Deep Yellow Limited

ASX Announcement **ASX & NSX: DYL / OTCQX: DYLLF**

6 March 2020

31 DECEMBER 2019 HALF-YEAR FINANCIAL REPORT

Attached please find Half-Year Financial Report for the six months ended 31 December 2019.

Yours faithfully

JOHN BORSHOFF
Managing Director/CEO
Deep Yellow Limited

This ASX announcement was authorised for release by Mr John Borshoff, Managing Director/CEO, for and on behalf of the Board of Deep Yellow Limited.

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For further information on the Company and its projects, please visit the website at: www.deepyellow.com.au

Deep Yellow Limited

(ACN 006 391 948)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Contents

Board of Directors

Rudolf Brunovs	Chairman (Non-executive)
John Borshoff	Managing Director/CEO*
Mervyn Greene	Non-executive Director
Justin Reid	Non-executive Director
Gillian Swaby	Executive Director
Christophe Urtel	Non-executive Director

* referred to as Managing Director throughout this report.

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Company Secretary

Mr Mark Pitts

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Stock Exchange Listings

Australian Securities Exchange (**ASX**)	Code: DYL
OTC Markets Group (**OTCQX**)	Code: DYLLF
Namibian Stock Exchange (**NSX**)	Code: DYL

Auditor

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Website Address

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Australian Business Number

97 006 391 948

Share Registry

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The Directors of Deep Yellow Limited (**Company**) submit herewith the financial report of the Company and its subsidiaries (the **Group**) for the half-year ended 31 December 2019. In order to comply with the provisions of the *Corporations Act 2001,* the Directors report as follows:

Directors

The names of the Company's directors in office during the half-year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Rudolf Brunovs	Chairman (Non-executive)
John Borshoff	Managing Director
Mervyn Greene	Non-executive Director
Justin Reid	Non-executive Director
Gillian Swaby	Executive Director
Christophe Urtel	Non-executive Director

REVIEW AND RESULTS OF OPERATIONS

Overview

Activities for the six-month period to 31 December 2019 advanced considerably both on the Company's Namibian Projects and preparing for start of the M&A effort together with completion of a successful capital raising to boost cash reserves to support future programs.

Key achievements:

- Confirmation of exploration of the prospective Tumas palaeochannel system on the Reptile Project of which only 70km of this 125km target has been adequately tested.

- Uranium resources on the Tumas palaeochannel were increased and, based on these positive results, a Scoping Study was commenced and completed initiating commencement of a Pre-Feasibility Study to test viability of Langer Heinrich-style deposits which are found to occur on the Reptile Project.

- Exploration 100% funded by an earn-in party on the Nova Joint Venture Project continued testing for basement-associated mineralisation (Husab/Rössing alaskite-associated mineralisation) and surficial calcrete-style mineralisation (Langer Heinrich-style deposits).

- Completion of a capital raising program in July 2019, involving both placement to selected parties to broaden the shareholder base and a Share Purchase Plan. It jointly raised A$11.3M to support sector consolidation possibilities and advancement of the accelerated Reptile Project in Namibia.

REPTILE PROJECT, NAMIBIA (EPLs 3496, 3497) – 100% DEEP YELLOW

A total of 8,074m drilled, involving 485 RC holes and 410m of diamond coring, with 24 holes drilled on the Reptile Project in the six-month period ending 31 December 2019.

Resource Upgrade at Tumas 1 East

An updated Mineral Resource Estimate (**MRE**) for the Tumas 1 East deposit (**Tumas 1 East**), located within the Reptile Project, was completed during the period. Successful resource extension drilling resulted in a 34% increase in resource growth at Tumas 1 East, with Inferred Mineral Resources now 24.8Mlb at 319ppm eU_3O_8 (at a 200ppm eU_3O_8 cut-off).

The uranium mineralisation defined to date in the Tumas palaeochannel system occurs as three distinct mineralised bodies: the Tumas 1 and 2 deposits, now including the Tumas 1 East tributary extensions, the Tumas 3 deposit and the Tubas Red Sand/Calcrete deposits (Figure 1).

With the combined overall Tumas palaeochannel resource totalling 92.5Mlb eU_3O_8 at 303ppm over EPLs 3496/97 (Table 1), the overall total surficial calcrete-related Mineral Resources across the Company's Namibian projects, including the Aussinanis Deposit on MDRL3498, have more than doubled since 2017 to 110.5Mlb U_3O_8.

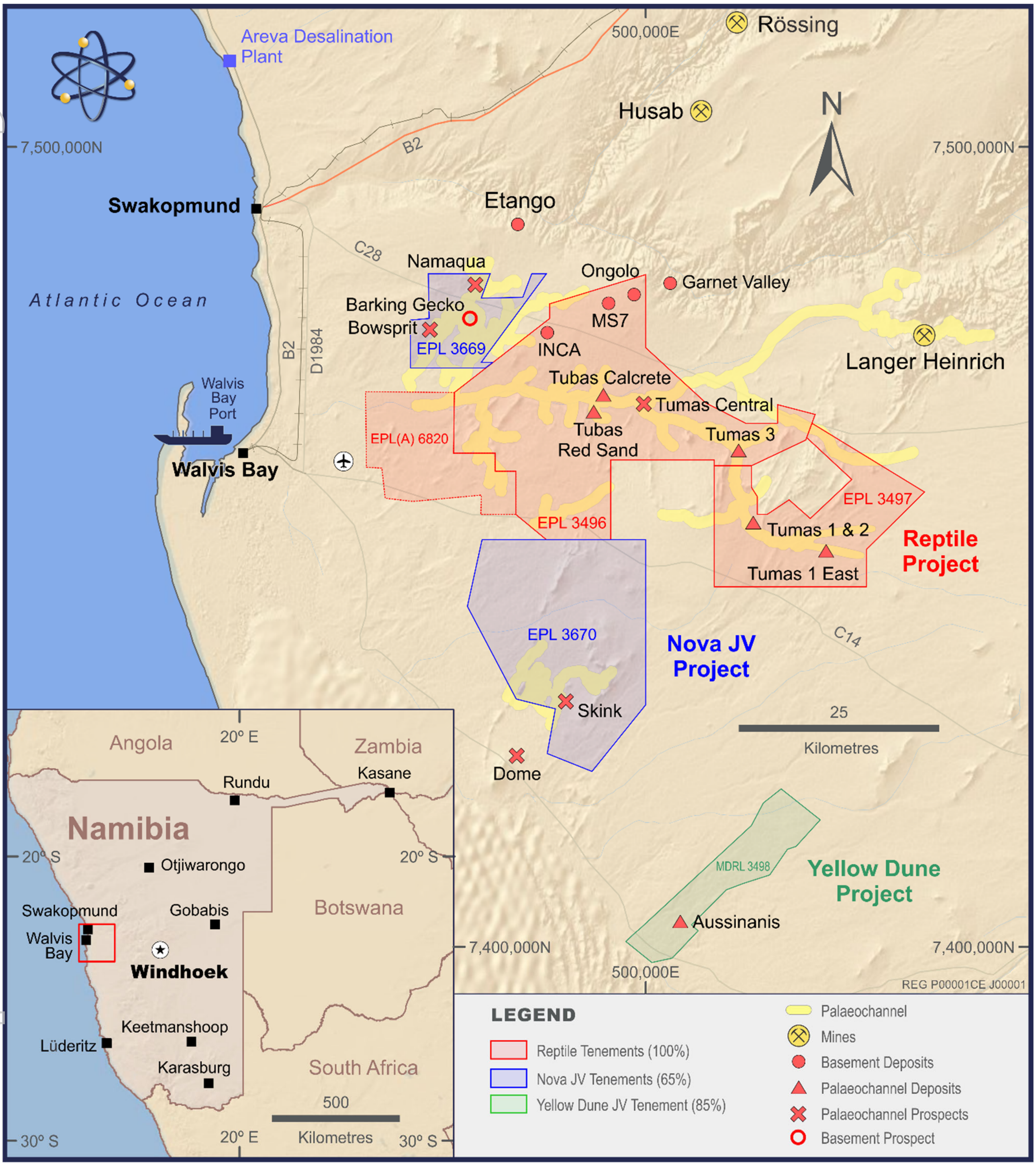

Figure 1: *Namibian locality map showing position of the Tumas Project.*

***Table 1:** Tumas 1, 2, 3, 1 East deposits and Tubas Red Sand/Calcrete deposits - current and previous JORC 2012 MRE - Indicated, Measured and Inferred Resource Estimates at 200ppm eU_3O_8 cut off.*

Tumas 1, 2 and 3 Resources		March 2019 Status			October 2019 Status		
Tumas 3 Deposit - JORC 2012					**Tumas 3 Deposit**		
Deposit	**Category**	**Tonnes (M)**	**Grade (ppm)**	**U_3O_8 Mlb**	**Tonnes (M)**	**Grade (ppm)**	**U_3O_8 Mlb**
Tumas 3 Expanded	Inferred	39.7	378	33.1	39.7	378	33.1
Sub Total		**39.7**	**378**	**33.1**	**39.7**	**378**	**33.1***
Tumas Project - JORC 2012					**Tumas Project**		
Tumas 1&2 Deposit	Measured	10.8	383	9.1	10.8	383	9.1
Tumas 1&2 Deposit	Indicated	5.5	333	4.0	5.5	333	4.0
Tumas 1&2 Deposit	Inferred	5.7	211	2.3	5.7	211	2.7
Tumas 1 – East	Inferred	25	335	18.5	35.2	319	24.8
Sub Total		**47**	**331**	**34.3**	**57.2**	**322**	**40.6***
Tubas Red Sand Project - JORC 2012					**Tubas Red Sand Project**		
Tubas Red Sand Deposit #	Indicated	10.0	187	4.1	10.0	187	4.1
Tubas Red Sand Deposit #	Inferred	24.0	163	8.6	24.0	163	8.6
Sub Total		**34.0**	**170**	**12.7**	**34.0**	**170**	**12.7**
Tubas Calcrete Resource – JORC 2004					**Tubas Calcrete Resource**		
Tubas Calcrete Deposit	Inferred	7.4	374	6.1	7.4	374	6.1
Sub Total		**7.4**	**374**	**6.1**	**7.4**	**374**	**6.1**
Tumas 1, 2, 3 & Tubas Total		**128.1**	**305**	**86.2**	**137.8**	**303**	**92.5**

Note: *Figures have been rounded and totals may reflect small rounding errors. eU_3O_8 - equivalent uranium grade as determined by downhole gamma logging. Gamma probes were calibrated at the Langer Heinrich uranium mine test pit. During drilling, probes were checked daily against a standard source.*

* ***Totals 73.7Mlb grading 345ppm eU_3O_8.***

The MRE was estimated by Ordinary Kriging. Cut-off grades used for the expanded MRE included 100, 150, 200, and 250ppm eU_3O_8 and the Measured, Indicated and Inferred Mineral Resource Estimates derived from these cut-off grades indicate the mineralisation remains robust and consistent. Table 2 shows the MRE results at various cut-offs and Table 1 also shows the MRE results for the combined Tumas 1, 2 and 3 resource at a 200ppm eU_3O_8 cut-off in comparison to the previous MRE.

***Table 2:** Tumas 1 East - JORC 2012 MRE - Indicated, Measured and Inferred Resource Estimates at various cut-off grades.*

Cut-off (ppm U_3O_8)	Tonnes (M)	U_3O_8 (ppm)	U_3O_8 (Mlb)
100	51.4	270	30.5
150	46.3	285	29.0
200	**35.2**	**319**	**24.8**
250	21.9	379	18.3

The upgraded MRE for the extended Tumas 1, 2, 3 and Tumas 1 East deposits at a 200ppm cut-off gives a combined Measured, Indicated and Inferred Mineral Resource of 73.7Mlb at 345ppm eU_3O_8 as shown in Table 1 and Figure 2.

The 200ppm eU_3O_8 cut-off has been selected as being the most appropriate for headline reporting of the resource estimations.

Exploration Drilling

The exploration drilling program was successful in outlining additional calcrete-type uranium mineralisation below the surficial Red Sand deposit. Importantly, exploration drill testing of the Tubas Red Sand and Calcrete areas succeeded in extending the previous depth limits of the known mineralisation of the palaeochannel in this area. Drilling also identified the potential to further extend the mineralisation in this channel to the west and along other parts of the palaeochannel system including tributary channels.

Significantly this work has delineated new zones for future resource in-fill drilling within this part of the main Tumas palaeochannel.

Drilling at Tumas 3 West and Central identified mineralisation between 1m to 40m below surface with uranium mineralisation intersected in 51% of the holes drilled in this zone at >100ppm/m eU_3O_8. At >200ppm/m cut-off, the average grade returned is 335ppm eU_3O_8.

All these areas are subject to follow-up work for resource upgrade.

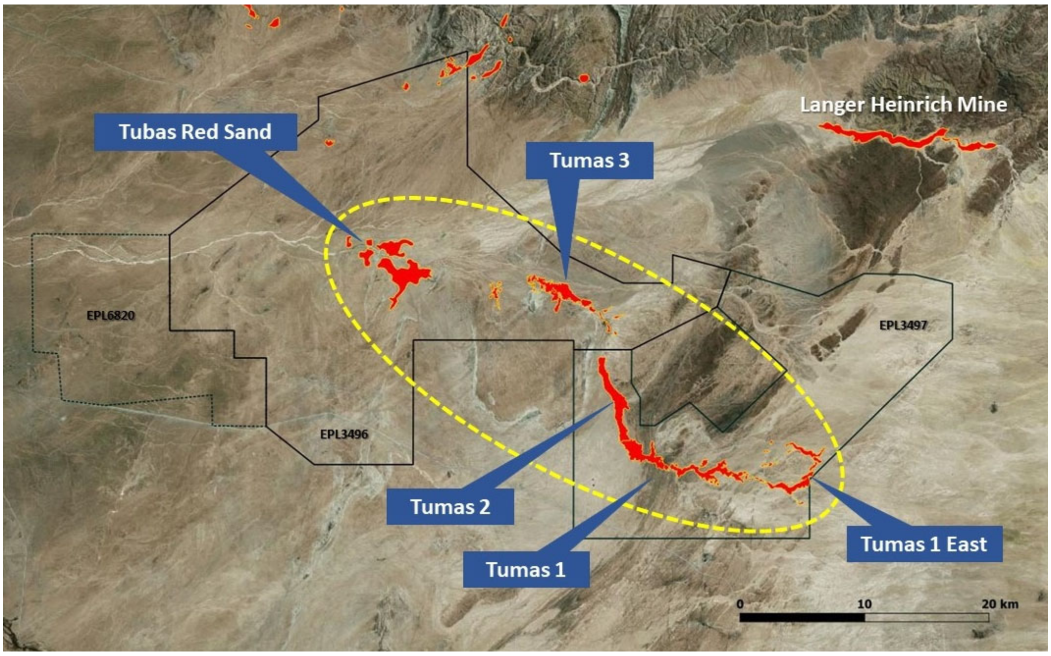

***Figure 2:** Area showing potential operational footprint and current deposits.*

Only 60% of the 125km of highly prospective palaeochannels have been sufficiently explored over the past three years. Approximately 55km of this palaeochannel system, which deepens to the west, remains to be tested.

Positive Tumas Scoping Study Delivers Pre-Feasibility Study Go-Ahead

In January 2020 Deep Yellow announced the completion of a positive Scoping Study focused on the Reptile Project Tumas palaeochannel calcrete deposits. A formal Pre-Feasibility Study has now commenced, expected to be completed in the December 2020 quarter.

The decision to proceed to a Pre-Feasibility Study was based on the economic benchmarks indicated in the Tumas Scoping Study. In view of the stipulations in the *ASX interim guidance: Reporting Scoping Studies (November 2016)* and the Deep Yellow use of predominantly Inferred Resources on which to base the economic outcomes, the Company is prohibited from divulging any production targets and associated financial parameters hence the qualified, cautionary nature of that release.

The Scoping Study was undertaken to determine the potential viability of mining and processing the Tumas deposits, contained within a 10km radius of a purpose-built processing facility, (yet to be constructed) - see Figure 3.

The Study considered the timing and cost associated with permitting, site establishment, mining, material haulage, processing, administration and closure associated with the development concept. It is based on a combination of directly gathered project data together with highly relevant assumptions derived from the adjacent Langer Heinrich uranium deposit. (The current Deep Yellow management team had direct executive management involvement in establishing the Langer Heinrich operation from resource establishment, mining, processing design, operations, optimisation, ESG management and product marketing).

Tumas 3 Diamond Core Drilling

The triple tube diamond core drilling program at Tumas 3 focused on obtaining ~1,000kg of mineralised material suitable for metallurgical test work. The drill core obtained from this work will also be used to refine the geological model and obtain approximately 500 density determinations to utilise and refine future Indicated and Measured resource estimations in the conforming JORC 2012 reporting status.

Uranium Resource Base for Scoping Study

The Scoping Study was based on a high proportion of Inferred Resources. The overall Inferred, Indicated and Measured Resources in Tumas 3, Tumas 1 & 2 and Tumas 1 East is 73.7Mlb eU_3O_8 grading 345ppm (See Table 1) of which 13.1Mlb eU_3O_8 grading 362ppm eU_3O_8 are Measured and Indicated Resources.

The base case model in the Scoping Study utilises the Tumas 3 deposit containing 33.1Mlb eU_30_8 grading 378ppm lying adjacent to the proposed plant site (see Figure 3), with significant potential for upside growth when considering the other nearby deposits.

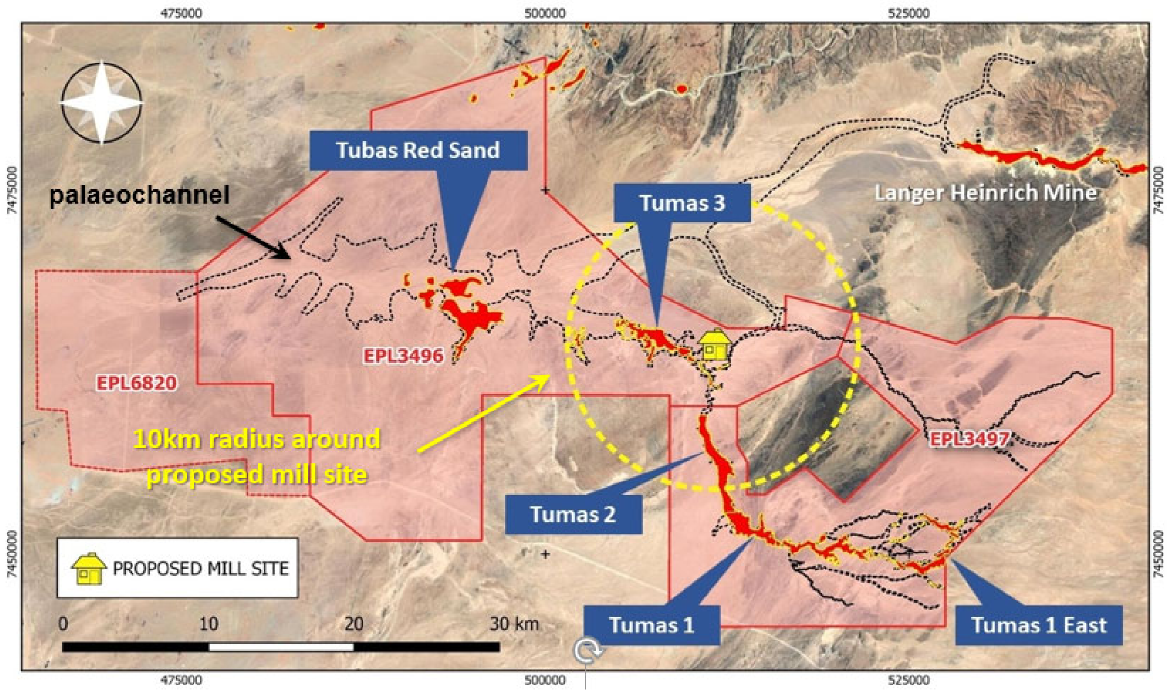

Figure 3: *Tumas Deposits in relation to conceptual central processing plant.*

The Company is confident in converting a sufficient amount of the Inferred Resource to Indicated status to establish an Ore Reserve Statement for the Pre-Feasibility Study.

Project Development Timing

The timing of both the Study and the Pre-Feasibility Study has been predicated on a possible development decision at least two to three years away and based on the uranium price reaching US$60/lb to US$70/lb, where shortages are anticipated at that time in the global uranium market. These studies are timed to provide Deep Yellow with sufficient time to align with a potential development in the period 2023-24.

NAMIBIA (EPLs 3669, 3670) – 65% DEEP YELLOW

JOGMEC continues to earn a 39.5% interest on expenditure of A$4.5M within 4 years, which commenced in November 2016.

A total of 7,018m drilled involving 228 RC holes was completed on the Nova Joint Venture Project in the six-month period ending 31 December 2019. The work focussed on both basement-related uranium targets (Rössing/Husab style deposits) and palaeochannel/calcrete-associated uranium targets (Langer Heinrich-style deposits). The overall drilling campaign was designed to test four previously unexplored palaeochannels and three basement targets, one of which is the Barking Gecko prospect that will be subject to further exploration.

Of the paleochannel targets only STD 24 returned notable uranium mineralisation where a moderate intersection of 130ppm eU_3O_8 over 1m from 5m depth was encountered. The intersection lines up with uranium mineralisation encountered at Skink prospect, 1.5km to the north-west and as such some follow-up work may be required. At the Namaqua prospect (Bowsprit Channel) one hole intersected 387ppm eU_3O_8 over 5m. This mineralisation remains open and requires further investigation.

At Barking Gecko, where newly discovered uranium mineralisation was intersected, two holes returned uranium above 100ppm eU_3O_8 within leucogranite. One hole intersected 3m of 305ppm eU_3O_8, and a second 2m of 331ppm eU_3O_8, exposing a zone of potential exploration interest that remains open for drill-testing.

DEEP YELLOW GROWTH STRATEGY

The Deep Yellow strategic growth plan is focused on establishing the Company as a low-cost, tier-one global uranium platform. The dual-pillar strategy has been developed to deliver organic and inorganic growth through advancing the development of its Namibian projects and secondly, via sector consolidation, to acquire additional projects through merger and acquisition. This utilises the strong uranium project development, operational and corporate capabilities and proven track record of the Deep Yellow management team.

The Company remains well-funded to continue the execution of this strategy over the next 12 months.

Competent Person's Statement

*The information in this announcement that relates to the **Tumas Mineral Resources Estimate and the Mineral Resource Database** is based on work completed by Mr. Martin Hirsch, M.Sc. Geology, who is a member of the Institute of Materials, Minerals and Mining (UK) and the South African Council for Natural Science Professionals. Mr. Hirsch is now the Manager for Resources and Pre-Development for Reptile Mineral Resources (Pty) Lt 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 in terms of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code 2012 Edition). Mr. Hirsch consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.*

Where the Company refers to the other JORC 2012 resources and JORC 2004 resources in this report, it confirms that it is not aware of any new information or data that materially affects the information included in the original announcements and all material assumptions and technical parameters underpinning the resource estimates in those original announcements continue to apply and have not materially changed.

The JORC 2004 classified resources have not been updated to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported, however they are being progressively reviewed to bring all resources up to JORC 2012 standard.

Results of operations

Exploration expenditure for the half-year was $1,306,512 (December 2018: $949,460).

Consolidated loss from continuing operations after income tax for the half-year was $2,117,102 (December 2018: $1,719,540). Total expenses for the period were $2,308,931 (December 2018: $1,930,228).

Equity

Issued share capital increased by $2,416,169 during the period. The increase relates to the issue of shares to employees in relation to the vesting of Performance Share Rights of $153,202 and completion of the Share Purchase Plan of $2,289,507 and associated capital raising costs of $26,540.

Auditor's Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 9 and forms part of this Directors' Report for the half-year ended 31 December 2019.

Signed in accordance with a resolution of the Board of Directors.

JOHN BORSHOFF
Managing Director/CEO
Dated this day 6 March 2020

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Auditor's Independence Declaration to the Directors of Deep Yellow Limited

As lead auditor for the review of the half-year financial report of Deep Yellow Limited for the half-year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Deep Yellow Limited and the entities it controlled during the financial period.

Ernst & Young

Robert A Kirkby
Partner
Perth
6 March 2020

RK:DA:DYL:006

	Notes	Consolidated 31 December 2019 $	31 December 2018 $
Revenue from contracts with customers		**51,756**	62,139
Interest and other income	4	**140,073**	148,549
Revenue and other income		**191,829**	210,688
Depreciation and amortisation expenses	4	**(118,146)**	(45,096)
Interest expense		**(14,261)**	-
Marketing expenses		**(143,678)**	(97,399)
Occupancy expenses		**(44,725)**	(100,402)
Administrative expenses		**(1,048,190)**	(1,051,627)
Employee expenses	4	**(939,931)**	(633,197)
Exploration costs written off	8	**-**	(2,507)
Loss before income tax		**(2,117,102)**	(1,719,540)
Income tax expense	4	**-**	-
Loss for the period after income tax		**(2,117,102)**	(1,719,540)
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation profit		**236,136**	129,637
Other comprehensive income for the period, net of tax		**236,136**	129,637
Total comprehensive loss for the period, net of tax		**(1,880,966)**	(1,589,903)
		Cents	Cents
Loss per share attributable to the ordinary equity holders of the Company			
Basic loss per share		(0.89)	(0.90)
Diluted loss per share		(0.89)	(0.90)

The accompanying notes form part of these financial statements

Interim Consolidated Statement of Financial Position
As at 31 December 2019

	Notes	Consolidated	
		31 December 2019 $	30 June 2019 $
ASSETS			
Current Assets			
Cash and cash equivalents	5	**14,120,931**	14,975,063
Receivables	6(a),9	**499,661**	461,989
Other assets	6(b)	**188,467**	255,707
Total Current Assets		**14,809,059**	15,692,759
Non-Current Assets			
Right-of-use assets	7	**691,153**	-
Property, plant and equipment	7	**668,314**	592,797
Capitalised mineral exploration and evaluation expenditure	8	**33,346,694**	31,831,939
Total Non-Current Assets		**34,706,161**	**32,424,736**
Total Assets		**49,515,220**	48,117,495
LIABILITIES			
Current Liabilities			
Trade and other payables	9	**178,992**	509,661
Interest bearing liabilities	9	**98,335**	-
Provisions		**95,621**	118,514
Total Current Liabilities		**372,948**	628,175
Non-Current Liabilities			
Interest bearing liabilities	9	**604,617**	-
Total Non-Current Liabilities		**604,617**	-
Total Liabilities		**977,565**	628,175
Net Assets		**48,537,655**	47,489,320
EQUITY			
Issued capital		**249,680,693**	247,264,524
Accumulated losses		**(198,258,298)**	(196,141,196)
Employee equity benefits' reserve		**12,653,473**	12,140,341
Foreign currency translation reserve		**(15,538,213)**	(15,774,349)
Total Equity		**48,537,655**	47,489,320

The accompanying notes form part of these financial statements

Interim Consolidated Statement of Changes in Equity
For the Half-Year Ended 31 December 2019

	Issued capital	Accumulated losses	Employee equity benefits' reserve	Foreign currency translation reserve	Total equity
	$	$	$	$	$
At 1 July 2019	247,264,524	(196,141,196)	12,140,341	(15,774,349)	47,489,320
Loss for the period	-	(2,117,102)	-	-	(2,117,102)
Other comprehensive income	-	-	-	236,136	236,136
Total comprehensive loss for the period	-	(2,117,102)	-	236,136	(1,880,966)
Issue of share capital	2,289,507	-	-	-	2,289,507
Capital raising costs	(26,540)	-	-	-	(26,540)
Conversion of Performance Share Rights	153,202	-	(153,202)	-	-
Performance Share Rights expensed	-	-	128,573	-	128,573
Share options expenses	-	-	7,275	-	7,275
Share-based payments expenses	-	-	588,448	-	588,448
Loan plan shares forfeited	-	-	(57,962)	-	(57,962)
At 31 December 2019	**249,680,693**	**(198,258,298)**	**12,653,473**	**(15,538,213)**	**48,537,655**

	Issued capital	Accumulated losses	Employee equity benefits' reserve	Foreign currency translation reserve	Total equity
	$	$	$	$	$
At 1 July 2018	238,722,162	(192,326,868)	11,086,143	(16,695,496)	40,785,941
Loss for the period	-	(1,719,540)	-	-	(1,719,540)
Other comprehensive income	-	-	-	129,637	129,637
Total comprehensive loss for the period	-	(1,719,540)	-	129,637	(1,589,903)
Conversion of Performance Share Rights	42,350	-	(42,350)	-	-
Performance Share Rights expensed	-	-	79,676	-	79,676
Share-based payments	-	-	327,587	-	327,587
At 31 December 2018	**238,764,512**	**(194,046,408)**	**11,451,056**	**(16,565,859)**	**39,603,301**

The accompanying notes form part of these financial statements

	Notes	Consolidated 31 December 2019 $	31 December 2018 $
Cash flows from operating activities			
Payments to suppliers and employees		**(1,143,907)**	(1,008,813)
Interest received		**164,690**	95,285
Research and development tax incentive		**-**	43,577
Other receipts		**46**	80
Net cash used in operating activities		**(979,171)**	(869,871)
Cash flows from investing activities			
Payments for property, plant and equipment		**(135,714)**	(77,619)
Payments for exploration expenditure		**(2,540,388)**	(2,123,613)
Proceeds on disposal of fixed assets		**524**	3,162
JV earn-in contribution		**606,787**	665,952
Net cash used in investing activities		**(2,068,791)**	(1,532,118)
Cash flows from financing activities			
Proceeds from the issue of shares		**2,289,507**	-
Capital raising costs		**(57,131)**	-
Payment of lease liabilities		**(60,869)**	-
Net cash from financing activities		**2,171,507**	-
Net decrease in cash held		**(876,455)**	(2,401,989)
Net foreign exchange difference		**22,323**	53,124
Cash and cash equivalents at the beginning of the period		**14,975,063**	10,690,253
Cash and cash equivalents at the end of the period	5	**14,120,931**	8,341,388

The accompanying notes form part of these financial statements

Note 1 Corporate information

The interim consolidated financial statements of Deep Yellow Limited and its subsidiaries (collectively, the Group) for the half-year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Directors on 5 March 2020, subject to minor changes. Deep Yellow Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded. The Group's principal activities are uranium mineral exploration activities in Namibia and evaluating uranium projects for growth opportunities.

Note 2 Basis of preparation and changes to the Group's accounting policies

Basis of preparation

The interim consolidated financial statements for the half-year ended 31 December 2019 have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

The interim consolidated financial statements do not include all the information and disclosures normally included within the annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the annual financial statements.

It is recommended that the interim consolidated financial statements be read in conjunction with the Group's annual financial statements for the year ended 30 June 2019 and considered together with any public announcements made by Deep Yellow Limited during the half-year ended 31 December 2019 in accordance with the continuous disclosure obligations of the ASX listing rules.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2019, except for adoption of new standards effective for annual periods beginning on or after 1 January 2019. The Group has not early-adopted any other standard, interpretation or amendment that have been issued but are not yet effective.

The Group has applied AASB 16 Leases for the first time and as required by AASB 134, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim consolidated financial statements of the Group.

AASB 16 *Leases*

AASB 16 Leases replaces *AASB 117 Leases* for annual periods beginning on or after 1 January 2019. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under AASB16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or financial leases using similar principles as in AASB 117.

The Group adopted AASB 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the "transition practical expedient" allowing the standard to be applied only to contracts that were previously identified as leases therefore applying AASB 117 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short term leases'), and lease contracts for which the underlying asset is low value ('low-value assets').

Note 2 Basis of preparation and changes to the Group's accounting policies (cont.)

The effect of adopting AASB 16 as at 1 July 2019 (increase/(decrease)) is as follows:

	$
Assets	
Right-of-use assets	749,560
Total assets	**749,560**
Current Liabilities	
Interest bearing liabilities	94,599
Non-Current Liabilities	
Interest bearing liabilities	654,961
Total liabilities	**749,560**

Nature of the effect of adoption of AASB 16

The Group has a property lease contract. Before the adoption of AASB 16, the Group classified its property lease as an operating lease as it did not transfer substantially all of the risks and rewards incidental to ownership of the leased asset to the Group. The leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Upon adoption of AASB 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Standard provides specific transition requirements and practical expedients, which has been applied by the Group.

The Group recognised right-of-use assets and lease liabilities for the property lease previously classified as an operating lease. The right-of-use asset was recognised based on the amount equal to the lease liability at the initial application date. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients, where applicable, wherein it:

- Recognised lease liabilities based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term lease exemptions to leases with a term that ends within 12 months at the date of initial application;
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Based on the foregoing, as at 1 July 2019 right-of-use assets and lease liabilities of $749,560 were recognised and presented separately in the Statement of Financial Position.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as at 30 June 2019 as follows:

	$
Operating lease commitments as at 30 June 2019 – Note 21 of Annual Financial Statements	**645,521**
Option to extend and removal of variable lease payments	204,468
Operating lease commitments as at 30 June 2019	**849,989**
Weighted average incremental borrowing rate	4%
Discounted operating lease commitments at 1 July 2019	**749,560**

Note 2 Basis of preparation and changes to the Group's accounting policies (cont.)

Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of AASB 16, which have been applied from the date of initial application:

- Right-of-use assets

  The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, adjusted for any remeasurement of lease liabilities. The cost of right-to-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less and lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

- Lease liabilities

  At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

  In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

- Short-term leases and leases of low-value assets

  The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment, if any (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to lease of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

- Significant judgement in determining the lease term of contracts with renewal options

  The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

  The Group has the option, under its property lease, to lease the property for an additional term of 3 years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

  The Group included the renewal period as part of the lease term for the property lease due to being reasonably certain that the lease property will continue to suit the Group's occupation needs at time of the extension option is able to be exercised.

Note 2 Basis of preparation and changes to the Group's accounting policies (cont.)

Amounts recognised in the Statement of Financial Position and Profit or Loss

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

On	Right-of-use asset Property lease	Lease liability
	$	$
As at 1 July 2019	**749,560**	**749,560**
Depreciation expense	(58,407)	-
Interest expense	-	14,261
Payments	-	(60,869)
As at 31 December 2019	**691,153**	**702,952**

The Group recognised variable lease payments of $23,615 for the six months ended 31 December 2019.

Interpretation 23 *Uncertainty over Income Tax Treatment*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 112 Income Taxes. It does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it had any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing review, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The interpretation did not have an impact on the consolidated financial statements of the Group.

Note 3 Operating segment information

The following tables present revenue and profit information for the Group's operating segments for the half-years ended 31 December 2019 and 2018, respectively.

	Australia $	Namibia $	Total $
Half-Year Ended 31 December 2019			
Revenue from contracts with customers	**-**	**51,756**	**51,756**
Unallocated			
Interest income			**140,073**
Total revenue			**191,829**
Results			
Pre-tax segment loss	**(2,089,273)**	**(167,902)**	**(2,257,175)**
Unallocated			
Interest income			**140,073**
Loss from continuing operations after income tax			**(2,117,102)**

	Australia $	Namibia $	Total $
Half-Year Ended 31 December 2018			
Revenue from contracts with customers	-	62,139	62,139
Unallocated			
Interest income			104,972
Research and development tax incentive			43,577
Total revenue			210,688
Results			
Pre-tax segment loss	**(1,766,931)**	**(101,158)**	**(1,868,089)**
Unallocated			
Interest income			**104,972**
Research and development tax incentive			**43,577**
Loss from continuing operations after income tax			**(1,719,540)**

Note 3 Operating segment information (cont.)

	Australia $	Namibia $	Total $
Assets			
31 December 2019			
Segment Assets	914,886	33,979,743	34,894,629
Unallocated assets			
Cash			14,120,930
Receivables			499,661
Total assets			**49,515,220**
Total additions to non-current assets*	789,314	1,402,472	2,191,786
30 June 2019			
Segment Assets	255,500	32,424,943	32,680,443
Unallocated assets			
Cash			14,975,063
Receivables			461,989
Total assets			**48,117,495**
Total additions to non-current assets*	19,159	1,841,973	**1,861,132**

*Includes right-of-use assets, property, plant and equipment and capitalised mineral exploration and evaluation expenditure

Adjustments and eliminations

The following items and associated assets and liabilities are not allocated to operating segments as the underlying instruments are managed on a Group basis and are not considered as part of the core operations of both segments:

* Interest income.
* Research and development tax incentive.
* Foreign currency gains and losses.
* Liabilities are not allocated to the segments as they are not monitored by the executive management team on a segment by segment basis.

Note 4 Income and expenses

	Consolidated	
	31 December 2019 $	31 December 2018 $
Loss for the period includes:		
Interest and other income		
Interest	**140,073**	104,972
Research and development tax incentive	**-**	43,577
	140,073	148,549
Depreciation expense		
Office equipment	**28,378**	21,468
Vehicles	**1,493**	752
Site equipment	**16,307**	10,751
Buildings	**13,560**	12,125
Right-of-use assets	**58,408**	-
	118,146	45,096
Employee expenses		
Wages, salaries and fees	**299,333**	260,791
Superannuation	**10,700**	9,304
Share-based payments	**629,898**	363,102
	939,931	633,197

Income Tax

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings.

Numerical reconciliation between aggregate tax expense recognised in the Statement of Profit and Loss and Other Comprehensive Income and the tax expense calculated per the statutory income tax rate

Loss before income tax	**(2,117,102)**	(1,719,540)
Prima facie tax on result at 30% (2018: 30%)	**(635,131)**	(515,862)
Effect of tax rates in foreign jurisdictions	**57,303**	37,415
Non-deductible share-based payment expense	**202,639**	104,539
Under-provision in prior year	**(11,352)**	(4,521)
Carry forward tax losses not brought to account	**380,061**	388,081
Non-assessable income: Research and development incentive	**-**	(13,073)
Other	**6,480**	3,421
Income tax expense recognised in Statement of Profit and Loss and Other Comprehensive Income	**-**	-

Note 5 Current assets – cash and cash equivalents

	Consolidated		
	31 December 2019 $	30 June 2019 $	31 December 2018 $
Cash at bank and in hand	14,120,931	10,975,063	2,341,388
Deposits	-	4,000,000	6,000,000
Total cash and cash equivalents	**14,120,931**	14,975,063	8,341,388

Note 6 Current assets – trade and other receivables

	Consolidated	
	31 December 2019 $	30 June 2019 $
(a) Receivables		
GST recoverable	**174,324**	135,103
Other receivables	**325,337**	326,886
	499,661	461,989
(b) Other assets		
Bonds	**89,599**	89,581
Prepayments	**98,868**	166,126
	188,467	255,707

Note 7 Property, plant and equipment

There have been no significant acquisitions or disposals of assets for the half-year ended 31 December 2019 other than a property lease contract which, upon adoption of AASB 16, has been recognised as a right-of-use asset to the value of $749,560 and a net book value of $691,153 at 31 December 2019.

Note 8 Deferred exploration expenditure

	Consolidated		
	31 December 2019 $	30 June 2019 $	31 December 2018 $
Cost brought forward at the start of the reporting period	**31,831,939**	30,301,942	29,279,061
Exploration expenditure incurred during the period at cost	**1,306,512**	815,780	949,460
Exchange adjustment	**208,243**	730,350	75,928
Exploration expenditure written-off	**-**	(16,133)	(2,507)
Cost carried forward at the end of the reporting period	**33,346,694**	31,831,939	30,301,942

Exploration expenditure written-off relates to Namibian assets for which the expenditure is not expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale.

Note 9 Financial assets and financial liabilities

Set out below is an overview of financial assets, other than cash and deposits, held by the Group as at 31 December 2019 and 30 June 2019:

	Consolidated	
	31 December 2019 $	30 June 2019 $
Financial assets		
Financial asset at amortised cost		
Trade and other receivables	**325,337**	326,886
Total current	**325,337**	326,886
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	**178,992**	509,661
Current interest-bearing liabilities	**98,335**	-
Non-current interest-bearing liabilities	**604,617**	-
Total liabilities	**881,944**	**-**
Total current	**277,327**	509,661
Total non-current	**604,617**	**-**

Note 10 Share-based payments

(a) Performance Share Rights

On 11 October 2019 531,363 Performance Share Rights were granted under the Deep Yellow Limited Awards Plan (**Awards Plan**). Performance Share Rights were granted under the Awards Plan for no consideration. The rights vest if certain time measures are met in the measurement period. If these time measures are not met, the rights lapse. The fair value of the rights granted is estimated to be the share price of Deep Yellow Ltd at the date of acceptance. Some rights will lapse, if they have not already lapsed or vested for any other reasons on 30 November 2021 whilst other have a contractual life of 15 years after the date of grant. The granted rights have vesting dates ranging between 30 November 2020 and 1 September 2021. There is no cash settlement of the rights. The fair value of rights granted during the six months ended 31 December 2019 was estimated on the date of acceptance using an underlying security spot price of $0.275.

The weighted average fair value of the Performance Share Rights granted during the six-month ended 31 December 2019 was $0.275 (year ended 30 June 2019: $0.434). For the six months ended 31 December 2019, the Group has recognised an expense of $92,137 in the Consolidated Statement of Comprehensive Income (31 December 2018: $35,514).

(b) Loan Plan Shares

On 18 December 2019, 8,631,204 shares were granted to executive directors, employees and contractors under the Deep Yellow Limited Share Loan Plan (**Share Plan**). The Share Plan rewards and incentivises employees, contractors and Directors (participant), where shareholder approval has been granted, through an arrangement where participants are offered shares subject to long term performance conditions. The shares are offered at market value such that the incentive is linked to the increase in value over and above the purchase price and so aligns the participants to the risks and rewards of a shareholder. The purchase price payable by the participant for the ordinary shares is lent to the participant under an interest free limited recourse loan, with the loan secured against the shares. The loan can be repaid at any time, however, the loan must be repaid on the earlier of periods ranging between 5-7 years (determined with each issue) after the issuance of the shares and the occurrence of:

a) in the case of vested shares, the date being 12 months after cessation of employment or service contract for any reason; or
b) pre-determined occurrences as per the Share Plan including but not limited to a Control Event or material breach by the Participant.

Note 10 Share-based payments (cont.)

The shares vest if certain Company share price targets and clearly defined business goals (where applicable) covering financial and non-financial performance measures are met and the holder of the awards remains employed or contracted to the Company during the measurement period. If these conditions are not met the shares are forfeited and the forfeited shares are treated as full consideration for the repayment of the loan. A participant may not trade shares acquired under the Plan until the shares have vested, any imposed dealing restrictions have ended and the limited recourse loan in respect to those shares has been paid in full. The fair value at grant date is estimated using a Black Scholes option pricing model for shares with non-market based vesting conditions and a Monte-Carlo model for those with market based vesting conditions. The fair value of shares granted during the six-month period ended 31 December 2019 was estimated on the date of grant using the following assumptions:

Dividend yield (%)	Zero
Expected volatility (%)	70.00
Risk free interest rate (%)	0.86
Expected loan term (years)	5-7
Share price at valuation date ($)	0.275

The weighted average fair value of the shares granted during the six-month period was $0.15 (year ended 30 June 2019: $0.34)

For the six months ended 31 December 2019, the Group has recognised $530,482 of loan plan share expense in the Statement of Profit or Loss (31 December 2018: $327,588).

(c) Zero Exercise Price Options

On 18 December 2019, 370,372 zero exercise price options (**Options**) were granted to Non-executive directors under the Deep Yellow Limited Awards Plan (**Awards Plan**). Options were granted under the Awards Plan for no consideration. The options vest if certain time measures are met in the measurement period. If these time measures are not met, the options lapse. The fair value of the options granted is estimated to be the share price of Deep Yellow Ltd at the date of acceptance. The options will lapse, if they have not already lapsed or vested for any other reasons, on 1 July 2024. The options will vest on 1 July 2020 and have a nil exercise price. There is no cash settlement of the options. The fair value of options granted during the six months ended 31 December 2019 was estimated on the date of acceptance using an underlying security spot price of $0.275.

The weighted average fair value of the Options granted during the six-month ended 31 December 2019 was $0.275 (year ended 30 June 2019: none issued). For the six months ended 31 December 2019, the Group has recognised an expense of $7,275 in the Consolidated Statement of Comprehensive Income (31 December 2018: nil).

Note 11 Contingent assets and liabilities

There were no material contingent assets or liabilities as at 31 December 2019.

Note 12 Events after the reporting date

As announced on 29 January 2020, the Company initiated a Pre-Feasibility Study on its Reptile Uranium Project in Namibia following completion of a positive Project Scoping Study.

Note 13 Dividends

No dividends were paid or proposed for the six months ended 31 December 2019 or 31 December 2018.

Note 14 Key Management Personnel disclosures

There had been no significant change to transactions with and/or compensation to Key Management Personnel since the end of the last annual reporting period, except for:

Other Transactions with Key Management Personnel

Mr Borshoff continued to provide services to the Group through Scomac Management Services Pty Ltd (**Scomac**) as described in the 2019 Financial Report. During the reporting period Scomac billed the Company $768,630, inclusive of GST and on-costs, for technical and geological services rendered by him and other Scomac personnel on normal commercial terms and conditions.

Ms Swaby continued to provide services to the Group through Strategic Consultants Pty Ltd (**Strategic**) as described in the 2019 Financial Report. During the reporting period Strategic billed the Company $183,150, inclusive of GST, for consultancy services on normal commercial terms and conditions.

There were no other transactions with any Director or Key Management Personnel or any of their related entities during the reporting period.

Note 15 Related party transactions

There were no other related party transactions during the year other than those disclosed in Note 14 in relation to Key Management Personnel.

Note 16 Commitments

There were no significant changes in commitments since the last annual financial report.

In accordance with a resolution of the Directors of Deep Yellow Limited (the **Company**), I state that:

In the opinion of the Directors:

1. The financial statements and notes of the consolidated entity for the half-year ended 31 December 2019 are in accordance with the *Corporations Act 2001*, including:

   a. giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

   b. complying with Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board of Directors.

JOHN BORSHOFF
Managing Director/CEO
Dated this day 6 March 2020

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Independent Auditor's Review Report to the Members of Deep Yellow Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Deep Yellow Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

RK:DA:DYL:005

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Building a better working world

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

Ernst & Young

Robert A Kirkby
Partner
Perth
6 March 2020

RK:DA:DYL:005