

# Uraniumletter INTERNATIONAL

the international independent information and advice bulletin for uranium resource investments

**Special Situation – July 2020 Update** www.deeptyellow.com.au



## Deep Yellow Limited (A\$ 0.25)

ASX : DYL  
 OTCQX Best Market : DYLLF

H+L prices (12 months) : A\$ 0.387– 0.11

Issued shares : 244.9 million  
 Fully diluted : 308.3 million

Market capitalization : A\$ 60.0 million  
 (US\$ 42.0 million)

**2020/2021 share price target: A\$ 0.90**

### Company Profile

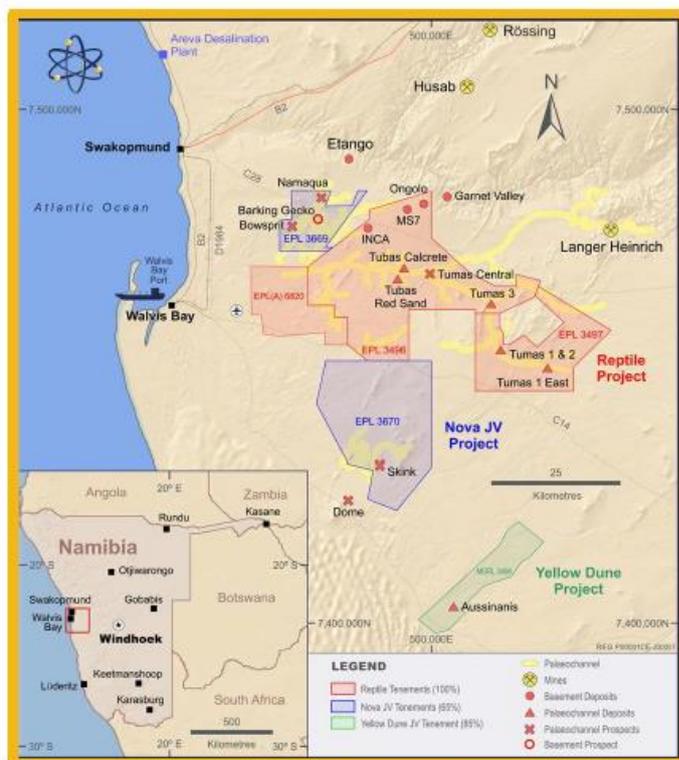
**Deep Yellow** is an advanced-stage uranium exploration company with a cornerstone suite of projects in **Namibia, Africa**, providing approximately 20% of world uranium mining output in 2019.

The Company holds 4 key contiguous Exclusive Prospecting Licences (EPLs) covering 1,590 km<sup>2</sup> within the heart what is a world recognized, prospective uranium province of high significance.

The tenements are strategically located amongst the major uranium mines of this region – 20 km south of GGN’s of China Husab/Rössing deposits and 40 km southwest of Paladin’s Langer Heinrich mine.

**Deep Yellow** has a two-pronged growth strategy involving the growing of existing uranium resources in **Namibia**. The total **Measured and Indicated Resource** at Tumas 1,2 and 3 stands at 37.2 million pounds U<sub>3</sub>O<sub>8</sub> at 337 ppm eU<sub>3</sub>O<sub>8</sub>.

The primary objective of Deep Yellow’s strategy is to establish a multi-platform production in aggregate of 5-10 million pounds U<sub>3</sub>O<sub>8</sub> per annum, with the expectation of each project achieving a minimum 2-3 million pounds per annum production capacity.



Namibia tenements

## Overview of Projects

### ➤ Reptile Project, Namibia (EPLs 3496, 3497) – 100% owned

The Company executes and advances core workstreams of the Company's dual-pillar growth strategy. The primary objective of the strategy is to establish a multi-platform, low-cost, global uranium company with multiple mines **producing in aggregate 5-10 Mlb per annum, with the expectation of each project achieving a minimum 2-3 Mlb per annum production capability.**

In January 2020, **Deep Yellow** announced the successful completion of the **Tumas Scoping Study (Study)**, which assessed the development potential of the Tumas palaeochannel calccrete uranium project and delivered highly encouraging results, which provided confidence for the Board to approve, with immediate effect, the commencement of a formal PFS at Tumas.

The Study led to **Deep Yellow** refining and upgrading the key objectives (outlined below) of the organic pillar of the growth strategy. These objectives will provide clear guidelines as the threshold measures for determining success of the **Tumas PFS**:

- **Potential life-of-mine greater than 20 years.**
- **Cash costs of sub US\$ 30/lb. U<sub>3</sub>O<sub>8</sub>**
- **Capital requirements of US\$ 115 million to US\$ 130 million per 1 Mlb U<sub>3</sub>O<sub>8</sub> per annum design capacity,**
- **Minimum internal rate of return (IRR) of 20%.**

In its quarterly activities report Q 2, 2020, **Deep Yellow** reported:

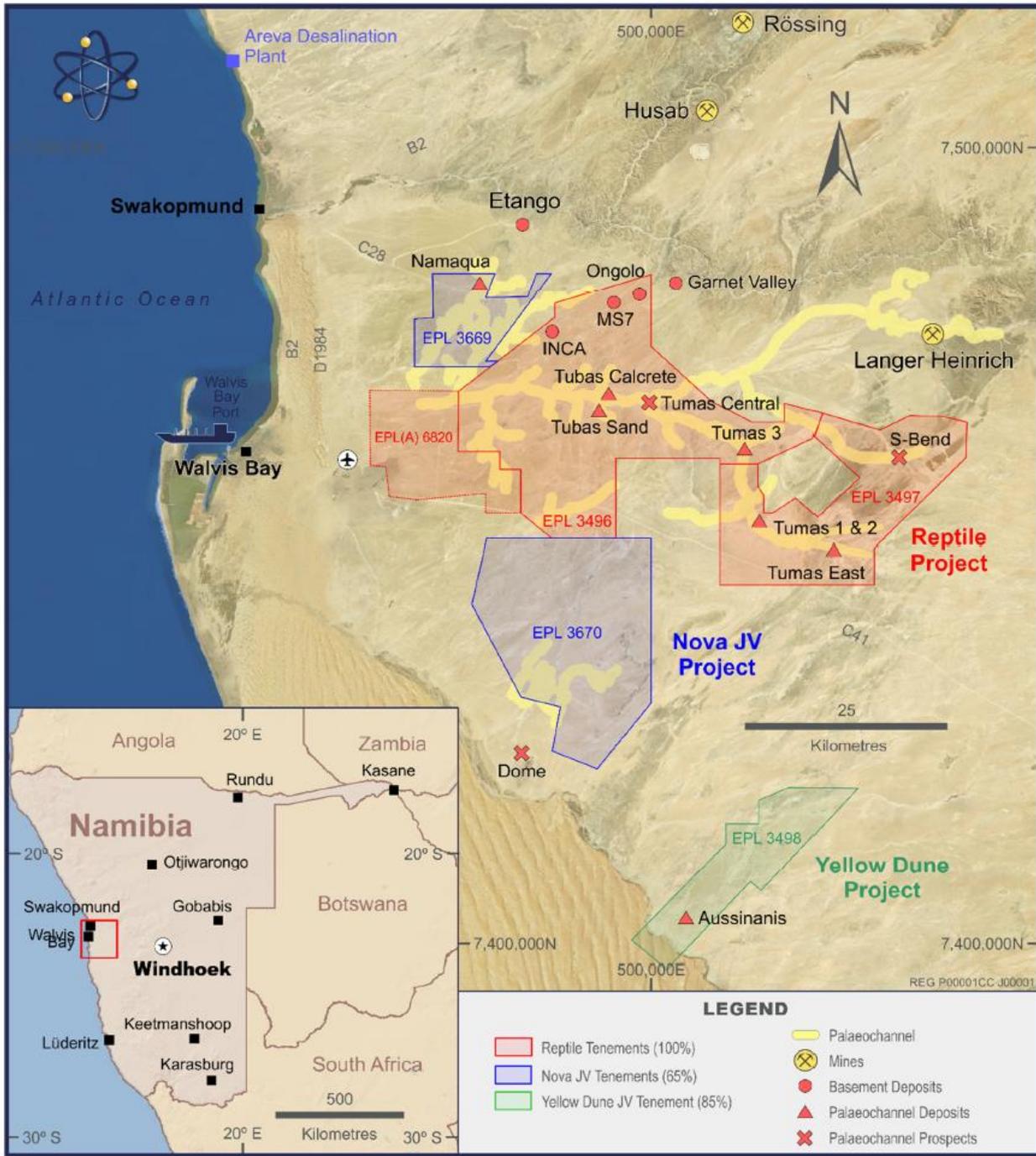
- **Pre-Feasibility Study test work at the Tumas Project using RC sample material, delivered highly encouraging results equal to or better than assumptions used in the Scoping Study**
  - Further metallurgical test work using representative Tumas 3 diamond core sample material validated the excellent RC sample results
- **Successful infill drilling at Tumas 3 delivered a remarkable, almost 100% conversion of the Inferred Resource to an Indicated Resource category, with overall resources at Tumas 3 now 36.8 Mlb at 328 ppm comprising:**
  - Indicated Resources of 24.1 million pound at 313 ppm eU<sub>3</sub>O<sub>8</sub>; and
  - Inferred Resource of 12.7 million pound at 358 ppm eU<sub>3</sub>O<sub>8</sub>

- **The total Measured and Indicated Resource at Tumas 1, 2 and 3 stands at 37.2 Mlb at 337 ppm eU<sub>3</sub>O<sub>8</sub>, well above what is required for completion of the Tumas Pre-Feasibility Study**

### ➤ Nova Joint Venture, Namibia **Deep Yellow 56% ownership, JOGMEC iof Japan to earn-in a 39.5% interest**

In April 2020, **JOGMEC** agreed to proceed with a budget of A\$ 392,300 to fulfill the balance of its A\$ 4.5 million earn-in obligation. This five-month program concentrates primarily on **Barking Gecko**, with some preparatory groundwork included for defining specific sites for follow-up drilling. It was also agreed that any continued JV activity beyond this earn-in phase would be based on the results achieved from the NJV, after which all the JV partners would be presented with the overall project status to decide whether to contribute or dilute.

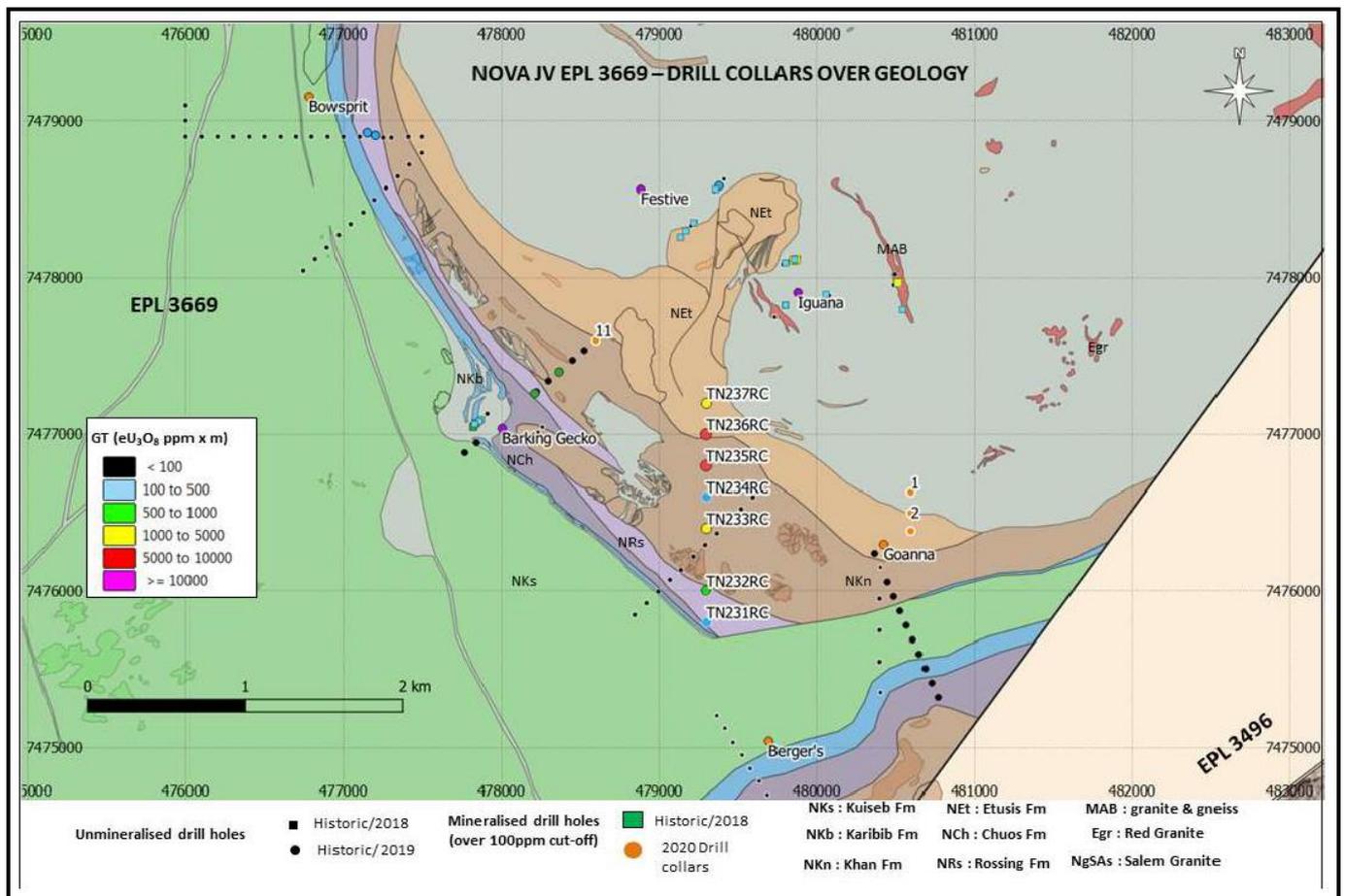
**Toro Energy** of Australia and **SixZone Investments** (Namibian empowerment partner) hold interests of 15% and 5%, respectively in the **Nova Joint Venture**.



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

**A 2,000 metre RC drilling program commenced at Barking Gecko on 12 June**, focused on further testing of this large anomaly, on three regional lines spaced 1 to 1.2 km apart with holes spaced at 200 metre. The objective was to determine whether the extensive, but isolated uranium mineralisation could manifest into intersections of much greater thickness and frequency to signify the possible presence of a Rössing or Husab style deposit. Seven holes had been completed by 1 July for a total of 1,237 metre of the 2,000 metre program. Drilling is ongoing.

Figure 2 shows the **Barking Gecko** exploration target, drill hole locations and geology.



**Figure 2:** EPL3669, Barking Gecko Prospect drill hole locations showing the recent and previous drill hole locations. The drill hole collars are coloured in eU3O8 grade thickness values (GT: eU3O8 ppm x m)

On July 9, 2020, **Deep Yellow** announced breakthrough results from Nova JV drilling.

- **Follow-up RC drilling at Barking Gecko on EPL3669 intersects zones of thick uranium Mineralisation in basement targets**
- **Best intersections include:**
  - TN236RC: 2m at 385ppm eU<sub>3</sub>O<sub>8</sub> from 32m, 10m at 326ppm eU<sub>3</sub>O<sub>8</sub> from 63m, 24m at 297ppm eU<sub>3</sub>O<sub>8</sub> from 139m; and 8m at 216ppm eU<sub>3</sub>O<sub>8</sub> from 164m
  - TN237RC: 10m at 305ppm eU<sub>3</sub>O<sub>8</sub> from 64m, 2m at 339ppm eU<sub>3</sub>O<sub>8</sub> from 113m
- **Results to date have substantially upgraded the prospectivity for alaskite-type basement deposits similar to the Rössing and Husab uranium orebodies, at the 4km by 1km Barking Gecko prospect**
  - Through successful exploration, results have highlighted that the Barking Gecko prospect could be part of A larger mineralised system, which include basement related deposits in the adjacent 100% owned Reptile Project, defining a distinct 18 km zone of very high uranium prospectivity
- **Completion of the drilling program and data evaluation are expected by the end of July**

## Management

**John Borshoff, B.Sc. Geology), Managing Director, CEO**, is an experienced mining executive and geologist with more than 30 years of uranium industry experience. He spent more than a decade at the start of his career as a senior geologist and manager of the Australian activities of German uranium miner Uranerz. In 1993, following the withdrawal of Uranerz from Australia, Mr Borshoff founded Paladin Energy. He built the company from a junior explorer into a multi-mine uranium producer with a global asset base and valuation of more than US\$5 billion at its peak. Mr. Borshoff was appointed Managing Director in October 2016.

**Rudolf Brunovs, B.Bus. (Accounting), Chairman**, is a highly experienced Chartered Accountant and Director with more than 35 years of experience in business. He is a former audit partner of the international accounting firm Ernst & Young and for 12 years held the position of Managing Partner. He was also a member of the Minerals and Energy Division within Ernst & Young. He has been a Director of Lions Eye Institute, a major WA based not for profit organisation, for more than 10 years.

**Gillian Swaby, B. Bus. (Accounting), Executive Director**, is an experienced mining executive with a broad skillset across a range of corporate, finance and governance areas. She has spent more than 30 years working with natural resources companies in numerous roles including Chief Financial Officer, Company Secretary, Director and corporate advisor. Ms Swaby had a key role in managing the company's growth through mine development, operation, acquisition and exploration. She has been a director of Deep Yellow for 13 years. During the past three years Ms Swaby has also served as a Director of Comet Ridge and Birimian.

**Christophe Urtel, Bachelor of Science (Geology) with Engineering Technology, Non-Executive Director**, has close to 20 years of experience in the natural resources sector and is currently Group Head of Corporate Development for Anglo American. Prior to joining Anglo American he was Head of Strategy and Capital (EMEA) for the commodity trader Noble Group, a Fund Manager at Laurium LP and an Executive Director in J.P. Morgan's Principal Investment franchise in London, responsible for natural resources investments.

**Justin Reid, B.Sc. (Geology), M.BA., Non-Executive Director**, is a geologist and capital markets executive with more than 20 years of experience focused exclusively in the mineral resources sector. He has held a number of senior executive roles, including President, CEO and Director of Sulliden Gold, until its acquisition of Rio Alto Mining in 2014, He is now CEO of Troilus Gold a development stage resource company focusing in Northern Quebec and remains an advisor to Sulliden.

**Mervyn Greene, Masters in Mathematics, Bachelor in Engineering and Masters of Business Administration, Non-Executive Director**, is an experienced investment banker and entrepreneur who has been working in investment markets in Africa, Europe and the United States for more than 30 years. His most recent experience has focused on private equity investment in a range of sectors, including property and he currently serves as Managing and Museum Director of EPIC. From 1997 – 2005 Mr Greene was the London-based partner of Irwin Jacobs Greene, one of Namibia's premier stockbroking, private equity and corporate finance advisory firms.

**Mark Pitts, B.Bus., CFO, Company Secretary**, is a Chartered Accountant with more than 30 years' experience in business administration, statutory reporting and corporate compliance. He is a partner in the advisory firm Endeavour Corporate where he provides company secretarial, accounting, finance and compliance services to publicly listed companies in the resources sector, including Deep Yellow. Mr Pitts has previously worked at a senior management level in a variety of commercial and consulting roles across a range of industries and started his career at accounting firm KPMG.

## Finance

As at June 30, 2020, the Company had cash and cash equivalents of A\$ 12.1 million.

## Investment Comments:

**Deep Yellow** has a two-pronged growth strategy involving the growing of existing uranium resources in **Namibia**.

Innovative operation undertaken by **Deep Yellow** over the past three years has resulted in a remarkable three-fold increase in the resource base of the deposit type within the highly prospective **Tumas** palaeochannel to **92.5 million pounds U<sub>3</sub>O<sub>8</sub> grading 303 ppm U<sub>3</sub>O<sub>8</sub>**.

**The total Measured and Indicated Resource at Tumas 1, 2 and 3 stands at 37.2 Mlb at 337 ppm eU<sub>3</sub>O<sub>8</sub>, well above what is required for completion of the Tumas Pre-Feasibility Study**

Importantly, with the Company's stated Exploration Target there remains strong upside for further discovery with supportable expectations that this calcrete-associated uranium in **Mineral Resource could be increased to between 100 million pounds and 150 million pounds U<sub>3</sub>O<sub>8</sub> in the grade range of 300 to 500 ppm U<sub>3</sub>O<sub>8</sub>**.

The positive results achieved so far at the **Reptile Project** justify advancing the Project by completing the **Tumas 3 PFS**, which is currently underway. Completion is expected in the **December 2020 quarter**.

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

**Deep Yellow** and its partners entered into a strategic agreement with **JOGMEC** of Japan in the **Nova Joint Venture** which adjoins the Company's **Reptile Project** where significant uranium resources have been defined and reported. **JOGMEC** can earn a 39.5% interest in the Project through expenditure of A\$ 4.5 million within 4 years.

Rated as **Namibia's** top-ranked exploration/development company by market valuation, based on the quality and further expansion potential of its prospective **Reptile Project, Deep Yellow**, supported by cash equivalents of A\$ 12 million as at June 30, 2020, in my view, at a current market valuation of approximately US\$ 42.0 million, offers a high investment leverage potential.

My 2020 share price target, extended to 2021, due to the COVID-19 pandemic, remains A\$ 0.90.

### World's top listed uranium exploration/development companies focused on emerging countries (by market valuation)

	Country focus	Trade symbol	Share price July 16 2020	Share price Year-end 2019	Change Year-end 2019 in %	Market valuation (US\$ million)
Global Atomic *	1) Niger	TSX V GLO	C\$ 0.53	C\$ 0.56	-5	58.2
Berkeley Energia	Spain	ASX BKY	A\$ 0.27	A\$ 0.18	50	49.2
GovEx *	Niger/other African countries	TSX V GXU	C\$ 0.15	C\$ 0.15	-3	47.1
Deep Yellow *	Namibia	ASX DYL	A\$ 0.22	A\$ 0.25	-12	37.7
Lotus Resources	2) Malawi	ASX LOT	A\$ 0.06	A\$ 0.07	-14	29.2
Bannerman Resources	Namibia	ASX BMN	A\$ 0.04	A\$ 0.04	0	23.7
Plateau Energy Metals	3) Peru	TSX V PLU	C\$ 0.30	C\$ 0.28	9	22.1
Forsys Metals	Namibia	TSX FSY	C\$ 0.14	C\$ 0.15	-10	17.3
Blue Sky Uranium	4) Argentina	TSX BSK	C\$ 0.14	C\$ 0.16	-16	12.4
<b>Total market capitalization</b>						<b>296.9</b>
* featured as a <b>Special Situation</b> and included in the 2019 Shortlist of investment recommendations						
1) also 49% interest in operating zinc project in <u>Turkey</u>						
2) acquired 85% stake in major uranium project in <u>Malawi</u> from <u>Paladin Energy</u> ; also cobalt project in NSW Australia						
3) uranium-lithium project; main focus on lithium						
4) uranium-vanadium project						



## Namibia: a Standout Uranium Destination

- Large, proven uranium province with exceptional prospectivity
- Province contains 1.5Blb U<sub>3</sub>O<sub>8</sub> Measured and Indicated Resources
  - With additional 350Mlb U<sub>3</sub>O<sub>8</sub> Inferred resources
- Large capacity, long-life mining operations
  - Rössing – 11Mlb/pa design
  - Husab – 15Mlb/pa design
  - Langer Heinrich – 5Mlb/pa design
- Since 1974 Namibia has produced 320Mlb U<sub>3</sub>O<sub>8</sub>
- World's 4th largest uranium producer
- Responsible for ~6% of global uranium output
- Highly-supportive jurisdiction
- Excellent infrastructure for development and mining



**Namibia** began operating its first commercial uranium mine in 1976 and has emerged to the world's 4<sup>th</sup> ranked uranium producer. The country has three significant mines capable of producing 10% of world mining output. However, from 2012 Namibia's production fell from 4,500 tonnes to 2,994 tonnes in 2015, before recovering to 3,654 tonnes in 2016, 4,224 tonnes in 2017, and 5,524 tonnes in 2018, of which 3,028 tonnes from **Husab**.

**Namibia** has three significant mines, **Husab**, **Rössing** and **Langer Heinrich**.

In the late 1950s much interest was shown in **Rössing**. **Rio Tinto** discovered numerous uranium occurrences and in 1966 took the rights over the low-grade Rössing deposit, 65 km inland from Swakopmund.

Two other significant deposits found in early exploration were **Trekkopje**, a calcrete deposit 80 km NE of Swakopmund and near **Rössing**, and **Langer Heinrich**, a calcrete deposit discovered in 1973 by **Gencor**, 80 km inland from Walvis Bay and 50 km southeast of Rössing.

**Rössing** was formed in 1970 and was owned for 68.6% by **Rio Tinto**, before the Namibian government approved the takeover of this controlling position by **China National Uranium Corporation (CNUC)**. The remaining 31.4% is owned by **Uranium Foreign Investment** – 15%, **Industrial Development Cooperation of South Africa** – 10% and **Namibian Government** – 3%.

The Company has mined the deposit from 1976 as a large-scale open pit in very hard rock.

In July 2019, **Rio Tinto** completed the sale of its entire interest in the **Rössing uranium mine** to **China National Uranium Corporation (CNUC)** for an initial cash payment of US\$ 6.5 million plus a contingent payment of up to US\$ 100 million.

In March 2020, **Rössing** suspended normal mining operations at a safety measure in light of the Covid-19 pandemic.

**Swakop Uranium** started development of the **Husab mine** in February 2013 and production commenced at the end of 2016, with 192 tU in that year and was forecasted to ramp up to 5,500 tU by year 2020, with most of this being supplied to **China** and up to 20% being marketed internationally by **CGN Global Uranium** in the **UK**. Swakop Uranium is now 90% owned by **Taurus Minerals** and 10% by **Epangelo**. Taurus is 60% owed by China's **CGN Uranium Resources (CGN – URC)** and 40% by **Africa Development Fund**, set up by **China Development Bank** in 2007.

**Zhonghe Resources (Namibia) Development** is a Namibian registered company founded in 2008 by **China Uranium Corporation (SinoU)** – 58%, a wholly-owned subsidiary of **China National Nuclear Corporation (CNNC)** and a private company, **Namibia-China Mineral Resources Investment and Development (Nam-China)** – 42%.

**Zhonghe** was looking at alaskite northeast of Swakopmund, close to Rössing, with a view to open-pit mining and heap leaching a low-grade (0.02%U) uranium deposit to produce about 600 tU a year.

Resources are believed to be 6,000 – 12,000 tU.

In 2014, **Zhonghe** was one of 6 uranium producers listed by the Ministry of Mines and Energy.

### Namibia Uranium Production

*(in million pounds U3O8)*

Project	Owner	2019	2018
Husab	GGN	8.8	7.9
Rössing	CNUC	5.4	5.5
Langer Heinrich	Paladin Energy	-	0.9
<b>Total</b>		<b>14.2</b>	<b>14.3</b>

### World Top 10 uranium producing countries

*(in million pounds U3O8)*

	2019 Production	% of total production
Kazakhstan	59.2	42.6
Canada	17.9	12.9
Australia	16.5	11.9
Namibia	14.2	10.2
Niger	7.8	5.6
Russia	7.5	5.4
Uzbekistan	6.3	4.5
China	4.9	3.5
Ukraine	2.2	1.6
India	1.3	0.9
South Africa	0.8	0.6
Others	0.4	0.3
<b>Total</b>	<b>139.0</b>	<b>100</b>