

Deep Yellow Limited

ASX Announcement

ASX: DYL

23 April 2018

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDING 31 MARCH 2018

HIGHLIGHTS

- **Reptile Project – 173 RC holes drilled for 5,923m over 2 targets in the highly prospective Tumas palaeochannel system**
 - 72 drill holes returned > 100ppm eU₃O₈ over 1m
 - Targeting calcrete associated hosted mineralisation within palaeochannels, similar to the Langer Heinrich uranium mine located 30km to the north east
- **Resource drilling focussed on Tumas 3 East returned 50 anomalous holes from 84 holes drilled.**
- **Semi-regional target tested part of Tumas palaeochannel and returned 22 anomalous holes from 89 holes drilled.**
- **Nova JV Project- JOGMEC approved annual budget of \$1.3M to March 2019.**

During the March quarter work continued on the 2 Namibian projects: Reptile Project (EPLs 3496 and 3497) and the Nova Joint Venture Project (EPLs 3699 and 3670). See Figure 1 for locations. Activities on the Reptile Project focussed on uranium resource upgrade activities in the areas immediately adjacent to the Tumas 3 deposit and on semi-regional exploration drilling over parts of the general Tumas palaeochannel system. On the Nova JV project, work involved assessment of the field activities carried out during last year and preparing and presenting the program and budget for the following year for approval by JOGMEC.

REPTILE PROJECT, NAMIBIA (EPLs 3496, 3497) – 100% Deep Yellow

Deep Yellow commenced the 10,000m RC drilling program on EPL 3496 in February 2018 initiating with Phase 1 of the semi-regional exploration drilling component targeting a broad zone west of the Tumas 3 deposit testing for further deposit discoveries within the Tumas palaeochannel system. This work was completed on 21 March with 89 RC holes drilled for 3,984m. Following this, resource drilling started east-adjacent to the Tumas 3 uranium deposit with 84 RC holes drilled for 1,939m and this work is ongoing. Results of this drilling were announced on 17 April 2018 advising positive results were being returned. All relevant drill hole information up to 14 April 2018 plus mineralised intersections above 100ppm eU₃O₈ was contained in the Annexure to the announcement.

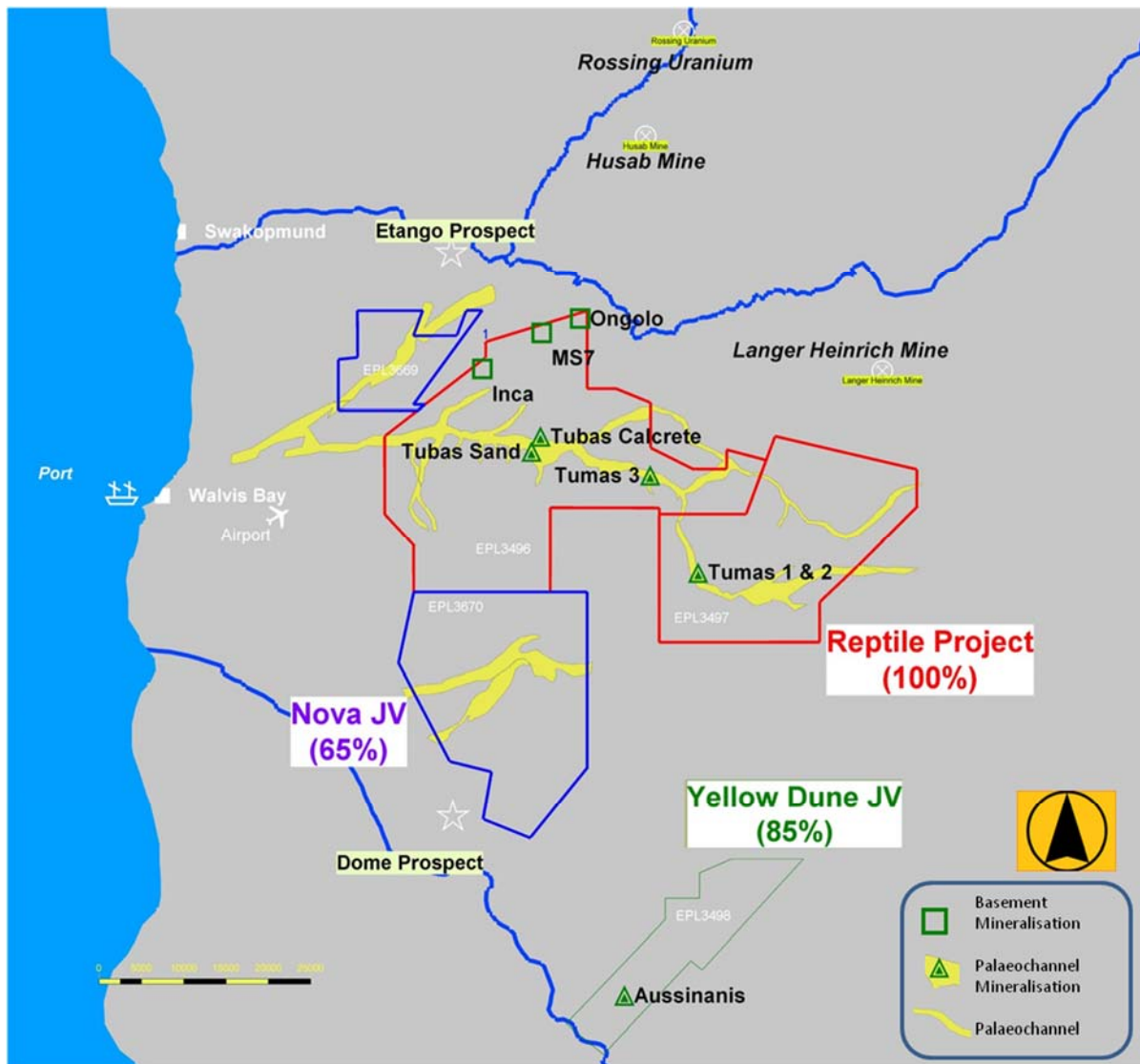


Figure 1: Project Locations - Reptile Project (EPLs 3496, 3497) and Nova JV Project (EPLs 3669, 3670).

The balance of the drilling program will be completed in the period ending 30 June 2018 and will focus on continued resource drilling over Tumas 3 east and west plus associated areas with possibility of further semi-regional exploration drilling if time allows. See Figure 1 showing the prospective palaeochannel system and prospect locations.

Resource Drilling

The resource drilling east of the Tumas 3 deposit targeted the mineralised zone which was broadly delineated during the November 2017 drilling program. The latest drilling has confirmed the existence of the predicted continuous uranium mineralisation extending over 2km in length. Of the total 84 holes drilled, 50 returned positive results – an overall 60% success rate. Strongest intersections from the resource drilling include:

- TB3R543 6m at 346ppm eU₃O₈ from 4m.
- TB3R569 7m at 413ppm eU₃O₈ from 6m.
- TB3R593 8m at 733ppm eU₃O₈ from 3m.

Equivalent uranium oxide (eU_3O_8) values have been determined by Deep Yellow personnel and these will be validated for resource estimation purposes. The equivalent uranium values are based on down-hole radiometric gamma logging carried out by a fully calibrated Aus-Log gamma logging system.

This infill work showed uranium mineralisation occurring on all the new profiles drilled with 50 of 84 holes returning positive results. Figure 2 shows the resource drill hole locations in relation to the Tumas 3 deposit. The width of the mineralisation varies between 200 and 400m with variable thicknesses of 1 to 8m. The mineralisation remains open to the east and south. Figure 3 shows a drill-hole cross section across the Tumas 3 East extension and the continuous nature of the uranium mineralisation. The high variability and complexity of the palaeochannel topography is also indicated.

The infill drilling in this area is continuing and will also include testing of the tributary channel identified from the November 2017 drilling.

Semi-Regional Exploration Drilling

The semi-regional exploration drilling has now explored approximately 20km of the palaeochannel system that extends west from the Tumas 3 deposit. Drill hole spacing used is variable ranging from 100 to 200m spaced holes along profiles 400 to 800m apart, depending on target nature. The drill hole spacing was aimed at identifying new uranium mineralised zones within the untested portion of the palaeochannel system. Due to access clearance issues (now resolved) the central part of this zone could not be explored in the current program and this will now be tested later in the year. Elsewhere the drilling did however identify promising uranium mineralisation in a tributary to the main channel located approximately 3km north of the Tubas Red Sand deposit. This drilling identified 3 to 8m thick $> 100\text{ppm } eU_3O_8$ uranium mineralisation over a 200 to 300m width on 2 drill sections 400m apart. Figure 4 shows the exploration drill hole locations and the palaeochannel outlines west of the Tumas 3 deposit.

In total, 22 (or 25%) of the 89 exploratory drill holes returned uranium mineralisation above 100ppm eU_3O_8 over 1m. It should also be noted however that lower grade uranium mineralisation was identified in a high proportion of the semi-regional drilling footprint supporting management's proposition that a large-scale uranium mineralisation event has occurred throughout the palaeochannel system where tested.

Analysis/Conclusion

The results of both the semi-regional exploration and targeted resource drilling are encouraging. The drilling has confirmed the continuous nature of mineralisation associated with the eastern extension of Tumas 3 and, importantly, has identified new uranium mineralisation in the palaeochannel system to the west.

The drilling to date has extended the mineralisation at Tumas 3 by 2km and is indicating that the mineralisation has the potential to extend over a +7km strike length in the Tumas 3 area. Also, additional mineralisation is expected to be found in a tributary entering the main channel from the east.

This third (ongoing) drilling campaign is again producing successful results confirming that the previously discovered Tumas 3 deposit can be expanded. The work is not only expected to add to the current calcrete-associated uranium resource base of this project but, just as significantly, emphasises the strong exploration potential of the extensive, uranium-fertile palaeochannel system within which the new Tumas 3 discovery occurs.

There are now 4 distinct mineralised zones (Tumas 1 & 2, Tumas 3 and Tubas Sand/calcrete deposits) identified within the 125km of palaeochannels that occur within the Reptile project tenements (see figure1). Some 75%, or approximately 90km, of this palaeochannel system which deepens to the west remains to be properly tested.

These positive drilling results confirm management's confidence that the existing uranium resource base for Langer Heinrich style deposit/s within the Reptile project area can be further increased.

The drilling will continue throughout 2018 focussing on infill resource drilling to increase uranium resources and semi-regional exploration to evaluate the extensive prospective palaeochannel system that exists.

An updated inferred resource estimation for the Tumas 3 zone is planned to be completed early in the September 2018 quarter.

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

In April Deep Yellow reported that Japan Oil, Gas and Metals National Corporation (**JOGMEC**), who are sole funding the Nova Joint Venture (Nova JV) in Namibia, approved a program and budget of \$1.3M over the next 12 months for the period ending 31 March 2019.

JOGMEC is currently earning a 39.5% equity interest in the Nova JV to be achieved after \$4.5M has been spent by them over a four-year period.

Work on the Nova JV is focussing on target definition and drilling to test for both basement related uranium targets (Rössing/Husab style deposits) and palaeochannel/calcrete associated uranium targets (Langer Heinrich style deposits).

DEPRESSED URANIUM MARKET OPPORTUNITY FOR DEEP YELLOW

Although uranium producers worldwide are suffering a great deal operating in a prevailing low-priced uranium environment, all efforts to date reducing production to improve matters are having little effect on uranium prices and it remains stubbornly in the low US\$20s/lb U₃O₈ range. With benefits from higher priced long-term contracts (for those that have these) diminishing and reducing quarter by quarter, producers will suffer further and so concerns for the viability of the overall uranium supply sector are increasing.

The recent Section 232 petition filed with the US Department of Commerce by several US uranium producers is a further aberration of a uranium market operating under great pressure, exemplifying the sorry state the uranium sector finds itself. US producers are arguing for a return to a 2-tier pricing structure where US producers are, in effect, asking to be subsidised by US nuclear utilities when providing a defined portion of the annual domestic US uranium consumption. This is causing even more uncertainty on top of an already fragile situation and adding considerably to the current global uranium market woes.

There is little question the supply/demand dynamic is such that new hard-to-get supply will be needed and the upward uranium price reaction to looming shortages beyond 2022/3 will be very strong under these circumstances.

Proper positioning of a company's strategy within such a setting is essential if it is to gain advantage and the Deep Yellow growth strategy is in full alignment with this.

CORPORATE

The Company released its Half-Year Financial Report for the six-months ending 31 December 2017 on 9 March 2017.

Also, through the vesting of employee performance rights, 235,525 shares were issued to staff during the March 2018 quarter.

Yours faithfully



JOHN BORSHOFF
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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

Competent Person's Statement

The information in this report as it relates to exploration results was compiled by Mr Martin Hirsch, a Competent Person who is a Member of the Institute of Materials, Mining and Metallurgy (IMMM) in the UK. Mr Hirsch, who is currently the Exploration Manager for Reptile Mineral Resources and Exploration (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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Hirsch consents to the inclusion in this presentation of the matters based on the information in the form and context in which it appears. Mr Hirsch holds shares in the Company.

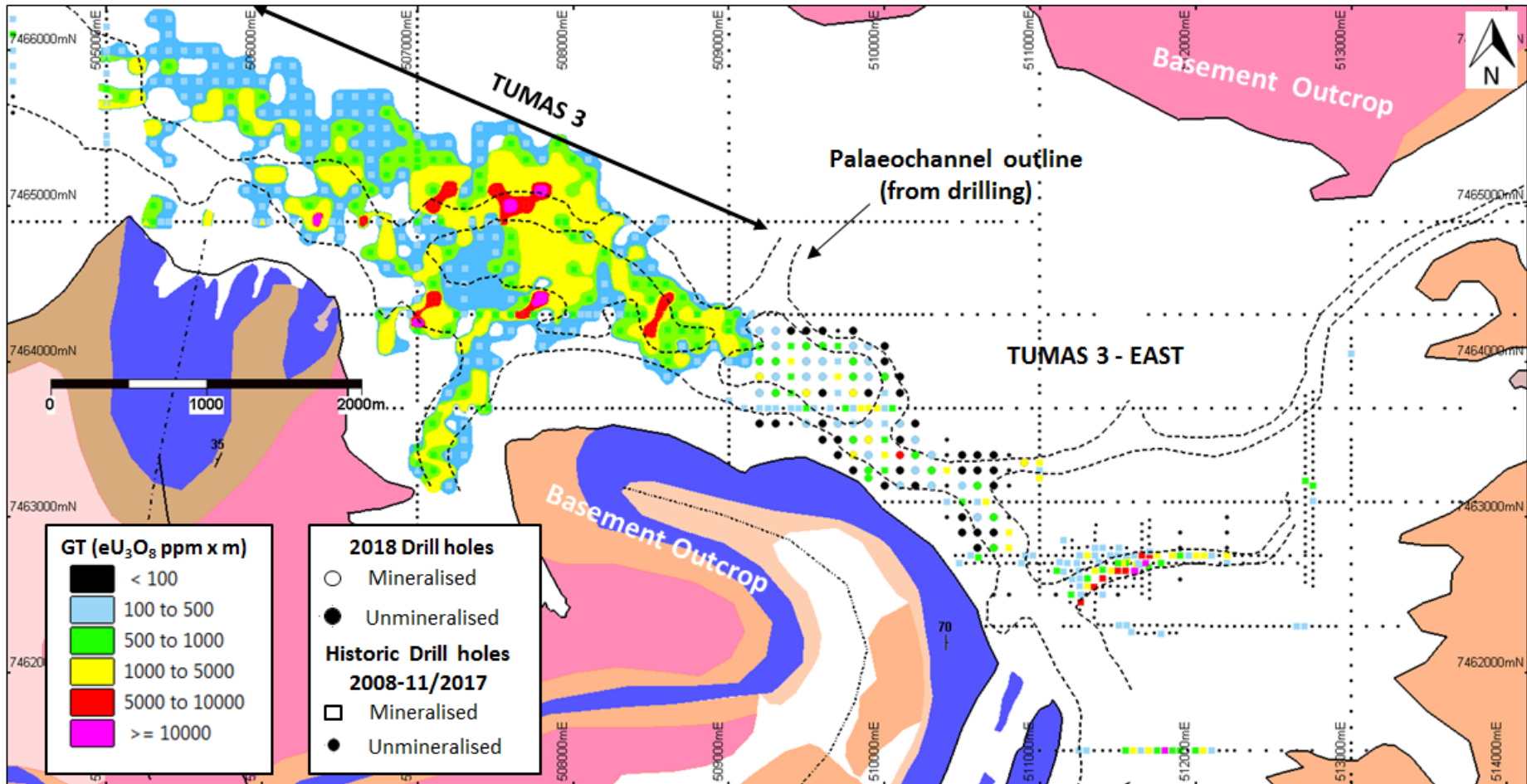


Figure 2: Tumas 3 East: Drill hole locations showing the recent resource drilling program and the Tumas 3 deposit shown with contours of eU₃O₈ grade thickness values (GT: eU₃O₈ ppm x m).

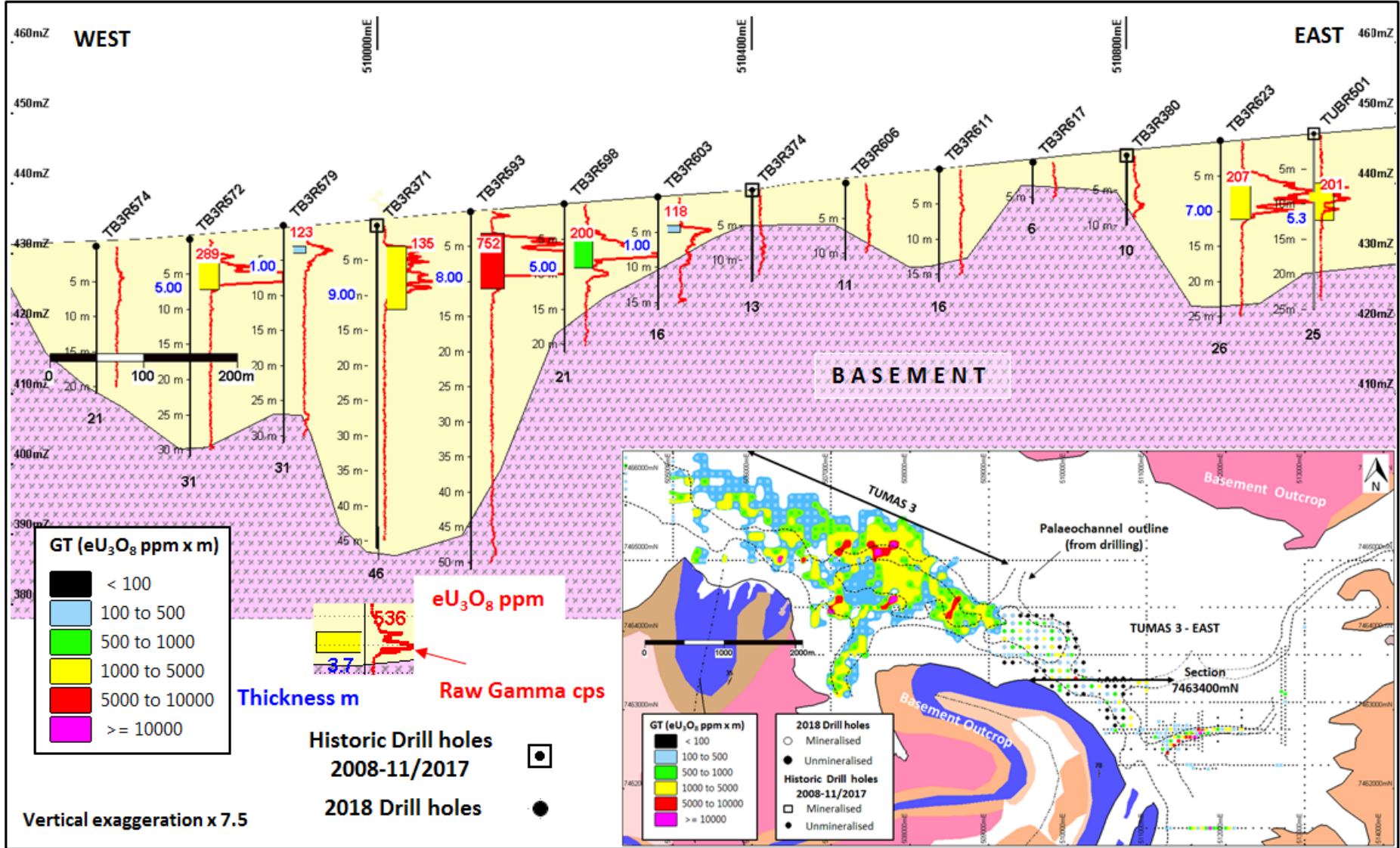


Figure 3: Tumas 3 East – Cross Section 7463400mN

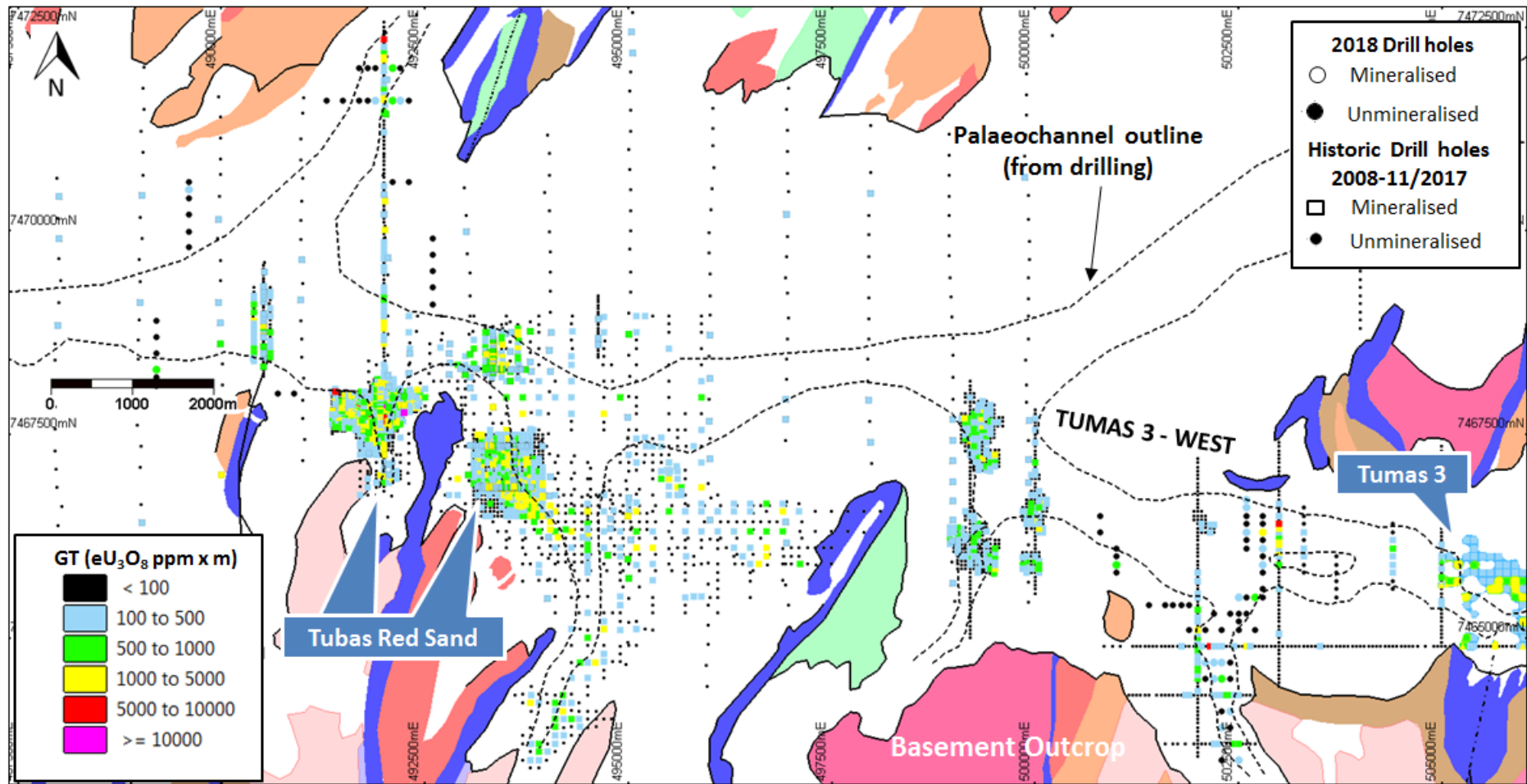


Figure 4: Tumas Palaeochannel: Drill hole locations showing the recent semi-regional exploration drilling program west of the Tumas 3 deposit. Drill hole collars are coloured according to eU₃O₈ grade thickness values (GT: ppm eU₃O₈ x m).