

# Deep Yellow Limited

ASX Announcement

ASX & NSX: DYL / OTCQB: DYLLF

30 October 2019

## QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDING 30 September 2019

### HIGHLIGHTS

#### REPTILE PROJECT

- Accelerated activities commenced at the Reptile Project to evaluate project economics with Pre-Feasibility Study planned to start in the March quarter FY20.
  - Additional budget of \$1M for FY20 includes 100% increase in drilling budget.
  - Scoping Study to be finalised by end of December Quarter.
  - Increased drilling activity has commenced on Tumas palaeochannel for resource enhancement and metallurgical sampling.
- Exploration and resource drilling in Tumas 1 East, Tumas Central and Tumas 3 East and West completed with 262 holes for 4,108m. One area earmarked for resource upgrade and three areas for follow-up resource drilling.
  - New Inferred Resource Estimate for Tumas 1 East expected mid-November.
  - New high-grade zone identified in Tumas 1 Tributary 8 channel.
  - Tumas Central closed off sufficiently to start resource definition drilling.
  - Exploration drilling at Tumas 3 East and West succeeded in better defining the outlines of the known uranium mineralisation.
- Drilling now moved to test the prospective Tubas Red Sand and Tubas Calcrete area.

#### NOVA JV PROJECT

- Drilling on EPL 3669, testing palaeochannels and basement rocks, completed 60 RC holes for 3,472m by 24 October.
  - Encouraging results in palaeochannels at the Namaqua Prospect and basement intrusions at Barking Gecko target.

#### CORPORATE

- \$11.29M raising completed via Placement and Share Purchase Plan to advance growth strategy.

In September Deep Yellow Limited (ASX: DYL) (**Deep Yellow**) reported the acceleration of activities on the Reptile project to advance this project in a staged manner to completion of a Pre-feasibility Study (PFS). In August and October, the Company advised the Tumas 1 East, Tumas 3 East, West and Tumas Central drilling programs on the Reptile Project EPLs 3496 and 3497 had

been completed. The resource drilling density is now sufficient to undertake an Inferred Resource Estimation on Tributary 5 in the Tumas 1 East area. Importantly, exploration drilling in this period has delineated a new zone of high-grade uranium mineralisation at the confluence of Tributary 8 and the main Tumas channel on EPL 3497. Drilling has also more clearly defined the uranium mineralisation at Tumas 3 East and West and the mineralisation at Tumas Central.

In late October, Deep Yellow also reported the status of the exploration drilling on EPL 3669 of the Nova Joint Venture, which is currently being solely funded by JOGMEC. The drilling identified additional mineralisation at the Namaqua and Barking Gecko Prospects.

Figure 1 shows all project locations.

In early July 2019 the Company reported completion of the successful raising of \$11.29M followed by the announcement of important management changes in its Namibian operations to prepare the Company for the pre-development phase of its Reptile Project and facilitate future project expansions.

## **REPTILE PROJECT (EPLs 3496, 3497) - 100% Deep Yellow**

### **Change of Project Scope**

In late September Deep Yellow advised an additional \$1.1M budget was approved to advance the Company's Reptile Project in Namibia and determine its economic feasibility in a staged manner. The \$1.1M is in addition to the existing FY20 Reptile Project budget of \$1.65M.

Innovative exploration undertaken by the Company over the past three years has resulted in a remarkable three-fold increase in the resource base of this deposit type within the highly prospective Tumas palaeochannel to 86Mlb grading 310ppm  $U_3O_8$ . Importantly, with the Company's stated Exploration Target<sup>1</sup> there remains strong upside for further discovery with supportable expectation that this calcrete-associated uranium Mineral Resource could be increased to between 100Mlb and 150Mlb in the grade range 300 to 500ppm  $U_3O_8$ .

The positive results achieved so far at Reptile justify advancing the Project by completing a PFS. A Scoping Study is due to be completed by December 2019 with the PFS activities scheduled to commence in early 2020 and completion expected late in the September quarter 2020.

Planned work for the PFS involves, as preparatory work, an additional 12,000m of RC drilling for resource categorisation and 600m of diamond core drilling for metallurgical assessment. Increased exploration and resource enhancement activities will be undertaken in FY20 to establish the full potential of the shallow palaeochannel-related uranium deposits on the Project, with 75 per cent of the additional funding allocated to drilling and associated programs.

The timing of the Scoping Study and PFS is structured such that, if these studies prove positive, there is sufficient time to complete a Detailed Feasibility Study to align with the potential development of the Project around the target period of 2023/24. The PFS will place the Project in

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<sup>1</sup> With the additional resources as previously announced, the Company has now determined an overall Mineral Resource Estimate of 104Mlb of calcrete mineralisation (of which 86Mlb occurs within the Tumas palaeochannel) which has reached the lower of its stated Exploration Target range of 100M to 150Mlb  $eU_3O_8$ . The Company however acknowledges that the potential quantity and grade of the Exploration Target is conceptual in nature. There is however significant and sufficient additional exploration information generated to give more confidence that the Exploration Target has improved the chance to achieve the stated expanded Mineral Resource objective. Additional exploration is planned; however, it is uncertain if this will result in the estimation of all the expanded Mineral Resource that has been predicted from the review and evaluation of calcrete associated mineralisation identified on the Company's tenements which commenced in the December 2017 Quarter. With the subsequent exploration and resource drilling carried out over the past two years, the Company has a greater understanding of the stratigraphy and topography of the palaeochannels which host the uranium mineralisation. This work and the resource increase that is being achieved has provided renewed confidence that further mineralisation is likely to be identified in targeted palaeochannel areas on the Company's tenements.

Targeted tonnage/grades are based on results and understanding from work carried out over the past 12 years in this region and the Exploration Targets that have been defined will continue to be the focus the ongoing drilling investigations.

an optimal position to give the best opportunity to fast-forward the Project when market conditions prove favourable.

### Accelerated Advancement Activities Aligned with Stated Strategic Objectives

The key elements of the Company's differentiating growth strategy are (a) expanding and developing the existing uranium resource base of its Namibian projects and (b) evaluating the best approach to advance its project acquisition strategy during the current uranium downturn.

Deep Yellow's management and leadership, with its record of achievement in the uranium sector, provides the Company with attractive options to consider for the development of both a multi-project global uranium platform and a possible future operation in Namibia. Both these objectives are being actively and concurrently pursued.

### Timely Preparation for Potential Development

The timely completion of the PFS by the latter part of CY20 will position the project perfectly to then be able to rapidly finalise the further economic studies required in preparation for development once suitable uranium price conditions occur. It is considered crucial to have a PFS completed to then wait in readiness until these price incentives for start-up are strong enough to complete the definitive studies.

### **Drilling Investigations**

#### Tumas 1 East Drilling

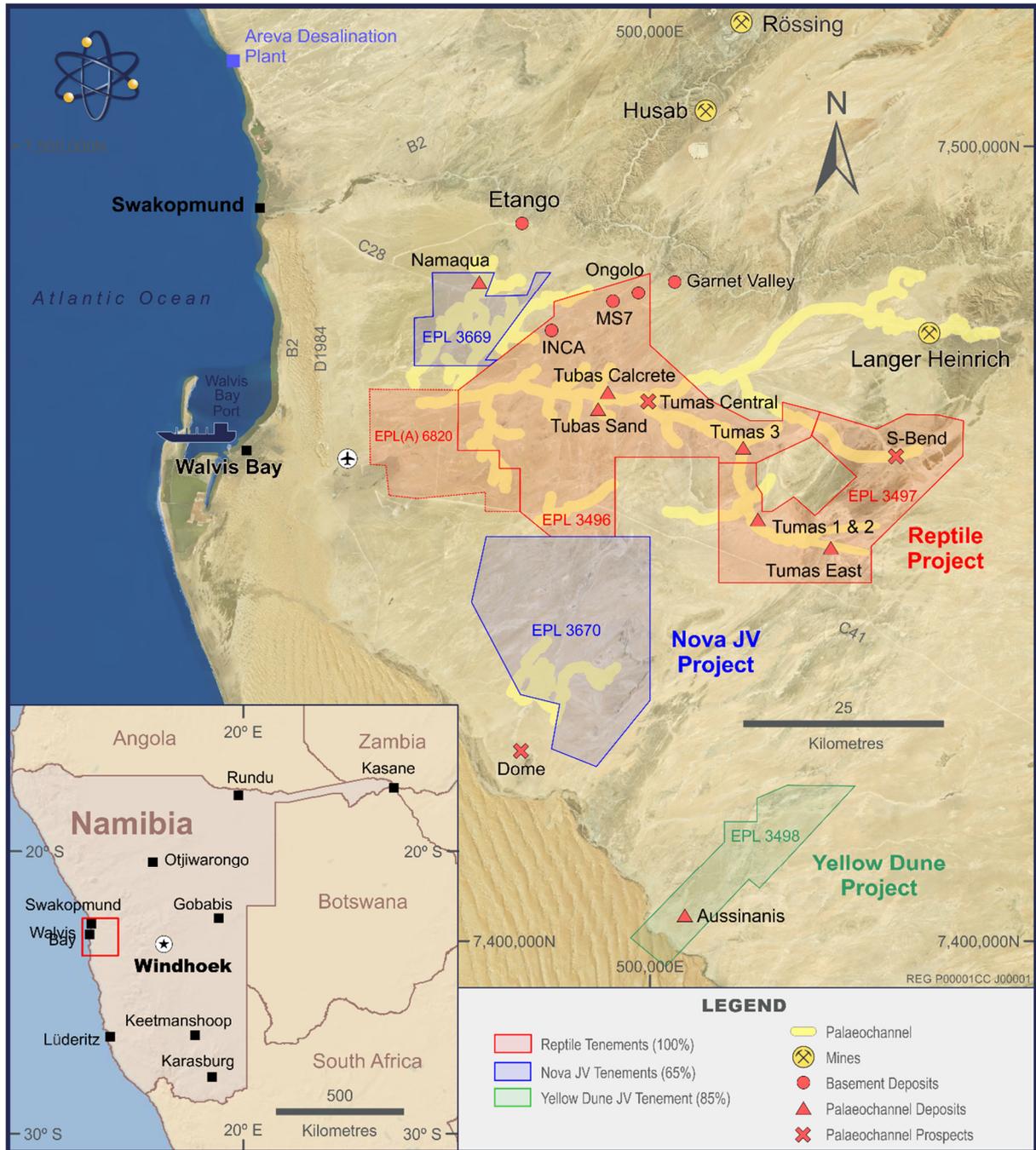
The first phase of drilling for the FY20 program commenced in July at Tumas 1 East with resource-focussed infill RC drilling at Tributary 5 (409m involving 40 holes) and concluded mid-August after completing exploration drilling of Tributaries 3, 6 and 8 (486m involving 78 holes). Total drilled in this program was 118 RC holes for 895m.

All tributaries in the Tumas 1 East area have now been explored with resources established in Tributaries 1, 2 and 4. Tributary 5 is now ready for resource estimation expected to be done by mid-November. Infill drilling has been completed as required for resource estimation to be undertaken for Tributary 5. Drill spacings varied from 50m to 100m along lines 200m apart. The drilling at Tributary 5, north of Tumas 1, has outlined an additional 3km of uraniferous channel showing continuous calcrete uranium mineralisation. The mineralised channel ranges from 100m to 600m in width. The mineralisation is located at shallow depth between 2m to 15m below surface. In the Tributary 5 resource drilling area, uranium mineralisation  $>100\text{ppm/m eU}_3\text{O}_8$  was identified in 82 (53%) of the 156 holes drilled in this zone. At  $>200\text{ppm/m}$  cut-off the average grade returned is 352ppm  $\text{eU}_3\text{O}_8$ . The mineralisation does not show any surface radiometric expression.

Figure 2 shows the prospective palaeochannel system outline, prospect and drill hole locations. The drilling highlighted the continuity and thickness of the mineralisation in Tributary 5.

Exploration drilling also was carried out along Tributaries 3, 6 and 8. High-grade mineralisation was encountered in Tributary 8 close to the confluence with the main Tumas channel. The best intersection was 1,514ppm  $\text{U}_3\text{O}_8$  over 6m from surface. These positive results will be followed up in the future.

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**Figure 1:** Showing **Reptile Project** (EPLs 3496, 3497) with Tumas Deposits and main prospect locations over palaeochannels and **Nova JV Project** (EPLs 3669,3670)

### Tumas 3 Drilling

Drilling was carried out in the south-eastern end of Tumas 3 East close to Tumas 2 where 26 holes for 485m were completed to close off the mineralisation to the SE. Four holes returned greater than 100ppm eU<sub>3</sub>O<sub>8</sub> and require follow-up drilling as mineralisation remains open and some additional resource drilling is planned to fully test this area. Figure 3 shows the drill hole locations. The average grade above cut-off was 214 ppm eU<sub>3</sub>O<sub>8</sub> with an average thickness of 3.6m. The mineralisation does not show any surface radiometric expression.

Four RC holes were drilled for 85m in the centre of the Tumas 3 deposit to prepare siting of the diamond drilling which started 10 October. All of these holes were mineralised with an average grade of 332ppm eU<sub>3</sub>O<sub>8</sub> and an average thickness of 5m.

At Tumas 3 West, 81 RC holes were completed for 2,088m to identify possible extensions of the currently defined Tumas 3 and the western boundary of this deposit is now identified.

#### Tumas Central Drilling

RC drilling at Tumas Central was targeted at defining the boundaries of the previously identified mineralisation occurring at the southern side of the Tumas palaeochannel. A total of 33 holes for 589m were drilled of which 13 holes returned greater than 100ppm eU<sub>3</sub>O<sub>8</sub> average grade. This mineralisation is now defined along 2km of the palaeochannel and is ready for resource infill drilling, planned for the first half of 2020. Figure 4 shows the drill hole locations.

#### Analysis/Conclusion

Drilling is continuing to deliver successful results achieving better definition of the Tumas 1 East and the Tumas Central mineralisation. The current work has identified three areas for future resource extension drilling; at Tumas 3 East, Tumas 1 East Tributary 8 and Tumas Central. The capacity to add to the current uranium resource base of this project emphasises the strong exploration potential of the uranium-fertile, extensive palaeochannel system including its tributaries.

At this stage four distinct mineralised zones (Tumas 1 & 2, Tumas 3 and Tubas Red Sand/calcrete deposits) have been identified within the 125km of palaeochannels occurring within the Reptile project tenements (see Figure 1). Some 50%, or approximately 60km, of these palaeochannels still remain to be adequately tested.

Exploration and resource drilling along the Tumas palaeochannel is planned to continue into December and restart again in February 2020. An updated resource is expected mid-November.

#### **NOVA JV, NAMIBIA (EPLs 3669, 3670) – 65% Deep Yellow**

JOGMEC is currently earning a 39.5% equity interest in the Nova JV to be achieved on expenditure of A\$4.5M over a four-year period. This earn-in will complete in the next budget year. Work is focussing on target definition and drilling to test both basement related uranium targets (Rössing/Husab style deposits) and palaeochannel/calcrete-associated uranium targets (Langer Heinrich style deposits).

In late October 2019, Deep Yellow announced the completion of 60 RC holes for 3,472m on EPL 3669. The overall drilling campaign was designed to follow up encouraging drilling results from 2018 at the Namaqua palaeochannel and to test other channels in addition to testing various basement targets defined by the 2018 airborne spectrometric and magnetic survey and ground follow-up work in early 2019. Three basement targets at Barking Gecko, Berger's and Turtle's Neck and two palaeochannels at Namaqua and Goanna were targeted on EPL 3669. Uranium mineralisation was encountered at Namaqua and Barking Gecko.

#### Namaqua Prospect

RC drilling at Namaqua was completed late August with 13 holes drilled for 415m. Drilling was carried out along three lines, one north-south and two trending east-west targeting calcrete and basement mineralisation. Figure 5 shows the drill hole locations.

One hole intersected 358ppm eU<sub>3</sub>O<sub>8</sub> over 5m hosted in calcareous matrix-cemented gravel sediments. The mineralisation at Namaqua remains open to the north with some follow-up drilling required.

### Barking Gecko Target

Seven inclined holes (70°) were drilled at Barking Gecko at 100m holes spacing along a south-west/north-east trending line targeting basement type mineralisation. Figure 5 shows the drill hole locations. Two holes (TN171RC and TN173RC) intersected uranium above 100ppm eU<sub>3</sub>O<sub>8</sub> over 1m within granite (Table 1). The area west of TN173RC which intersected 3m of 307ppm eU<sub>3</sub>O<sub>8</sub> remains open for drill-testing (Figure 6).

### Analysis/Conclusion

The identification of calcrete associated mineralisation within the palaeochannels in the Nova JV area is considered significant confirming the regional prospectivity of palaeochannels that have been identified. Drilling is continuing to explore previously untested palaeochannels on EPL 3670. The Namaqua uranium mineralisation remains open to the north and will be followed up in the current drilling program.

The bulk of the remaining drilling program will focus on basement exploration testing blind targets extending beneath areas of extensive sand cover and will continue onto EPL 3670. On EPL 3669 at Barking Gecko follow-up drilling of the newly discovered uranium mineralisation will also be carried out.

## **CORPORATE**

### **Completion of Placement and Share Purchase Plan (SPP) to Advance Growth Strategy**

In early July the Company completed a successful fundraising of \$11.29M before costs, with an institutional placement and SPP. The cash position at the end of September is \$15.75M.

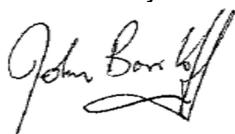
### **Renewal of EPLs 3496 & 3497**

Deep Yellow advised late August the Namibian Ministry of Mines and Energy had notified the Company of its preparedness to grant the renewal of EPLs 3496 and 3497 for a further two years, until 4 August 2021. The location of EPLs 3496 and 3497 is shown in Figure 1.

## URANIUM OUTLOOK

Uranium spot price continued to be directionless. In the September 2019 quarter, it moved slightly from US\$24.30/lb to \$25.80/lb and retracted to US\$24.10/lb towards the end of October. The utilities remain complacent and do not agree with the uranium producers who foresee a significant shortfall in supply starting post-2023 unless new production capacity is incentivised by uranium price improvement. The 90-day review established after President Trump rejected the Section 232 petition 12 July 2019 is still underway. This high-powered Nuclear Fuel Working Group (NFWG) that was put in place was to hand down its recommendations to President Trump on 12 October 2019 however this did not eventuate. President Trump has given the NFWG a 30-day extension to complete their work and the Group is now expected to provide its recommendation on 12 November 2019. The outcome is unlikely to change the dynamics of the broader market with the uranium price in the mid-term expected to increase markedly while continuing to remain weak in the shorter term – an outlook fully aligned with the Company's strategy for growth.

Yours faithfully



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

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[www.deepyellow.com.au](http://www.deepyellow.com.au)

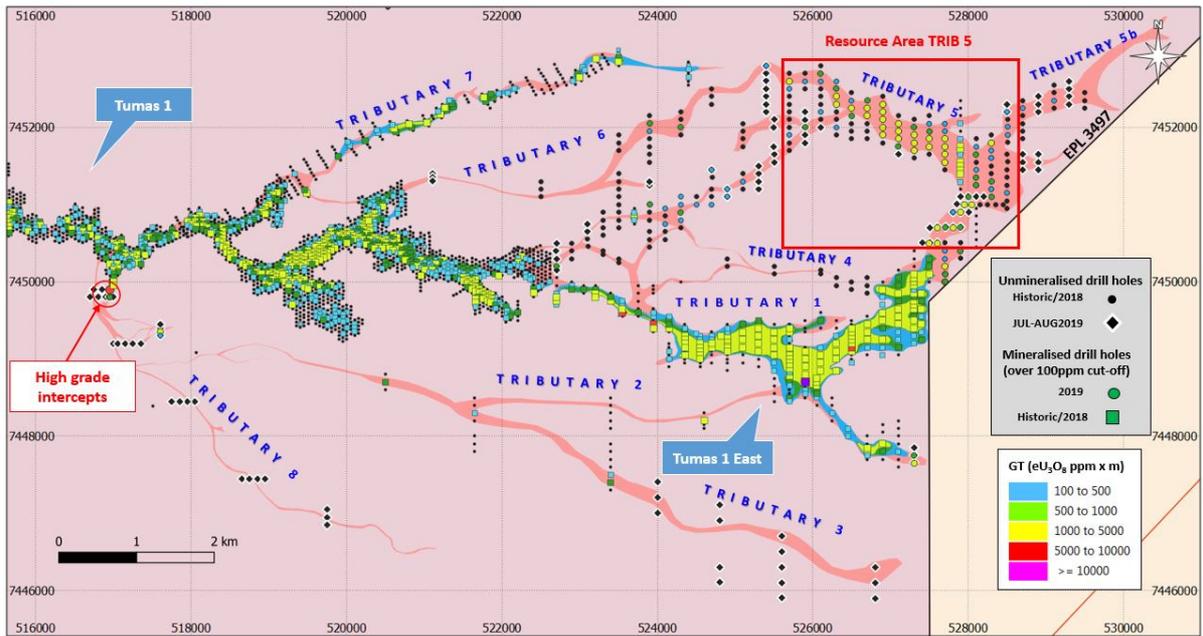
### **ABOUT DEEP YELLOW LIMITED**

*Deep Yellow Limited is a specialist differentiated uranium company implementing a new contrarian strategy to grow shareholder wealth. This strategy is founded upon growing the existing uranium resources across the Company's uranium projects in Namibia and the pursuit of accretive, counter-cyclical acquisitions to build a global, geographically diverse asset portfolio. The Company's cornerstone suite of projects in Namibia is situated within a top-ranked African mining destination in a jurisdiction that has a long, well regarded history of safely and effectively developing and regulating its considerable uranium mining industry.*

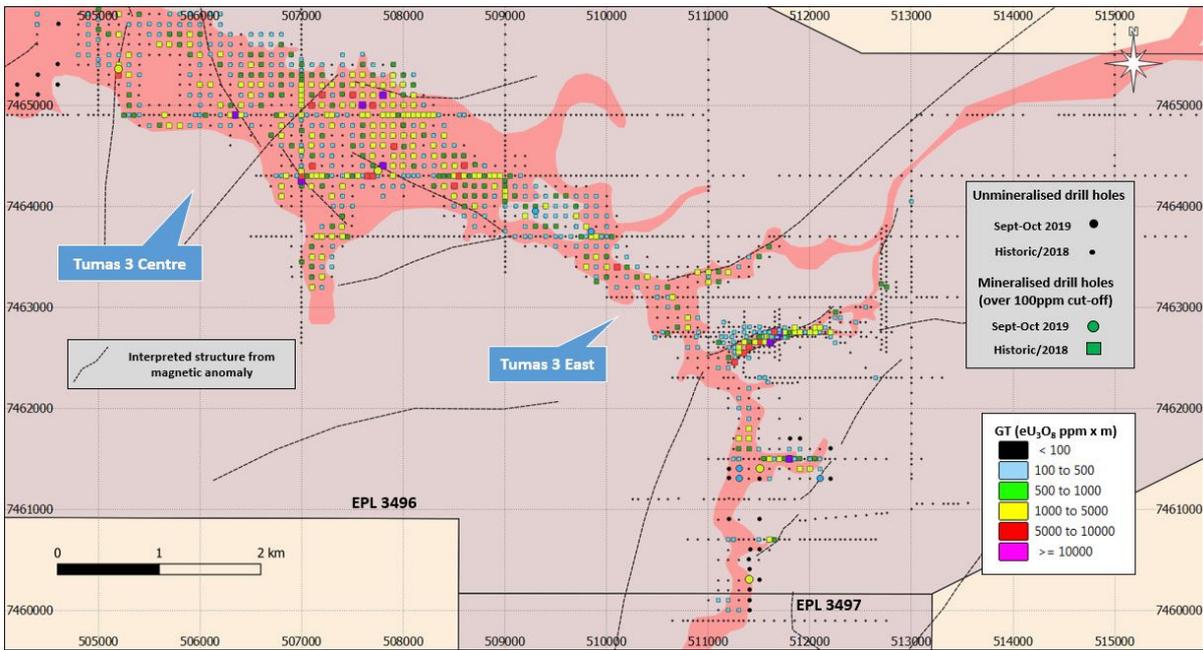
### **Exploration Competent Person's Statement**

*The information in this announcement as it relates to exploration results was compiled by Dr Katrin Kärner, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM). Dr Kärner, who is currently the Exploration Manager for Reptile Mineral Resources and Exploration (Pty) Ltd (RMR), 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 Kärner consents to the inclusion in this announcement of the matters based on the information in the form and context in which it appears. Dr Kärner holds shares in the Company.*

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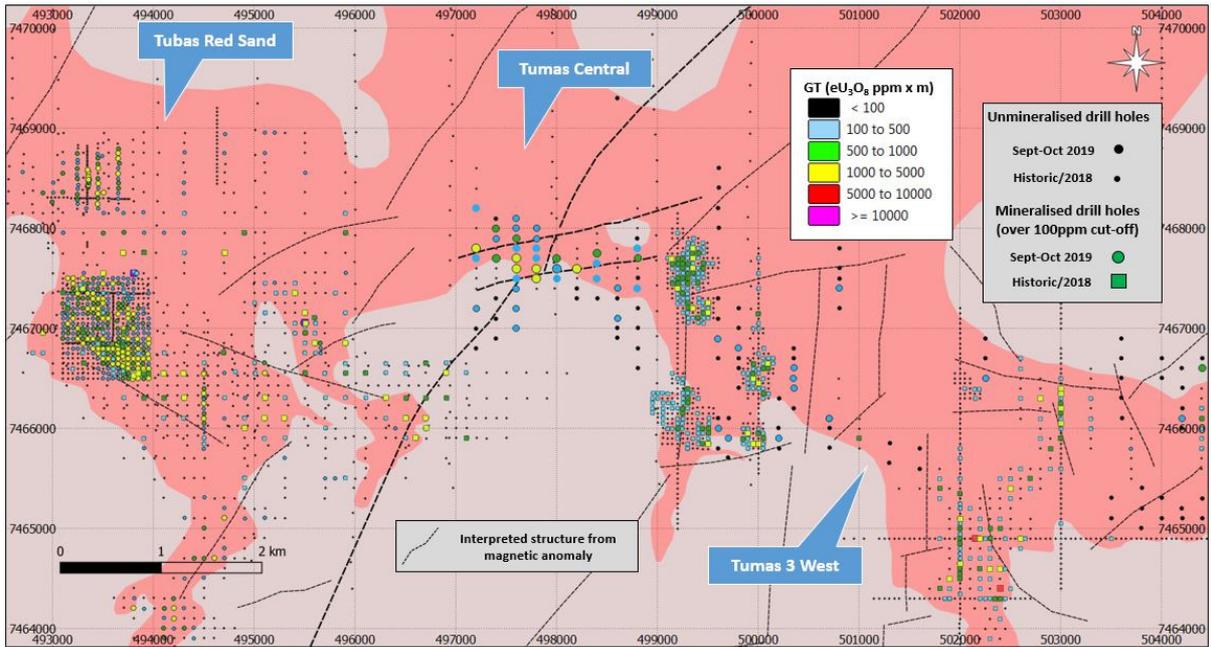


**Figure 2:** Drill hole locations showing the recent drilling program at Tumas 1 East. The resource contours and the drill hole collars are coloured in  $eU_3O_8$  grade thickness values (GT:  $eU_3O_8$  pmm x m).

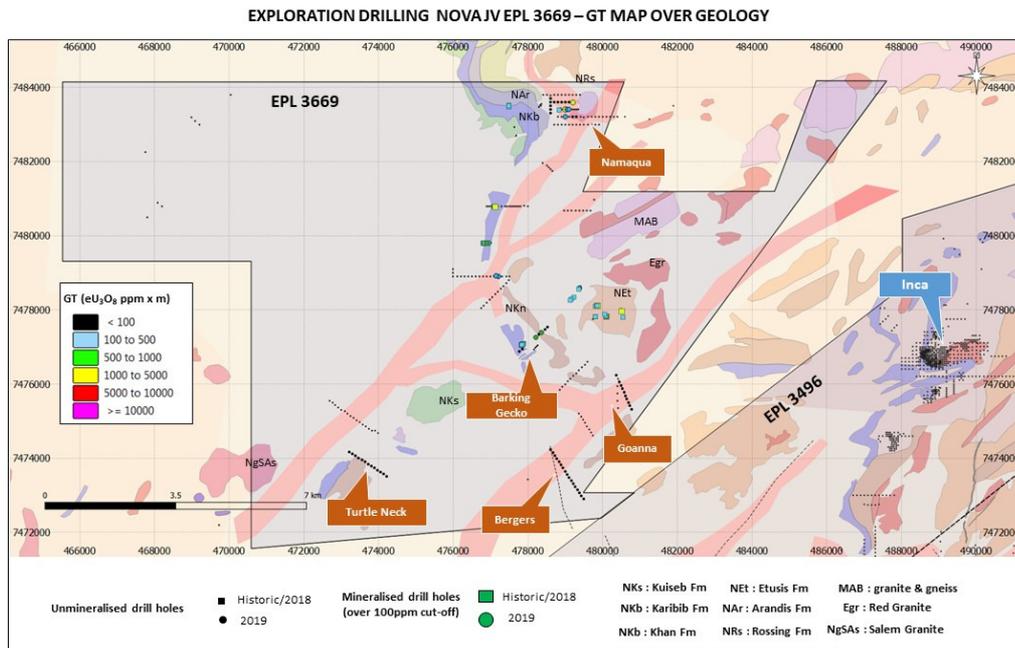


**Figure 3:** Tumas 3 and Tumas 3 East Drill Hole Locations - the drill hole collars are coloured in  $eU_3O_8$  grade thickness values (GT:  $eU_3O_8$  pmm x m).

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**Figure 4:** Tumas Central and Tumas 3 West Drill Hole Locations - the drill hole collars are coloured in  $eU_3O_8$  grade thickness values (GT:  $eU_3O_8$  ppm x m).



**Figure 5:** EPL 3669 Drill Hole Locations - the drill hole collars are coloured in  $eU_3O_8$  grade thickness values (GT:  $eU_3O_8$  ppm x m).

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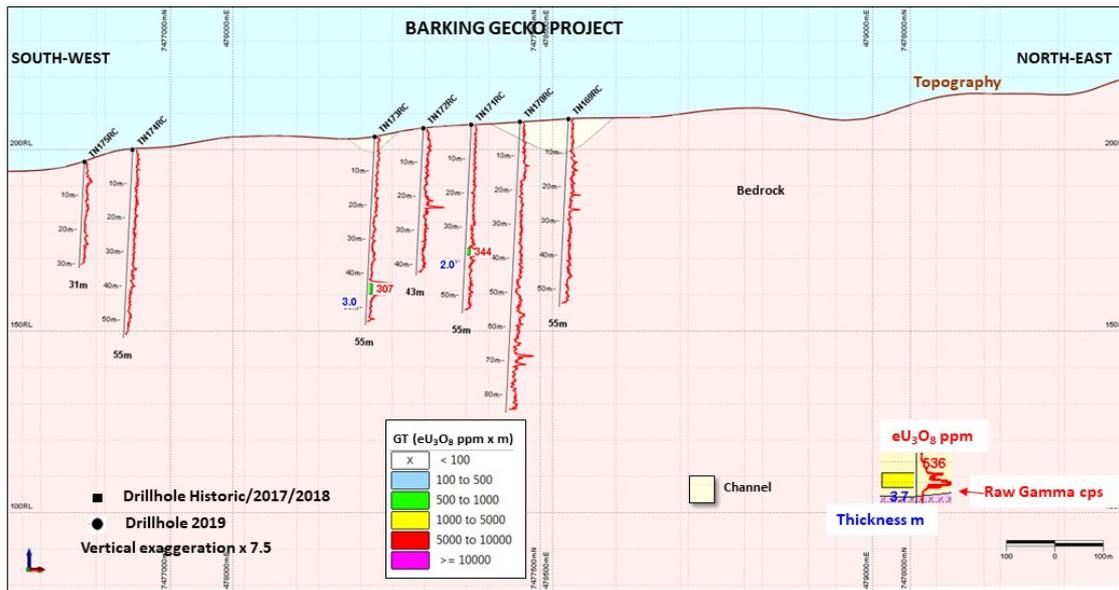


Figure 6: Barking Gecko, Drill Cross-Section.