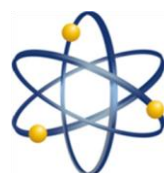


Uraniumletter INTERNATIONAL

the international independent information and advice bulletin for uranium resource investments

Special Situation – February 2012 Update

www.deeptyellow.com.au



Deep Yellow
Limited

Deep Yellow Ltd. (A\$ 0.12)

ASX : DYL
H+L prices (12 months) : A\$ 0.38 – 0.11
Net Issued shares : 1,128.7 million
Fully diluted shares : 1,141.2 million
Market capitalization : A\$ 135.5 million

Next price target: A\$ 0.50

Company Profile

Deep Yellow Limited is an Australian Stock Exchange listed advanced stage uranium exploration company with extensive operations in the southern African nation of **Namibia** and in **Australia**. It also has a listing on the Namibian Stock Exchange.



Deep Yellow's primary focus is in **Namibia** where its operations are conducted by its 100% owned subsidiary **Reptile Uranium Namibia (Pty) Ltd (RUN)** and where it has a portfolio of attractive projects. Its flagship is the **Omahola Project** currently under Pre-Feasibility Study with concurrent resource drill-outs along the high grade **Ongolo Alaskite – INCA** trend.

Deep Yellow's exploration programs are aimed at increasing its JORC Code compliant Mineral Resource inventory which currently totals **50.277 tonnes or 110.7 million pounds of U3O8**.

Deep Yellow is also conducting test work and has recently completed a scoping study on its **Shiyela Iron Project** in **Namibia**, with encouraging results.

In **Australia** the Company is focused on resource delineation of mid to high grade discoveries in the **Mount Isa district** in **Queensland** and also owns the **Napperby Uranium Project** and vast exploration tenements in the **Northern Territory**.

Total resources in Australia are 5.52 million tonnes or 12.2 million pounds U3O8.

Deep Yellow has targeted to commence production in **Namibia** in 2015 and continue to successfully grow its uranium resource base.

Overview of projects

KEY POINTS

Deep Yellow's three key focus areas in Namibia are currently:

- Testing the possibility of a low capex, rapid development option for its Tubas Red Sand Deposit as a standalone project;
- Ongoing resource expansion along the high grade INCA-Ongolo-MS7 trend for the Omahola Project; and
- Ongoing assessment of the Shiyela Iron Project.



NAMIBIA

Deep Yellow's operations in Namibia are conducted by its 100% owned subsidiary Reptile Uranium Namibia (Pty) LTD (RUN). RUN holds 100% of four contiguous Exclusive Prospecting Licences (EPLs) covering 2,875 km² and a 65% JV interest in three adjoining EPLs covering 1,323km².

➤ Recent Namibian Highlights

On August 3, 2011, the Company announced that three Exclusive Prospecting Licences, 100% held by RUN, have been renewed in full for a further 2 years, with no further conditions.

On December 13, 2011, Deep Yellow announced that the MS7 Alaskite Deposit JORC compliant resource estimate has more than doubled to 5.4 million tonnes at 470 ppm U₃O₈ for 5.6 million pounds U₃O₈ at a 250 ppm cut-off, compared to the maiden resource of 2.3 million pounds at a 300 ppm cut-off announced on October 13, 2011.

Almost 60% of the 5.6 million pounds resource is classified in the Indicated category.

The **Omahola Project** resource base comprising the INCA, MS7 and Ongolo deposits now totals 37 million pounds U₃O₈ at an average grade of 441 ppm U₃O₈. Deep Yellow's total Namibian resource base, including the **Tubas-Tumas Project** (50.8 million pounds U₃O₈) and **Aussimanus Project** (18 million pounds U₃O₈), is now over 110 million pounds U₃O₈.

Also during the last quarter, the Ongolo Alaskite Deposit JORC Compliant Resource was tripled to 20.5 Mt at 400 ppm U₃O₈ for 18 Mlbs U₃O₈ at a 250 ppm cut-off. The new Resource represents an increase of 11.8Mlbs of contained U₃O₈ compared to the May 2011 resource estimate, with approximately 73% of the resource (13.2Mlbs) in the Indicated category.

The Company has spent in excess of \$40 million since commencing exploration in 2006 and has drilled in excess of 17,000 reverse circulation (RC) and diamond holes for a total of more than 530,000 metres.

The resources of both MS7 and Ongolo are expected to increase rapidly as ongoing drilling has continued to make relatively shallow, wide high grade intersections, for example:

- At MS7, DYL encountered some of the highest U₃O₈ grade intersects ever in its alaskite exploration programme with hole ALAR886. It intersected 33 metres at 2,207 ppm U₃O₈ from 39m and 69 metres at 1,229 ppm U₃O₈ from 92 metres.

DYL has an aggressive Namibian exploration program with up to six rigs completing some 12,000 metres of reconnaissance and resource drilling per month.

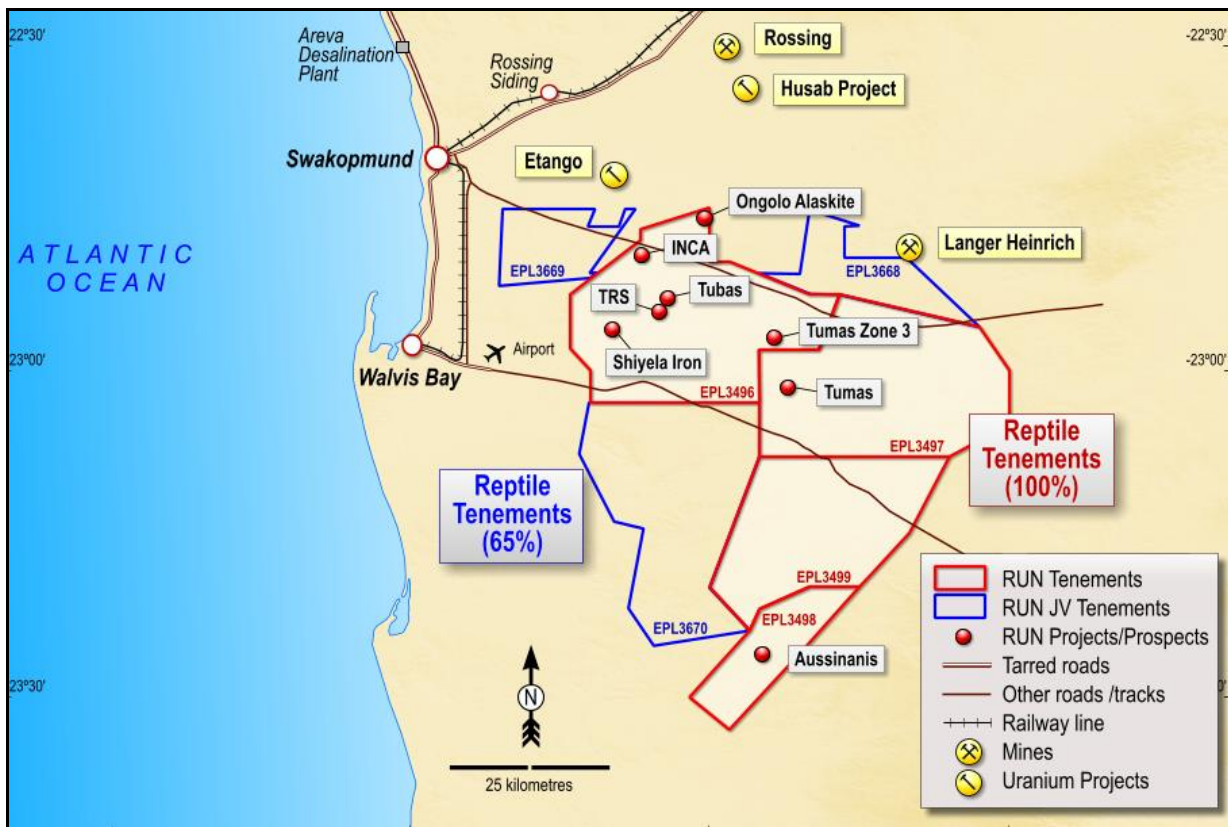
RUN submitted Environmental Impact Assessment Reports (EIA's) to the Ministry of Environment and Tourism (MET) for its INCA and the Tubas Red Sand deposit areas.

The EIA for the INCA deposit incorporates an environmental assessment for an open pit mine producing uranium and iron bearing ore of up to 2.5 million tonnes per annum which could result in the production of up to 2.5 Mlbs per annum U3O8, depending on project economics. It includes a process plant which could be utilised to chemically leach output from a Schauenburg hydrocyclone plant processing ore from the TRS deposit.

The EIA for the Tubas Red Sand deposit includes an environmental assessment for a shallow, free dig open pit mine producing uranium ore which will be upgraded by physical beneficiation (utilising the Schauenburg Process) to produce a high grade uranium rich paste amenable to acid or alkali leaching. The strategy is to produce a loaded resin intermediate product to could be sold to one of Namibia's existing uranium producers.

RUN also submitted two Mining Licence Applications (MLA's) to the Namibian Ministry of Mines and Energy. The applications were made on behalf of two of its 95% owned subsidiaries, INCA Mining (Pty) Ltd and TRS Mining Namibia (Pty) Ltd, under section 91 of the Minerals (Prospecting and Mining) Act of 1992.

A local Namibian company, Oponona Investments (Pty) Ltd, holds the remaining 5% of both entities. The Company has Namibian Ministry of Mines and Energy (MME) approval to introduce Oponona Investments and a broader Community Benefit Trust at the project level to achieve its empowerment objectives.



Locality Map of DYL's Namibia EPL's

An Environmental Impact Assessment was also submitted for the Shiyela Iron Project. The EIA incorporates an assessment for a mine initially producing 2 million tonnes per annum of a high quality magnetite product, which could be expanded to 7.5 million tonnes per annum depending on port capacity, ongoing exploration success and market economics.

RUN also submitted an MLA for Shiyela to the Namibian Ministry of Mines and Energy on 11 December 2011. The application was made on behalf of a 95% DYL owned subsidiary, Shiyela Iron (Pty) Ltd under section 91 of the Minerals (Prospecting and Mining) Act of 1992. Oponona Investments (Pty) Ltd, a local Namibian company and RUN's empowerment partner, holds the remaining 5%.

➤ Omahola Project

Conceptually the Omahola project comprises a processing plant located close to the Ongolo Alaskite deposit treating a blend of primary ore from the Ongolo and MS7 Alaskite deposits and the INCA uraniferous magnetite deposit.

The Project's JORC compliant Indicated and Inferred resource totals **38.2 million tonnes at 441 ppm for 16,831 tonnes U3O8 or 37 million pounds U3O8** as at January 2012. This resource is growing steadily with drilling at Ongolo and along the Ongolo – INCA trend with the recent discovery of the high grade MS7 and INCA FS prospects.

Interim results for the Pre-Feasibility Study were released early in 2011 demonstrating the potential for an operation with:

- A 12-year mine life at a production rate of 2.2 Mlbs U3O8 per annum.
- Competitive capital costs of less than US\$340 million, including a 10% contingency.
- Conventional processing with sulphuric acid leach and solvent extraction, followed by precipitation, drying and yellowcake packaging.
- Operating costs below US\$26/lb U3O8.

Further testwork is underway on core from the INCA deposit to more accurately estimate the acid consuming carbonate content of the various lenses that occur throughout the deposit. These tests are important as carbonate content has a major impact on process plant sulphuric acid consumption, a major operating cost factor. It is expected that the PFS will be finalised once these tests have been completed and the mine plan and schedule have been updated accordingly.

Omahola Project Resource Base

Deposit	Category	Cut-off (ppm U ₃ O ₈)	Tonnes (M)	U ₃ O ₈ (ppm)	U ₃ O ₈ (t)	U ₃ O ₈ (Mlb)
INCA ♦	Indicated	250	7.0	470	3,300	7.2
INCA ♦	Inferred	250	5.4	520	2,800	6.2
Ongolo #	Indicated	250	14.7	410	6,027	13.2
Ongolo #	Inferred	250	5.8	380	2,204	4.8
MS7 #	Indicated	250	3.3	430	1,400	3.2
MS7 #	Inferred	250	2.0	540	1,100	2.4
Omahola Project Total			38.2	441	16,831	37.0

Notes: Figures have been rounded and totals may reflect small rounding errors.

XRF chemical analysis unless annotated otherwise.

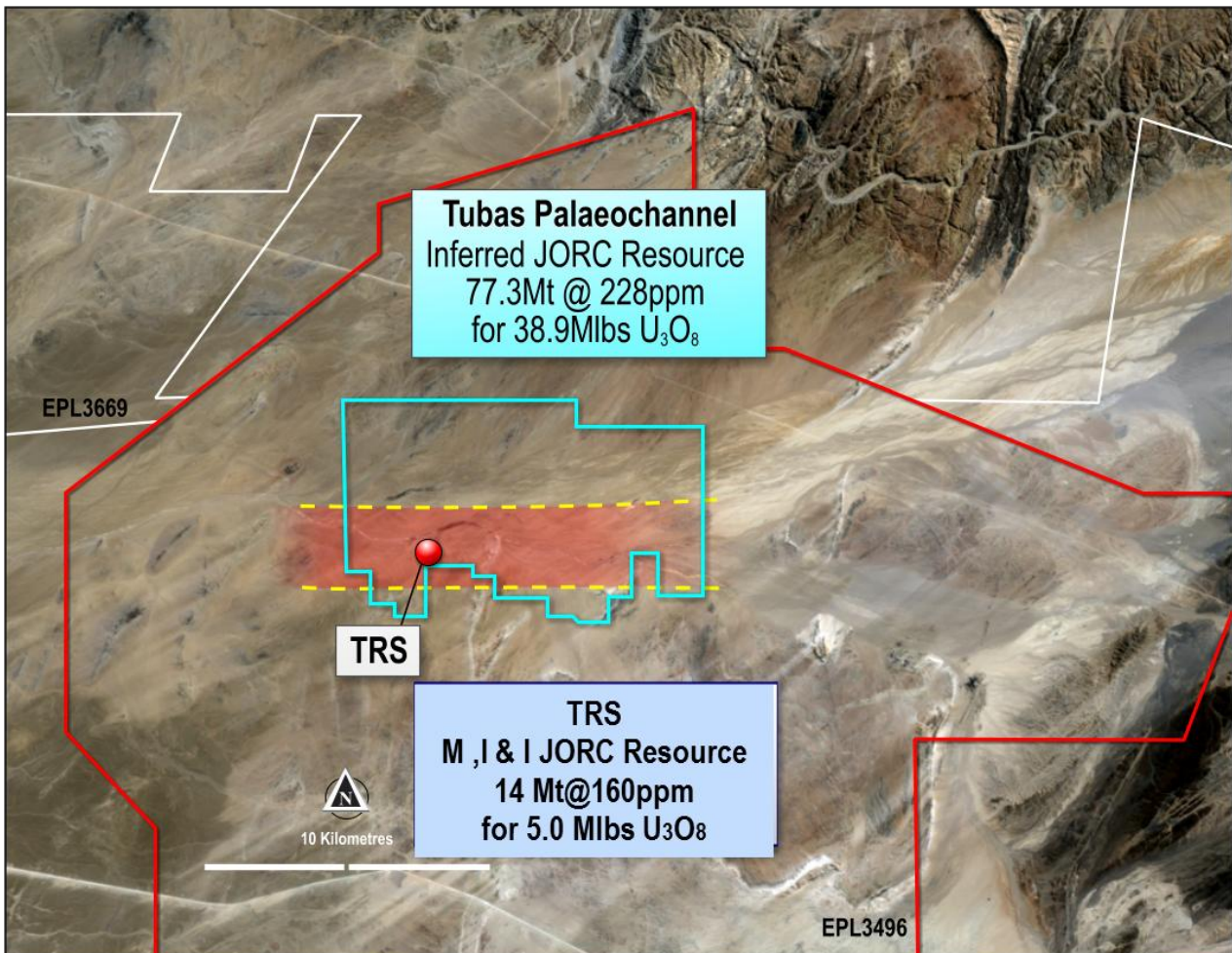
♦ eU₃O₈ - equivalent uranium grade as determined by downhole gamma logging.

Combined XRF Fusion Chemical Assays and eU₃O₈ values.

Environmental work on the Ongolo area will start in 2012 once there has been sufficient resource definition and the likely location of the processing plant has been selected.

➤ Tubas Red Sand Project

A major recent development for the company has been the success of its trial physical beneficiation pilot plant on its Tubas Red Sand (TRS) Deposit. In earlier releases in April and September 2011 it was announced that it had been able to physically beneficiate the low grade TRS Deposit in an economical and chemical free process. It produced a low carbonate, uranium rich sand concentrate with the use of hydrocyclones supplied by a German manufacturer, Schauenburg, which effectively upgraded the material to suitable feedstock for either an alkali or an acid leach circuit.



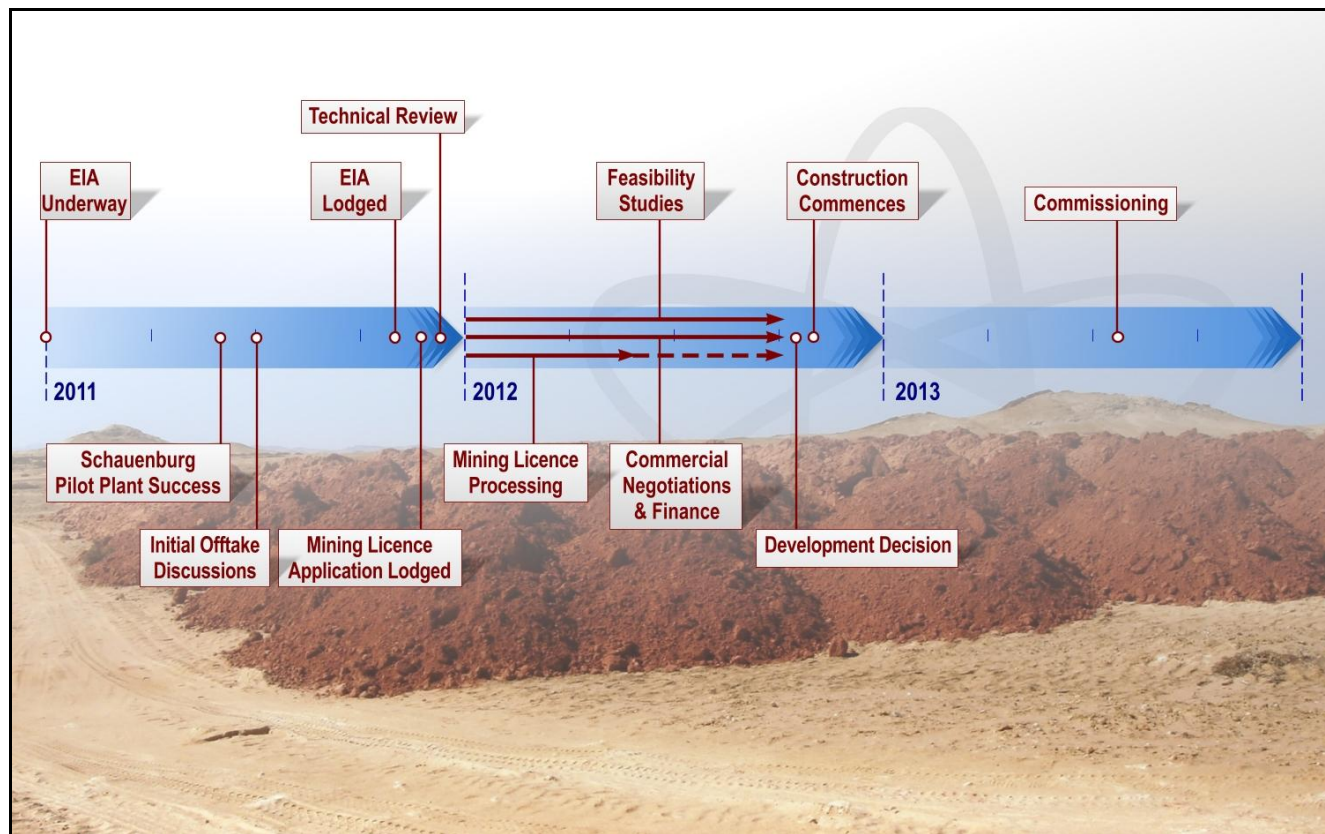
Locality Map showing the TRS deposit and sand occurrences along the Tubas Palaeochannel

The TRS Deposit is now being re-interpreted with additional sand intersections from the Tubas Palaeochannel resource to increase the size of the existing 4.9 Mlb TRS JORC compliant resource. Most noticeably, the Company has intimated that a significantly larger sand resource together with the application of this technology could lead to a standalone project. The strategy is to seek an offtake arrangement from uranium loaded resin from a leach circuit to one of the two existing uranium producers in Namibia.

It has already optimised the pilot plant design which reduced the total mass of uranium remaining in the barren -125 µm to +20 µm size fraction to 8.2%, a significant improvement from the initial pilot plant testwork. This has resulted in an improved uranium concentration upgrade factor of 7.9 compared to the previous 6.9.

As a result of the optimisation, even lower grade sand-type ores (below 150 ppm U₃O₈) could potentially be economically beneficiated. This would allow a reduction in the cut-off grade to around 60 ppm for the TRS deposit which would result in a significant increase in the resource base.

TRS Project – Potential Timeline



➤ Shiyela Iron Project

The Shiyela Iron Project is also operated by RUN and comprises two shallow, extensive magnetic bodies (M62 and M63) with iron content varying between 10% and around 35%.

The project is located only 45 kilometres by road from the deep water port of Wales Bay in Namibia and is close to the Langer Heinrich Kuiseb Electricity substation.

By the end of April 2011 and in less than a year the company had completed the drill out on both deposits for initial Mineral Resource estimates.

On December 6, 2011, Deep Yellow announced the maiden JORC compliant Inferred Mineral Resource estimate for the Shiyela Iron Project completed by Golder Associates of Perth, Australia.

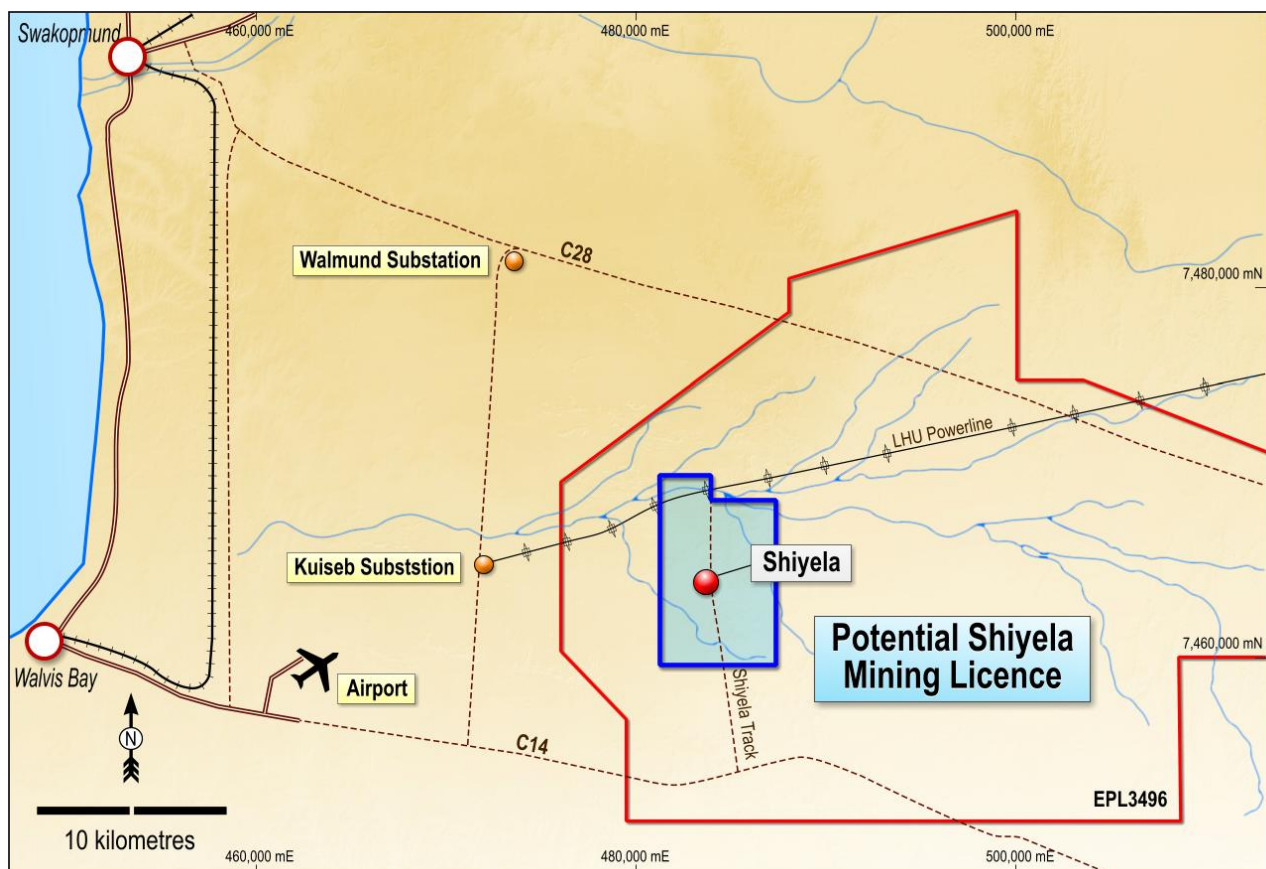
The Inferred resource estimate totals 78.7 million tonnes at 18.88% Fe at 10% DTR cut-off for the M62 and M63 magnetic deposits with an average DTR magnetite content of 16.17%.

The exploration program consisted of 210 RC and DD holes for 38,473 metres of drilling, confirming strongly mineralised zones in both deposits.

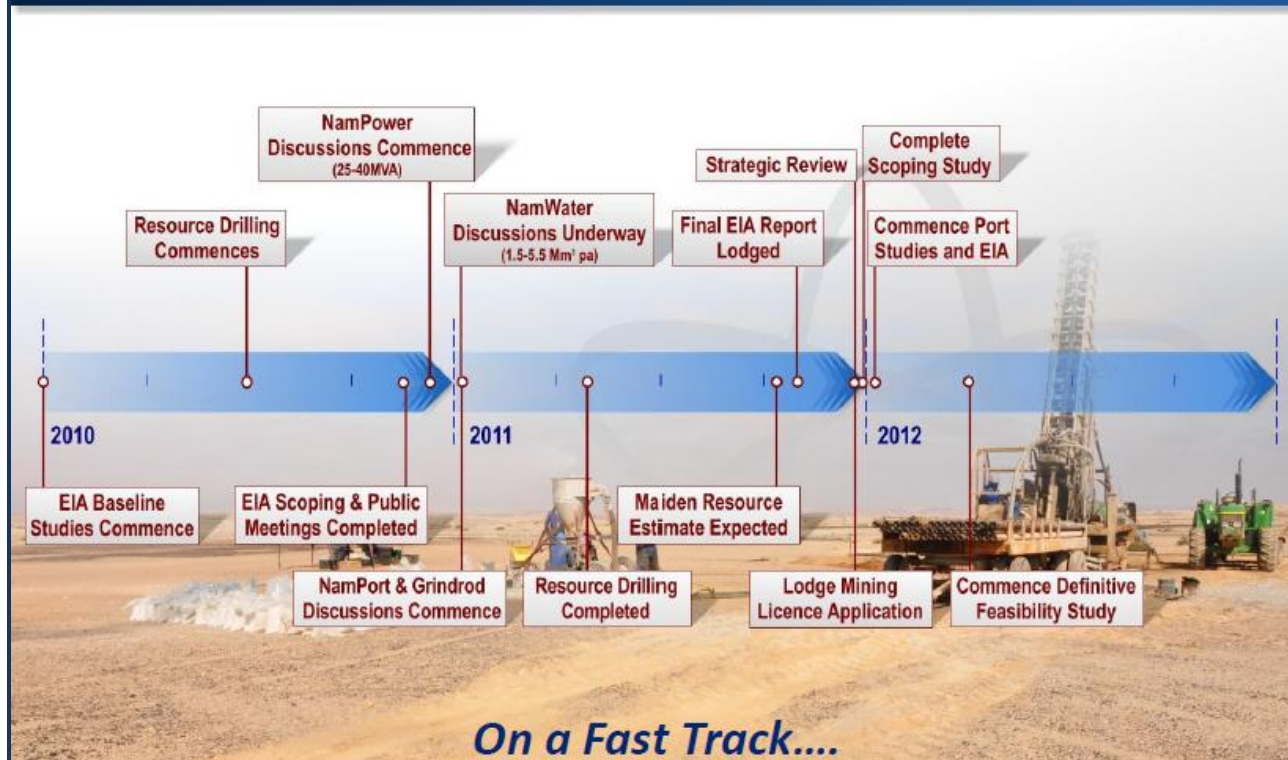
A Scoping Study was completed early in January 2012 by ProMet Engineers of Perth with results indicating the potential for a financially robust operation:

- Base Case capital costs of US\$467 million and operating costs US\$77.40 per tonne of concentrate FOB for a 2 Mtpa operation.
- Concept design includes a hematite circuit to produce a blended magnetite-hematite concentrate.
- Study was based on mining some 8 Mtpa ore to produce 2 Mtpa of concentrate and an assumed 2.5:1 waste to ore stripping ratio.
- Plant capital cost is US\$268 million, the remainder made up of mining-related capex and infrastructure.
- Initial design based on magnetite only but this was improved by the addition of a hematite flotation circuit which increases recovery and reduces estimated operating costs.
- The resource database is being reassessed to incorporate low magnetite – high hematite material (initially considered waste) as potential ore grade material.
- A large diameter diamond drilling program has commenced to provide for metallurgical test work as part of a planned Feasibility Study.
- Additional resource drilling is planned (subject to funding) to enhance the size and confidence level of the resource base.

On December 12, 2011, Deep Yellow submitted a Mining Licence application for the Shiyela Iron Project.



Shiyela Iron Project – Timeline



➤ Nova Energy Namibia Joint Venture

RUN, as operator of the Nova Energy JV, (owned by Deep Yellow, Toro Energy and Sixzone Investment), has completed approximately 10,000 metres of RC drilling on two of the joint venture tenements. The program was designed to test the “Alaskite style” uranium potential of EPL3669 and EPL3670.

The drilling within EPL 3669 evaluated the western strike extension of uranium mineralization recently reported by Extract Resources at the Pizarro prospect, along with other targets related to low magnetic responses contained within a stratigraphic and structural corridor.

All holes were gamma logged and anomalous zones assayed. The drilling program totalled 59 holes for 9,569 metres.

41 RC holes were drilled for a total of 6,834 metres at the Natango Prospect (EPL3669) and 18 RC holes were drilled for a total of 2,735 metres at the Chungochoab Prospect (EPL3670).

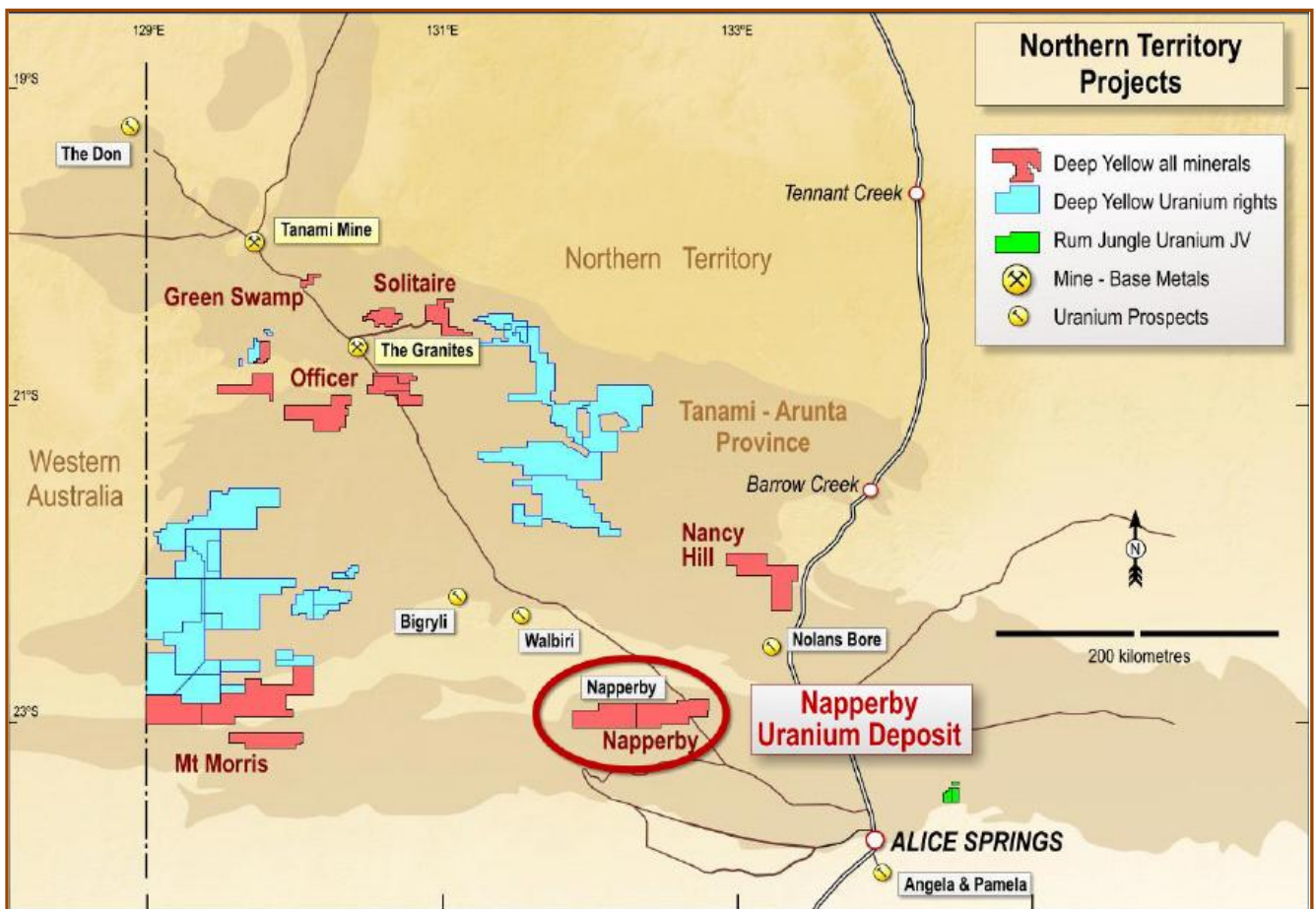
Overall the results obtained from this drilling campaign were disappointing by Deep Yellow’s standards with only two holes at Natango returning uranium grades in the low range of 150 to 400 ppm U₃O₈ whilst at Chungochoab prospect mineralised intercepts were confirmed to be due to Thorium by XRF analysis.



AUSTRALIA

➤ Northern Territory

Deep Yellow's principal project in the Northern Territory is its 100% owned **Napperby Uranium Project**. Napperby is a calcrete-hosted uranium deposit with **current JORC Code compliant Inferred resources of 9.34 million tonnes at 359 ppm U₃O₈ for 3,351 tonnes or 7.39 million pounds contained U₃O₈** (at 200 ppm cut-off) as part of a larger mineralised system. This resource covers about half the area of an historic pre-JORC estimate of more than 13 million pounds U₃O₈, with the latter half remaining to be drilled out to JORC standards.



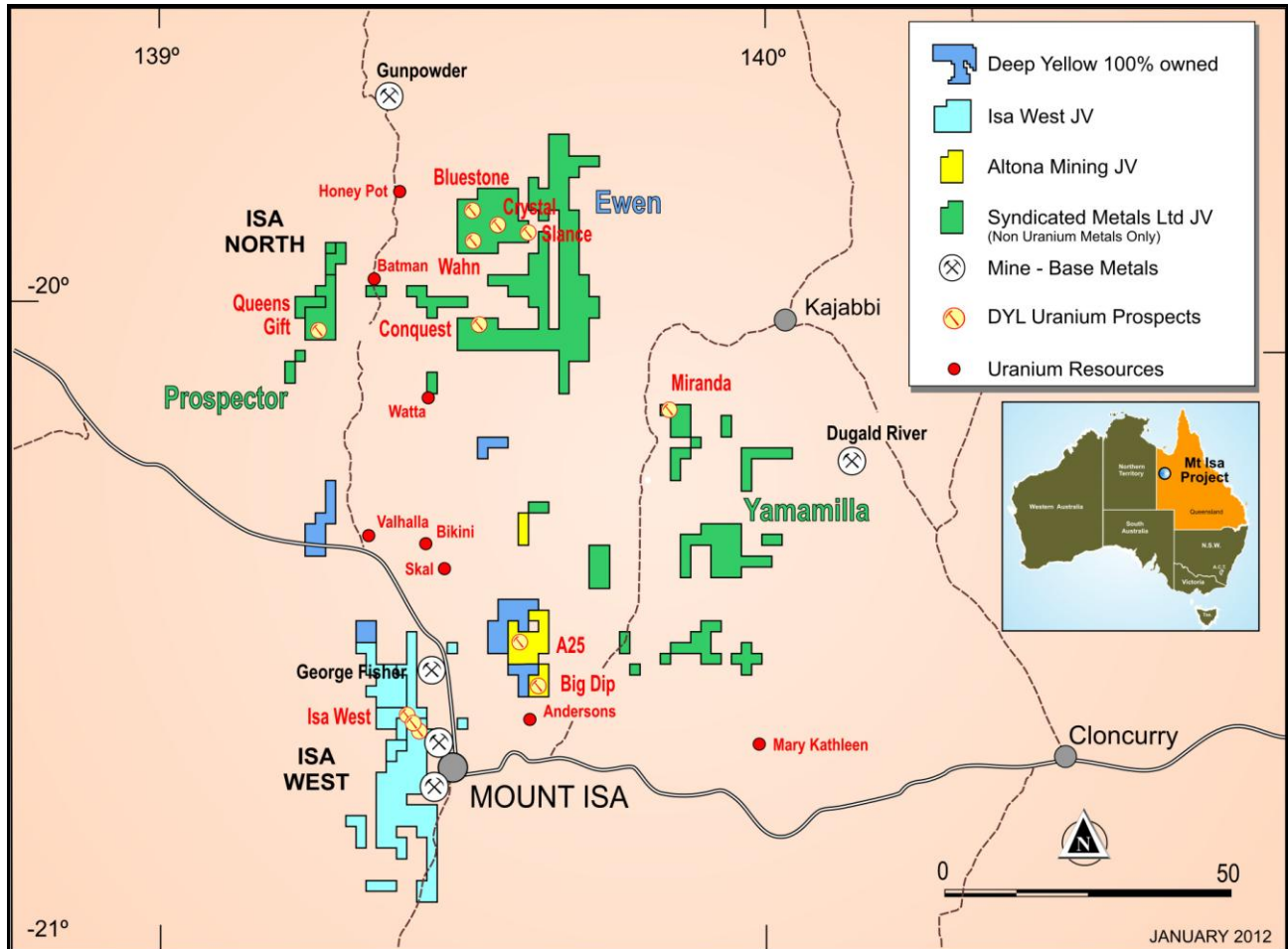
Napperby is included within the highly prospective Tanami - Arunta uranium exploration province in which Deep Yellow holds approximately 26,824 km² in tenements made up of 100% rights to uranium on ABM Resources tenements covering 17,843 km² and Napperby's 8,981 km² (Figure 3). The Company has an operational base in Alice Springs.

➤ Queensland

In Queensland, Deep Yellow's **Mount Isa District** tenement holdings cover ground that is held 100% and tenements subject to the Isa West Joint Venture with Xstrata (XTA.L - LSE) and the Leichhardt Joint Venture with Altona Mining (AOH - ASX).

During 2010-2011 in the Mount Isa District Deep Yellow built on the success of the previous year's programme which had seen a number of significant developments.

Following the release of Deep Yellow's maiden JORC Code Resource for the Mount Isa District in January 2010, the Company developed and implemented a number of drilling programs in the area aimed at delineating additional mineralization.



These programs largely focused on infill and deeper drilling to enhance the understanding and confidence in these resources.

Early July 2011, Deep Yellow announced results from a very successful exploration program on these tenements. The results, provided by Coffey Mining Pty Ltd, outlined a new, increased Indicated and Inferred JORC Code Mineral Resource for the region of **4.7 million tonnes at 460 ppm for 4.8 million pounds U3O8 at a 300 ppm cut-off**.

The results from the programs indicated zones of higher grade mineralization and extended all of the prospects to depth leading to an overall increase in the tonnage and average grade which has now been included in the updated Resource.

Drilling at all of the prospects also indicates that mineralization remains open to depth providing for further exploration upside potential.

As a result of the successful exploration program a new resource, the Citation Prospect, has been added to the Isa West Project.

Management

Mr Greg Cochran, Managing Director, has over 25 years' experience in international mining in commodities including gold, coal, base metals and uranium. He has held senior positions in various functions including projects, operations, finance and business development. Most recently he was CEO of Terramin Australia and prior to that he was Executive Vice President: Australia & Asia for Uranium One. At Uranium One Mr. Cochran led the establishment of a strong corporate and project team in South Australia, guided the Honeymoon mine through its permitting process and successfully established the Mitsui Uranium One Australia Joint Venture. In Asia he led the due diligence on Uranium One's C\$3.8 billion acquisition of UrAsia in 2007, was responsible for UrAsia's integration into Uranium One and managed the company's Kazakh joint venture interests. Mr. Cochran also worked for Mitsubishi Development whilst the earlier part of his career was spent with BHP Billiton and its predecessor companies in the Billiton stable.

Mr. Cochran is a professional engineer and holds a MSc. in Mining Engineering and Mineral Economics from the University of the Witwatersrand in Johannesburg and an MBA from Cranfield University in the UK. He also holds South African mine manager's certificates of competency for metalliferous and coal mines. Mr Cochran joined the Deep Yellow Board in January 2011.

Mr Martin Kavanagh, Executive Director, has worked widely within the exploration and mining industry throughout Australia and offshore in Indonesia and the Southwest Pacific regions. He is an exploration geologist with 37 years extensive experience acquired through fieldwork, research and management of Australia-wide and offshore programs.

Dr. Leon Pretorius, Managing Director Reptile Uranium Namibia, is a geochemist by training and brings to Icon Resources more than 25 years' experience as a director of several successful listed and privately held resources companies. He is currently a Director of Langer Heinrich Uranium, Paladin Energy's Namibian operating company and is Managing Director of Deep Yellow's Namibian operating Company, Reptile Uranium Namibia (Pty).

Mr Mervyn Greene, Chairman and Non-Executive Director, is an investment banker and entrepreneur who has worked in the US, Europe and Africa for more than 20 years. Between 1997 and 2005 he was the London based partner of Irwin Jacobs Greene (IJG), one of Namibia's premier stockbroking, private equity and corporate finance advisory firms. As part of its business IJG was involved in a number of capital raisings for Namibian State enterprises. Mr Greene has had broad experience in a range of corporate transactions both in Namibia and abroad and is involved in a non-executive capacity in a number of public and private businesses in Ireland and the UK. In the early stages of his career, before doing an MBA in the London Business School in 1992, he worked for Morgan Stanley in New York and London.

Ms Gillian Swaby, Non-Executive Director, has been involved in financial and corporate administration, as both Director and Company Secretary covering a broad range of industry sectors for over 25 years.

Ms Swaby is currently the Company Secretary of Paladin Resources and was a member of the Paladin Board for a period of 9 years. Ms Swaby is the principal of a corporate consulting company and past Chair of the Western Australia Council of Chartered Secretaries of Australia and a former Director on their National Board.

Mr Rudolf Brunovs, Non-Executive Director, is a former audit partner of the International Chartered Accounting firm Ernst & Young and practiced in a number of offices in Australia and overseas. For a total period of twelve years he held the position of Managing Partner of the Parramatta NSW and subsequently the Perth office of the firm. He was a member of the Minerals and Energy Division with Ernst & Young.

Mr Mark Pitts, Company Secretary, is a Chartered Accountant with over twenty years' experience in statutory reporting and business administration. He has been directly involved with, and consulted to a number of public companies holding senior financial management positions. Mr Pitts is a Partner in the advisory firm Endeavour Corporate that offers professional services focused on Company Secretarial support; corporate advice; supervision of ASIC and ASX reporting and compliance requirements; and commercial and financial support.

Finance

Deep Yellow currently has a net cash of approximately A\$7.5 million.

Paladin Energy (PDN – ASX), the successful developer and operator of the Langer Heinrich uranium project in Namibia and the Kayelekera uranium project in Malawi, is the Company's biggest shareholder with a 19.94% equity interest.

Investment recommendation:

Through its flagship Omahola Project in **Namibia**, Deep Yellow, is one of the world's top-10 uranium development and exploration companies. Its objective is to develop the Project and commence uranium production by 2015.

The Omahola Project has a total JORC compliant resource of 40.7 million pounds of U3O8 grading 413 ppm. The resource base has been increased to the extent that it could now be of suitable size to allow the development of a 2.2 million pounds U3O8 per annum operation with a minimum 12 year mine life.

Deep Yellow's exploration programs in Namibia are aimed at increasing its JORC Code compliant Mineral Resource inventory which currently totals 48.83 tonnes (107.4 million pounds) of U3O8.

On December 13, 2011, Deep Yellow announced that the MS7 Alaskite Deposit JORC compliant resource has more than doubled to 5.4 million tonnes at 470 ppm for 5.6 million pounds U3O8 at a 250 ppm cut-off.

Deep Yellow has also identified significant magnetite iron mineralisation at its Shiyela Iron Project in Namibia with core samples yielding high-grade magnetite (68-70% Fe) which could produce concentrate with very low impurities and no deleterious elements. Shiyela has the potential to rapidly become a standalone 2 million tonne per year iron export project and is located near existing infrastructure, including only 45 kilometres from the deep sea port of Walvis Bay.

On December 6, 2011, Deep Yellow announced a maiden JORC compliant Inferred resource estimate of 78.7 tonnes at 18.88% Fe.

Deep Yellow's near term objectives in Namibia are focused on testing the potential of a low capex, rapid development option for its Tubas Red Sand deposit as a standalone project, continuing its exploration efforts along the high grade INCA-Ongolo trend and completing a Scoping Study on its Shiyela Iron Project.

In **Australia**, Deep Yellow's major projects are its 100%-owned Napperby Uranium Deposit in the Northern Territory, with a 7.4 million pounds U3O8 Inferred resource (at a 200 ppm cut-off) and its Mount Isa District tenement holdings in Queensland with a 4.8 million pounds U3O8 Indicated and Inferred resource (at a 300 ppm cut-off).

With the Company to become one of the new generation of uranium producers by targeting to commence production by 2015, in our view, at today's depressed market valuation of A\$ 135.5 million, we consider the shares of Deep Yellow significantly undervalued.

Our next price objective remains at A\$ 0.50.