

Uraniumletter INTERNATIONAL

the international independent information and advice bulletin for uranium resource investments

Special Situation – November 2019 Update

www.deeptyellow.com.au



Deep Yellow Limited (A\$ 0.29)

ASX	: DYL
OTCQX Best Market	: DYLLF
H+L prices (12 months)	: A\$ 0.53 – 0.26
Issued shares	: 237.8 million
Fully diluted	: 300.0 million
Market capitalization	: A\$ 67.7 million (US\$ 46.4 million)

2020 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 5% of world uranium mining output. Namibia has a long, well regarded history of safety and effectively developing and regulating its considerable uranium mining industry, with its first commercial uranium mine begun operating in 1976.

The Company holds 4 key contiguous Exclusive Prospecting Licences (EPLs) covering 1,590 km² 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 the Husab/Rössing deposits and 40 km southwest of the Langer Heinrich deposits.

Deep Yellow has a two-pronged growth strategy involving the growing of existing uranium resources in **Namibia** and has already made a significant new discovery called Tumas 3 on the 100%-owned **Reptile Project** in March 2017, followed up with a revised resource expanded by 32% to **31.2 million pounds grading 377 ppm U₃O₈ in July 2018**. In parallel, the Company will pursue accretive counter cyclical acquisitions to create a multi-project uranium platform.

On October 15, 2019, **Deep Yellow** announced that it had commenced accelerated activities at the **Reptile Project** to evaluate project economics with **Pre-Feasibility Study** planned in the March quarter of fiscal year 2020, with an additional \$ 1.1 million budget to the existing FY 20 Project budget of \$ 1.6 million.

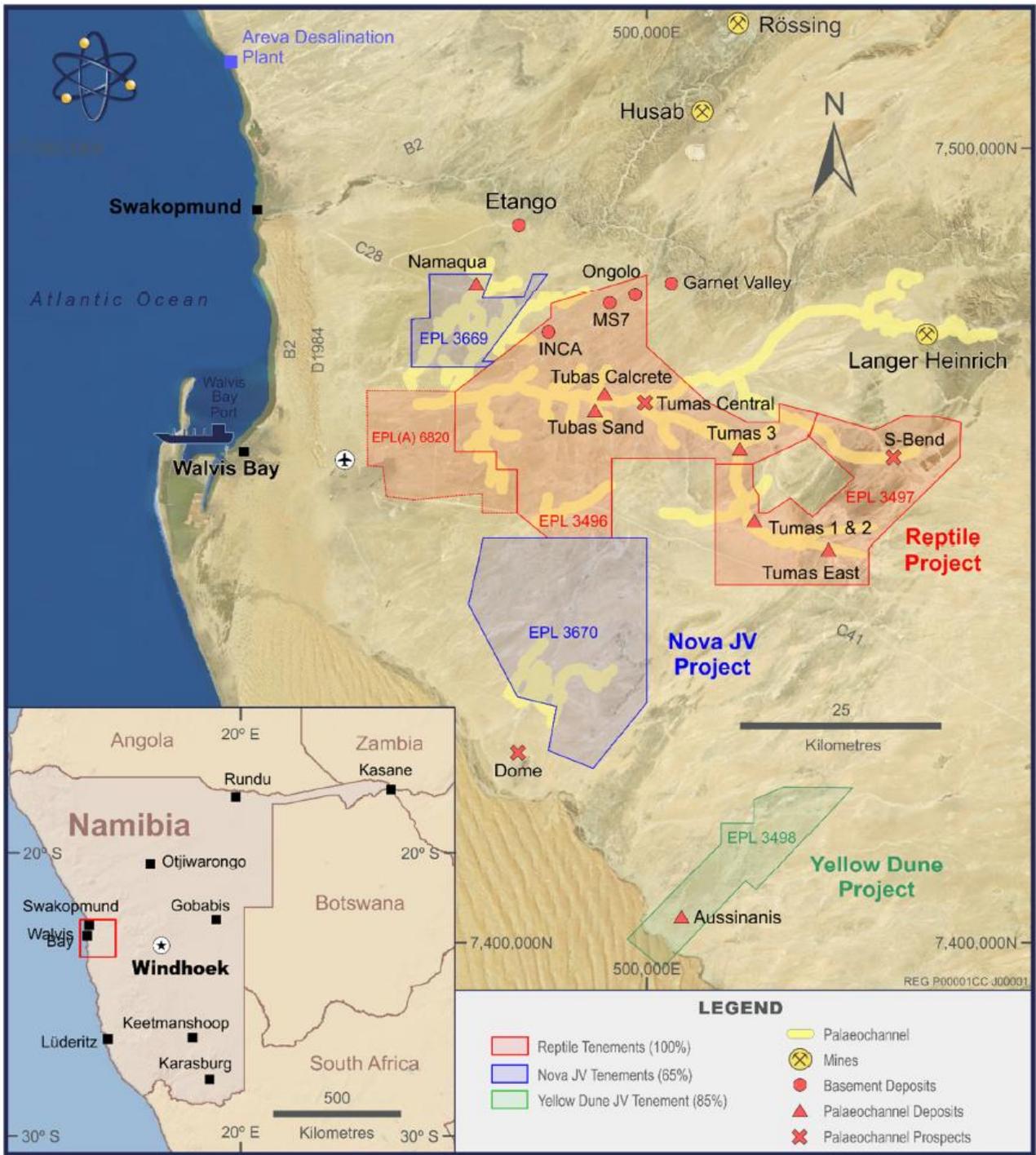


Figure 1: Showing Reptile Project (EPLs 3496, 3497) with Tumas Deposits and main prospect locations over palaeochannels and Nova JV Project (EPLs 3669,3670)

Namibian Projects

Overall Namibian resources 149.3Mlb U₃O₈ grading 323ppm

- ✿ **Projects prospective for two target types.**
- ✿ **Reptile Projects – 991km² (100%)**
 - Palaeochannel/calcrete targets (Langer Heinrich style) – 104.2Mlb U₃O₈/295ppm.
 - Basement/alaskite targets (Rössing/Husab style) – 45.1Mlb U₃O₈/420ppm.
 - Targeting 125Mlb – 150Mlb U₃O₈ in palaeochannels. in the grade range 300-500ppm eU₃O₈.*
- ✿ **Nova JV Project – 599km² (65%)**
 - Strategic farm-in agreement with Japanese partner JOGMEC, spending A\$4.5M. in four years to earn 39.5% (commenced November 2016).
 - Fertile palaeochannel identified at Namaqua.
 - Basement targets identified.

* The potential quantity and grade of the exploration target is conceptual in nature, and that there has been insufficient additional exploration to estimate an expanded Mineral Resource at the date of this presentation and whilst additional exploration is planned, it is uncertain if this will result in the estimation of an expanded Mineral Resource. Following a complete review and evaluation of calcrete associated mineralisation already identified on the Company's tenements (Refer ASX Announcement 19 January 2017), the Company has a greater understanding of the stratigraphy of the palaeochannels which host mineralisation. This work provided renewed confidence that mineralisation is likely to be identified in targeted but contiguous areas on our tenements. Targeted tonnage/grades are based on results and understanding from work carried out over past 10 years in this region. The exploration targets are regarded as valid being confirmed by the exploration carried out since then. Work is continuing forwards achieving the resource targets as stated.

Namibia Uranium Resource Growth on Target

Deep Yellow Limited Uranium Resource Growth 2017 - 2019			
Calcrete Deposits	Status Oct' 2016	FY18 Sept' 2017	FY19 Current Status
Resources	50.2Mlb	73.6Mlb	104.2Mlb*
Grade U ₃ O ₈	247ppm	278ppm	295ppm
Calcrete Resources Growth		47% Increase	42% Increase
Calcrete + Basement Deposits			
Resources	95.3Mlb	118.7Mlb	149.3Mlb
Grade U ₃ O ₈	306ppm	319ppm	323ppm
Growth in Total Resources		25% Increase	30% Increase

***Note:** Tumas Channel Resource base over Reptile Project
73.5Mlb U₃O₈ at grade of 355ppm

Overview of Projects

➤ Reptile Uranium Project (EPLs 3496, 3497 – 100%) – Change of Project Scope

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 **86 million pounds U₃O₈ grading 310 ppm U₃O₈**.

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 U₃O₈ in the grade range of 300 to 500 ppm U₃O₈**.

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 **Feasibility Study (FS)** activities scheduled to commence in **early 2020** and completion expected late in the **September quarter 2020**.

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**.

On October 15, 2019, **Deep Yellow** advised the start of the accelerated work programs to advance the Company's **Reptile Project in Namibia** and determine, in a staged manner, the economic feasibility of the **Tumas channel uranium deposit**.

The increased tempo of the work program has necessitated the contracting of two additional drilling rigs and additional personnel to supervise their operation. The incoming drill rigs comprise a second RC rig to accelerate exploration and resource drilling and a diamond rig specialising in soft core recovery to help with more detailed geological evaluation and to obtain sampling for metallurgical testing.

Originally, 10,800 metres of RC drilling were planned for the whole of the FY19 field season. **This has now been upgraded to 22,000 metres of RC drilling and 600 metres of diamond drilling. It is scheduled to complete 10,800 metres of RC drilling by December 2019 along with 600 metres of diamond drilling.** A total of 4,089 metres of RC drilling for 261 holes had been completed by 12 October 2019.

The overall program to December is aiming to increase the **Inferred Resource inventory in the Tumas 1 East area and define areas for resource drilling west of Tumas 3 West in the Tumas Central and Tubas areas**. An upgraded Mineral Resource statement is expected to be released early November.

The additional 11,200 metres of RC drilling, required to complete the revised FY19 program, is planned for March to June 2020 to further increase the Inferred Resource inventory and convert some Inferred Resources to the Indicated Resource (JORC, 2012) status.

The DDH drilling program is required to confirm the current geological model of the **Tumas** paleochannel uranium mineralisation in detail and provide sufficient sample material **to complete a metallurgical test program for the planned Pre Feasibility Study in 2020**.

DDH drilling commenced 10 October and the second RC rig started on 16 October. **Drilling in 2019 is anticipated to be completed by early December.**

➤ Nova Joint Venture (EPLs 3669, 3670) – 65% JOGMEC Earn-in

The two tenements are held in the corporate entity **Nova Energy** (Namibia) in which **Reptile Mineral Resources and Exploration (RMR)** – wholly-owned subsidiary of **Deep Yellow**, holds 65%, (Manager), **Nova Energy Africa**, wholly-owned subsidiary of **Toro Energy** (ASX listed) 25% and **Sixzone Investments** 10%.

In March 2017, **Deep Yellow** and its partners entered into a strategic earn-in agreement with **JOGMEC** of Japan in the **Nova Joint Venture (NJV)**. The NJV adjoins the Company's 100% **Reptile Project** where significant uranium resources have been defined and reported.

JOGMEC is currently earning a 39.5% interest in the Project through expenditure of A\$ 4.5 million within 4 years. **RMR** is the NJV manager. Following the JOGMEC earn-in, the new equity distribution in the NJV will be JOGMEC 39.5%, **RMR** 39.5%, **Nova Africa** 15% and **Sixzone** 6%.

JOGMEC will earn no equity interest unless it meets the full A\$ 4.5 million expenditure obligation. The remaining JV participants will be free-carried until the expenditure commitment is satisfied and thereafter the other parties will be required to contribute on a pro-rata basis (except for **Sixzone**, whose 6% share will be carried and paid back from future dividends).

In December 2018, **Deep Yellow** advised the completion of the 2018 exploration drilling program carried out on the **Nova JV**.

In late October 2019, **Deep Yellow** announced the completion of 60 RC holes for 3,472 metres 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**.

RC drilling at the **Namaqua Project** was completed late August 2019 with 13 holes drilled for 415 metres. 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 358 ppm eU₃O₈ over 5 metres hosted in calcareous matrix-cemented gravel sediments. The mineralisation at **Namaqua** remains open to the north with some follow-up drilling required.

Seven inclined holes were drilled at **Barking Gecko** at 100 metres holes spacing along a southwest/north-east trending line targeting basement type mineralisation. Figure 5 shows the drill hole locations. Two holes (TN171RC and TN173RC) intersected uranium above 100 ppm eU₃O₈ over 1 metre within granite.

The area west of TN173RC which intersected 3 metre of 307ppm eU₃O₈ remains open for drill-testing

Finance

In early July, **Deep Yellow** completed a successful fundraising of A\$ 11.29 million before costs with an institutional placement and Share Purchase Plan to advance the Company's **Reptile Project** and determine, in a two-staged manner, the economic feasibility of the **Tumas channel uranium deposit**.

As at September 30, 2019, the Company had cash and cash equivalents of A\$ 15.75 million.

Total cash flows for Q4 2019 are estimated at A\$ 2.01 million, of which A\$ 1.49 million for exploration and evaluation.

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. At Paladin, Mr Borshoff led the team that completed the drill out, feasibility studies, financing, construction, commissioning and safe operation of the first two conventional uranium mines built in the world for 20 years. He also oversaw numerous successful, large public market transactions including acquisitions and major capital raisings before leaving Paladin in 2015. He 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.

Mr Brunovs joined the Deep Yellow Board in August 2007 and was elected Non-Executive Chairman in January 2016.

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. Ms Swaby has spent more than 30 years working with natural resources companies in numerous roles including Chief Financial Officer, Company Secretary, Director and corporate advisor. She worked at Paladin for the period 1993 – 2015 in the capacity as Executive Director for 10 years and as GM – Corporate Affairs. She 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 Limited and Birimian Limited.

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.

Christophe Urtel, 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. Previously Mr Urtel worked in J.P. Morgan and its predecessor organisations from 1999 – 2008, specialising in providing M&A, equity capital market and debt capital market advice to companies in the metals and mining sector.

Mr Urtel graduated with a Masters in Mining and Finance and Bachelor of Science (Geology with Engineering Geology) from the Royal School of Mines, Imperial College, London.

Mervyn Greene, 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. Prior to this, he worked for investment bank Morgan Stanley in New York and London. Mr Greene has a Masters in Mathematics and Bachelor in Engineering from Trinity College in Dublin and also has a Masters of Business Administration from London Business School.

Justin Reid, B.Sc. (Geology), M.BA., 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 and Director of Sulliden Gold, until its acquisition of Rio Alto Mining in 2014, President and CEO of Toronto-listed Sulliden Mining Capital which acquires and develops mining projects in the Americas. He is now CEO of Troilus Gold a development stage resource company focusing in Northern Quebec and remains an advisor to Sulliden. Mr Reid started his career as a geologist with SGS and Cominco Limited, before becoming a partner and senior mining analyst at Cormark Securities in Toronto.

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 **86 million pounds U₃O₈ grading 310 ppm U₃O₈**.

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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 has approved a sole funding program and budget of A\$ 1.05 million over the next 12 months for the period ending March 31, 2020 and 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\$ 15.75 million as at September 30, 2019, in my view, at a current market valuation of approximately US\$ 46 million, offers a high investment leverage potential.

My 2019 share price target remains A\$ 0.90.



tonnes in 2017..

Namibia began operating its first commercial uranium mine in 1976 and has emerged to the world's 4th 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 and 4,224

Namibia has three significant mines, **Rössing**, **Husab** 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 **Trekopje**, 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 started operations in 1976. Having been formerly owned for 68.6% by **Rio Tinto**, the Namibian government has 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 Co-operation 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 2018, **Rössing**, as Namibia's largest uranium producer, had an output of 2,102 tonnes. **Rössing** has a nominal capacity of 4,000 tU/year and to the end of 2018 had supplied 114,555 tU.

Rössing's reserves at the end of 2015 are 6,276 tU proven and 33,250 tU probable, at 0.030% U in ore. Its uranium is sold to power utilities in Central Europe, North America and South-East Asia, including China.

On July 16 2019, **Rio Tinto** announced that it had 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.

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.

In April 2011, the Namibian Government announced that its state-owned mineral exploration company **Epangelo Mining** was looking for exclusive control over new strategic minerals developments, including uranium. However, this does not apply retrospectively or amount to naturalization of existing mines or leases.

Paladin Energy and **Kalahari** have both expressed confidence that their assets are not at risk of expropriation and in April 2012 **Epangelo** agreed to buy a share of the **Etango Project** and pay a corresponding share of development costs.

A task force was formed in May 2010 by **Epangelo** and Russia's **ARMZ**, but not with a strong reassurance by the government then, borne out since.

Over 2011-12 a **Strategic Environmental Assessment** was undertaken over the whole uranium provincial inland from Swakopmund and Walvis Bay. This addressed all the projects and is to result in a **Strategic Environmental Management Plan** to be implemented by the government and individual project companies.

World Top 10 uranium producing countries

	Production	2018 in %	Production							2010 in %
	in tonnes U	world total	in tonnes U	2017	2016	2015	2014	2013	2010	world total
	2018		2017							
Kazakhstan	21,705	41	23,321	24,575	23,800	23,127	22,451	17,803		33
Canada	7,001	13	13,116	14,039	13,325	9,134	9,331	9,783		18
Australia	6,517	12	5,882	6,315	5,672	5,001	6,350	5,900		11
Namibia	5,525	10	4,224	3,315	2,993	3,255	4,323	4,496		8
Niger	2,911	5	3,449	3,477	4,116	4,057	4,518	4,198		8
Russia	2,904	5	2,917	3,004	3,055	2,990	3,135	3,562		7
Uzbekistan (est)	2,404	5	2,404	2,404	2,385	2,400	2,400	2,400		4
China (est)	1,885	4	1,885	1,616	1,616	1,500	1,500	827		2
Ukraine (est)	1,180	2	550	1,005	1,200	926	922	850		2
USA	<u>582</u>	1	<u>940</u>	<u>1,125</u>	<u>1,256</u>	<u>1,919</u>	<u>1,792</u>	<u>1,660</u>		3
Top-10 total	52,614	98	58,688	60,875	59,418	54,309	56,722	51,479		96
Others	<u>884</u>	<u>2</u>	<u>774</u>	<u>1,137</u>	<u>1,100</u>	<u>1,908</u>	<u>2,648</u>	<u>2,192</u>		4
Total world production tU	53,498	100	59,462	62,012	60,518	56,217	59,370	53,671		100

source: WNA