

DYL.AU

A\$ 0.445

15 June 2009
Uranium
Namibia, Australia (QLD,NT,SA,WA)
Advanced Exploration
Exchanges: ASX:DYL

Deep Yellow Limited

Cashed up DYL is on track for a >100mlb U₃O₈ resource in Namibia 3Q09 (current 46mlb). Further resource upside from high grade discoveries, Inca Deeps and Tumas buried palaeochannels. Our valuation is A\$0.50/share assuming 110mlb resource valued at modest ~US\$3.00/lb.

Capital Profile

Share price (A\$)	0.45
52 week range (A\$/share)	0.098 to 0.47
Number of shares (m)	1121
Options and warrants (m)	64.6
Convertible notes (m)	0
Fully diluted (m)	1186
Market capitalisation (undiluted) (A\$m)	499
Debt (A\$m) - Jun 09F	0.0
Enterprise value (A\$m)	498.9
Major shareholders: Paladin (19.3%), Robert Healy (9.3%) Leon Pretorius (6.5%)	
Avg monthly volume (m)	76
Cash (A\$m) - Jun 09F	46.2
Price/Cash (x)	10.8
Price/Book (x)	3.4
Listed company options:	No

Investment Points

DYL offers 100% exposure to uranium exploration - budget A\$12mpa. Resource drilling ~10,000m per month in Namibia, plus Australian exploration. Cash A\$47m.

Namibian Projects: JORC resource is now 46.4mlb U₃ from Tubas (38.8mlb) and Tumas (7.4mlb)

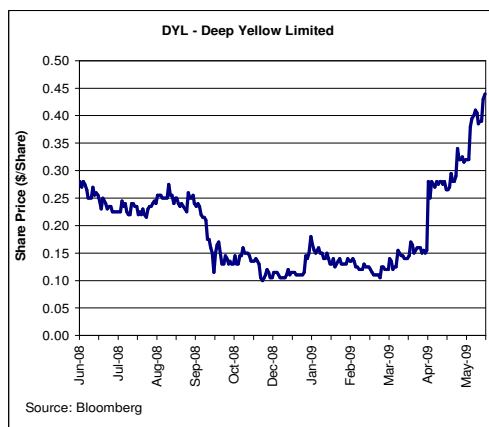
Further Namibian JORC resource statements imminent from three other deposits.

We expect major JORC resource upgrade to >100mlb U₃O₈ in 3Q09.

Inca Deeps major new high grade uraniferous magnetite discovery - current intensive resource drilling.

Further resource upside indicated from recent buried palaeochannel drilling (39m @ 1,254ppm).

Our med. term target is A\$0.50/share assuming an initial 110mlb Namibia resource is achieved.



Production and Financial Forecasts

YEAR END: June	Mar-09a	Jun-09F	2008a	2009F	2010F
Exploration and evaluation (A\$m)	1.83	2.10	9.56	13.83	12.00
Corporate (A\$m)	0.61	0.60	2.06	2.26	2.40
Exploration/(Expl.+ Corporate) (%)	75	78	82	86	83
Funding duration at current burn (years)			2.5	2.9	2.5
Shares on issue (pr end) (m shares)	1121	1121	1109	1121	1121
Drilling - RAB (m)	5,000	5,000	10,000	20,000	20,000
Drilling - Other/Diamond (m)	14,248	25,000	90,000	104,248	100,000
Land holding ('000 ha)	6,427	6,427	6,427	6,427	6,427
Tenement costs (\$k per year)	-	-	-	-	-
Capital raisings (A\$m)	0.0	0.0	42.4	1.0	0.0
Funding from JV partners (A\$m)	0.0	0.0	0.0	0.0	0.0
Cash (A\$m)	47.5	46.2	57.1	46.2	35.4
Cash backing (A\$/share)	4.2	4.1	5.1	4.1	3.2
Net asset backing (A\$/share)	13.1	13.0	14.0	13.0	12.1

Quarters refer to calendar year end.

Company Comment

Overview: Deep Yellow is a cashed-up uranium exploration and development company currently focused on advanced resource development projects in Namibia and Australia (QLD).

Namibia: DYL holds 100% of 2,681km² ~15km SW of PDN's Langer Heinrich mine. The Tumas-Tubas palaeochannel system is 80km length, only ~35km has been drilled by previous explorers and/or DYL to date. DYL has 7 rigs operating, mainly focused on resource definition. Most advanced is **Tubas** sedimentary uranium deposit. Mineralisation occurs from surface to 30m in zones up to 12m thick. Initial inferred JORC resource is 38.8mlb U₃O₈ (Nov 07). During 2008 intensive resource drilling proceeded on other deposits in the palaeochannel system: **Tumas, Aussinanis, Inca, Tumas Extensions** and **Tubas Red Sand**. A maiden JORC resource (7.4mlb U₃O₈) for Tumas (calcretised palaeochannel) was confirmed in 1Q09. Maiden JORC resource statements for **Aussinanis** and **Tubas Red Sand** are expected 3Q09. DYL has stated that the 2008 resource drilling has "exceeded expectations" and expects it to confirm a total 100-120mlb U₃O₈ Namibia resource. Resource upside has been enhanced by on-going intensive resource drilling in 1H09, focused on the discovery of a deep (~200m) continuous zone of massive high grade uraniferous magnetite at **Inca Deeps**, N of Tubas, below the previously drilled lower grade **Inca** mineralisation to 100m. Recent drilling (3 rigs) has confirmed consistently high grades and thickness (e.g. 12m @ 2,095ppm, 13m @ 1,576ppm). Mineralisation is open in all directions. Further drilling (4 rigs) is focused on the recently discovered buried palaeochannels between **Tumas and Oryx**, and **Oryx-Tubas**. DYL recently announced a spectacular intersection (39m @ 1,254ppm incl. 16m @ 2,969ppm) at **Tumas-Oryx** - confirming that buried palaeochannels identified by AEM could add substantially to resources.

Toro Energy JV: DYL's strategic position in Namibia will be enhanced by a new JV with Toro Energy (ASX:TOE) whereby DYL can earn 65% in 3 TOE EPL's all adjacent to DYL's Namibian tenements, for expenditure of A\$3.5m over 30 months. TOE's 3 EPL's are relatively unexplored, and have potential for buried palaeochannels (EPL 3668 - S of Langer Heinrich), magnetite-skarn mineralisation c.f Inca (EPL 3669 near Inca) and calcrete deposits (EPL 3670 near Aussinanis).

Isa West Project (QLD, Australia): (Xstrata JV; DYL can acquire 100 % U rights for total A\$10m spend). This project is now the main focus of Australian exploration. Results from RC drilling to test for mineralisation in multiple historic exploration targets and uranium anomalies have returned excellent high grade intercepts (e.g 55m @ 587ppm, 6m @ 1,950ppm). DYL believes this project is potentially a highly mineralised major uranium field adjacent to Xstrata's Mt Isa operations.

Other Australian Projects: DYL holds interests in >28,000 km² grass roots tenements in NT, QLD. Low priority, DYL is concentrating on advanced resource development. **Napperby (NT):** target 13mlb resource, current 7.4mlb. Toro Energy (ASX:TOE) is project operator and has option to purchase 100%, (scaled payment, min. ~A\$57m by Jul '10). Resource now 7.4mlb and scoping study out by end 2Q09.

Investment Comment: DYL's strong management and technical team is advancing its exploration projects in the Namibian uranium corridor to >100mlb resource status, with excellent prospects for additional resource upside. Isa West in QLD is emerging as a highly mineralised province with a steady flow of excellent results. Namibian big brother PDN (Langer Heinrich mine) holds 19.3% (avg. price 24.6c). Despite a recent run, the shares still look undervalued. Based on initial Namibia resource target of 110mlb and modest resource value of US\$3.00/lb, we can justify a medium term target of A\$0.50/share.

Reserves and Resources/Mineralised Material

Code for reporting mineral resources - Australian: (JORC)

Uranium (U ₃ O ₈)	Classification/ Geology	Project Equity	Ore Mt	Grade %	Cut Off ppm	Kt 0.0	Mlb 0.0	Mib 0.0
Reserves								
Resources								
Tubas	Inferred	100%	77.3	0.023	100	17.6	38.8	38.8
Tumas	Ind & Inf	100%	10.0	0.035	200	3.5	7.6	7.6
Total Resources			87.3	0.024		21.1	46.4	46.4
Mineralised Material (est., non compliant with JORC)								
Other Namibia: Oryx, Tumas, Aussinanis		100%	62.5	0.028	100	17.8	39.2	39.2

Note: Napperby project (Aust, NT) current resource is 7.4mlb U₃O₈. TOE is operator and has option to purchase 100%

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T McDonald (Non Exec)
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Key Projects

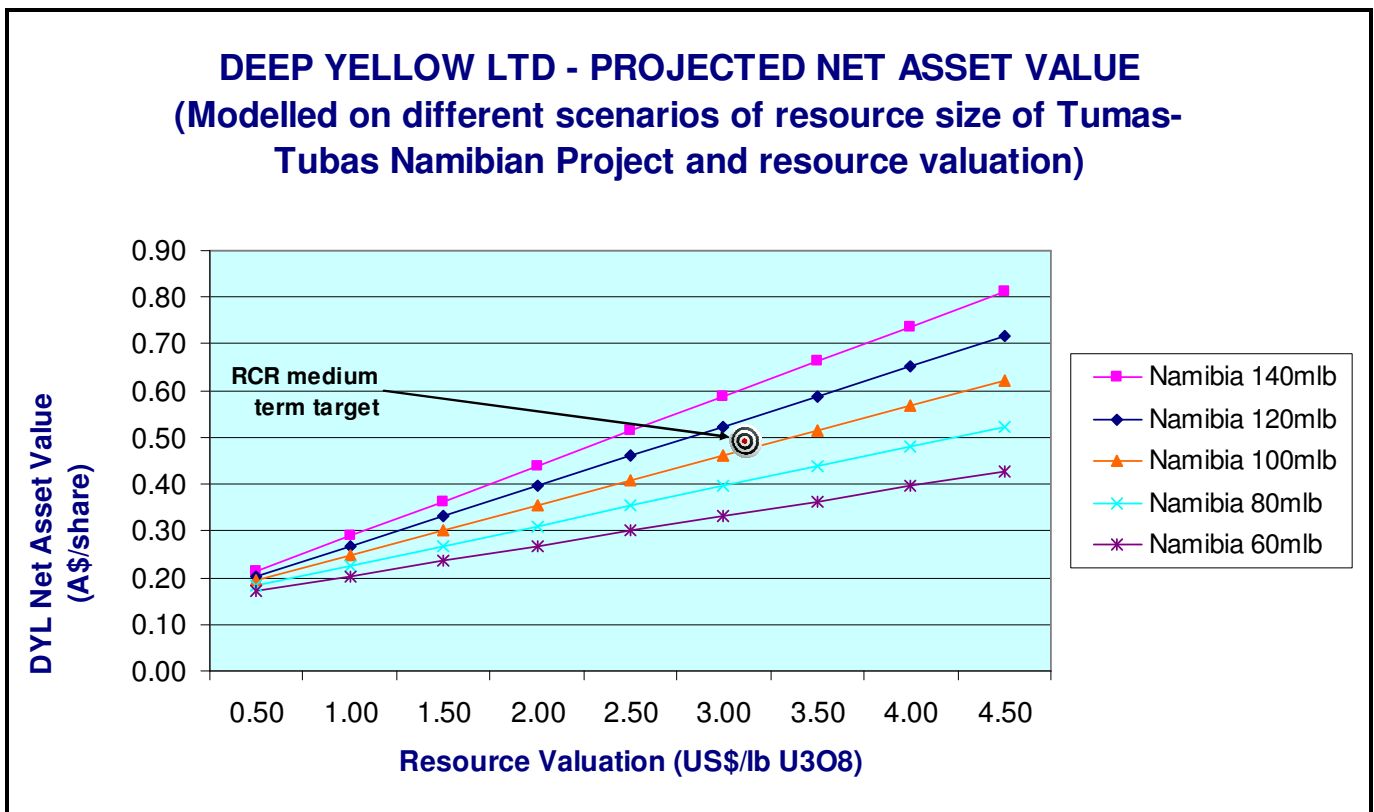
Project	Ownership/		JV Partner	Target Type	Process Route	Project	
	Option	Metal				Status	Location
Namibia*	100%	uranium	na	calcrete	na	Adv Expl.	Namibia
Toro JV	65%	uranium	TOE	calcrete	na	Mid Expl.	Namibia
Queens Gift	100%	uranium	na	Breccia	na	Mid Expl.	Aus (QLD)
Isa West JV	100%	uranium	Xstrata	Breccia	na	Early Expl	Aus (QLD)
Tanami-Arunta	100%	uranium	na	na	na	Early Expl	Aus (NT)
Napperby	100/0%	uranium	TOE	calcrete	conv.	PFS	Aus (NT)

* includes Tubas, Tumas, Oryx, Inca, Inca Deeps and Aussinanis sedimentary uranium projects.

We have run a DYL valuation model (see below) based on a Namibian resource target of 110mlb contained U₃O₈ and applied an overall resource valuation of US\$3.00/lb. Napperby project value is reflected in Toro Energy acquisition agreement payments (or return of project to DYL).

DEEP YELLOW VALUATION					
	Med. Term Target	Target	Target Price	Valuation Sensitivity	
	Uranium Resource (mlbs)	Uranium Valuation (US\$/lb)	A\$m	(Low) A\$m	(High) A\$m
Projects					
+ Namibia - Tubas-Tumas Project ^	110	3.00	418	278	557
+ Napperby (TOE Acquisition Agreement)*	13	-	57	25	77
+Isa West Project (highly mineralised province)			30	15	40
+Exploration (NT,QLD)			20	10	30
Sub Total			525	328	704.0
+ Cash (Jun 09)			46.2	46.2	46.2
+ Tax Losses			1.3	1.3	1.3
- Corporate			16.6	16.6	16.6
Sub Total			30.9	30.9	30.9
DYL NET ASSET VALUE (A\$m)			556	359	735
Capital Structure					
Shares (m)			1121.2	1121.2	1121.2
Fully Diluted Shares (m)			1185.8	1185.8	1185.8
DYL NET ASSET VALUE PER SHARE	:A\$/share		0.50	0.32	0.66
DYL NET ASSET VALUE DILUTED	:A\$/share fully diluted		0.50	0.33	0.65
<small>^ Initial resource target of 110mlb used (does not incl. Inca Deepes) *Napperby valuation based on TOE payment terms - Target = lower range of payment, High Valuation = upper range of payment, Low valuation assumes TOE hands Napperby back. Napperby payments due Jul 2010 or return of project to DYL</small>					

The chart below shows strong valuation leverage to increased Namibian resource size and perceived US\$/lb resource valuation benchmarks (which would increase with increased resource size, improved U₃O₈ prices and increased resource grades).



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