XRF chemical analysis unless annotated otherwise  
 ♦ eU<sub>3</sub>O<sub>8</sub> - equivalent uranium grade as determined by downhole gamma logging  
 # Combined XRF Fusion Chemical Assays and eU<sub>3</sub>O<sub>8</sub> values



### Compliance Statements: March 2012

#### Namibia

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 the **Ongolo, MS7 and INCA** Mineral Resources is based on work completed by Mr Neil Inwood and Mr Doug Corley. Mr Inwood is a Fellow of the Australasian Institute of Mining and Metallurgy and Mr Corley is a member of the Australian Institute of Geoscientists. Messrs Inwood and Corley have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Messrs Inwood and Corley consent to the inclusion in the report of the matters based on his information in the form and context in which it appears. Messrs Inwood and Corley are full-time employees of Coffey Mining.

The information in this report that relates to the **Tubas-TRS and Tubas-Calcrete** Mineral Resource is based on information compiled by Mr Willem H. Kotzé Pr.Sci.Nat MSAIMM. Mr Kotzé is a Member and Professional Geoscientist Consultant of Geomine Consulting Namibia CC. Mr Kotzé 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'. Mr Kotzé consents to the inclusion in this release of the matters based on his information in the form and context in which it appears.

The information in this report that relates to the **Aussinanis and Tumas** Mineral Resources is based on work completed by Mr Jonathon Abbott who is a full time employee of Hellman and Schofield Pty Ltd and a Member of the Australasian Institute of Mining and Metallurgy. Mr Abbott 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' and as a Qualified Person as defined in the AIM Rules. Mr Abbott consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

#### Queensland

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Martin Kavanagh, a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Kavanagh is an Executive Director of Deep Yellow Limited and 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'. Mr Kavanagh 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 the Queensland Mineral Resource is based on information compiled by Mr Neil Inwood. Mr Inwood is a Member of The Australasian Institute of Mining and Metallurgy. Mr Inwood is employed by Coffey Mining Pty Ltd and 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'. Mr Inwood consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

#### Northern Territory

The information in this report that relates to the **Napperby Project** Mineral Resource is based on information compiled by Mr Daniel Guibal who is a Fellow (CP) of the Australasian Institute of Mining and Metallurgy. Mr Guibal is a full time employee of SRK Consulting and 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'. Mr Guibal consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Where  $eU_3O_8$  values are reported it relates to values attained from radiometrically logging boreholes with Auslog equipment using an A675 slimline gamma ray tool. All probes are calibrated either at the Pelindaba Calibration facility in South Africa or at the Adelaide Calibration facility in South Australia.



## JORC Mineral Resource Estimate - Shiyela Iron Project - December 2011

Deposit	Category	Cut-off (DTR%)	Tonnes (M)	DTR (%)	Fe (%)
<b>Shiyela Iron Project</b>					
M62 - Fresh	Inferred	10	40.2	17.12	17.02
M62 - Oxide	Inferred	10	3.5	15.46	18.13
<b>Total</b>			<b>43.7</b>	<b>16.99</b>	<b>17.11</b>
M63 - Fresh	Inferred	10	34.8	15.15	21.10
M63 - Oxide	Inferred	10	0.2	16.16	18.87
<b>Total</b>			<b>35.0</b>	<b>15.16</b>	<b>21.09</b>
<b>Total – Shiyela Iron Project</b>			<b>78.7</b>	<b>16.17</b>	<b>18.88</b>
<b>Total Fresh</b>			<b>75.0</b>	<b>16.21</b>	<b>18.91</b>
<b>Total Oxide</b>			<b>3.7</b>	<b>15.50</b>	<b>18.17</b>
<b>TOTAL RESOURCES</b>			<b>78.7</b>	<b>16.17</b>	<b>18.88</b>

**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 Statement – Shiyela Iron Project

#### Namibia

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).