



# Deep Yellow Limited

ASX Announcement

ASX: DYL

9 March 2018

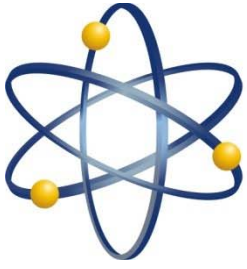
## 31 DECEMBER 2017 HALF YEAR FINANCIAL REPORT

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Attached please find Half Year Financial Report for the six months ended 31 December 2017.

Yours faithfully

**JOHN BORSHOFF**  
Managing Director/CEO  
Deep Yellow Limited



# Deep Yellow Limited

(ACN 006 391 948)

**HALF YEAR REPORT - 31 DECEMBER 2017**

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## Corporate Information

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### Board of Directors

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Rudolf Brunovs	Chairman (Non-executive)
John Borshoff	Managing Director
Mervyn Greene	Non-executive Director
Justin Reid	Non-executive Director
Gillian Swaby	Executive Director
Christophe Urtel	Non-executive Director

### Registered Office

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Unit 17, Spectrum Building  
100 Railway Road  
Subiaco Western Australia 6008  
Telephone: + 61 8 9286 6999  
Facsimile: + 61 8 9286 6969

### Company Secretary

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Mr Mark Pitts

### Postal Address

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PO Box 1770  
Subiaco Western Australia 6904

### Stock Exchange Listings

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Australian Securities Exchange (ASX)  
Namibian Stock Exchange (NSX)

### Auditor

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Ernst & Young  
11 Mounts Bay Road  
Perth Western Australia 6000

### Website Address

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[www.deeptyellow.com.au](http://www.deeptyellow.com.au)

### ASX and NSX Code

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DYL

### Share Registry

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Computershare Investor Services Pty Limited  
Level 2, Reserve Bank Building  
45 St George's Terrace  
Perth Western Australia 6000  
Telephone: 1300 557 010  
Facsimile: +61 8 9323 2033

### Australian Business Number

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97 006 391 948

## Directors' Report

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The Directors of Deep Yellow Limited ("Company") submit herewith the financial report of the Company and its subsidiaries (the Group) for the half-year ended 31 December 2017. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

### Directors

The names of the Company's directors in office during or since the end of the half-year are set out below. Directors were in office for this entire period unless otherwise stated.

Rudolf Brunovs	Chairman (Non-Executive)
John Borshoff	Managing Director
Mervyn Greene	Non-Executive Director
Justin Reid	Non-Executive Director
Gillian Swaby	Executive Director
Christophe Urtel	Non-Executive Director

### Review and results of operations

#### Overview

Activities for the 6-month period to 31 December 2017 concentrated on the Company's Namibian projects with the following focus:

- Enhancing the uranium resource base over the Reptile Project with the objective of achieving an exploration target<sup>1</sup> of 100 to 150Mlb U<sub>3</sub>O<sub>8</sub> in the grade range 300 to 500ppm U<sub>3</sub>O<sub>8</sub> for calcrete style deposits; and
- Defining specific exploration targets over the Nova JV Project searching for basement-alaskite associated mineralisation (Rössing/Husab style deposits) and surficial-calcrete style mineralisation (Langer Heinrich style deposits).

<sup>1</sup> *The Company acknowledges that 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 report. Additional exploration is planned, however it is uncertain if this will result in the estimation of an expanded Mineral Resource. From the review and evaluation of calcrete associated mineralisation already identified on the Company's tenements, which commenced in the December 2016 Quarter, and the successful exploration carried out since that time, the Company has a greater understanding of the stratigraphy of the palaeochannels which host mineralisation. This work has 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 the past 10 years in this region. The Exploration Targets are planned to be tested over the next 12 to 24 months by an exploration program including geophysical field work and drill testing of targeted areas.*

#### Namibian Assets

##### Reptile Project (EPLs 3496 and 3497)

The first pass drilling program involving 10,545m was completed at Tumas 3 in July 2017. This identified uranium mineralisation over a strike length of 4.4km open to the west and east. Overall drilling success rate of the program was high with 284 out of 400 holes returning mineralisation > 100ppm eU<sub>3</sub>O<sub>8</sub> over 1m. The mineralisation is calcrete associated and hosted in palaeochannels, similar to the Langer Heinrich uranium mine located 30km to the north east.

A maiden inferred resource was announced in September 2017 for the Tumas 3 discovery returning an impressive maiden inferred mineral resource estimate of 23.5Mlb at a grade of 382ppm eU<sub>3</sub>O<sub>8</sub>. This achieved 5.34Mlb/km of uranium mineralisation, exceeding the original 3-5Mlb/km expectations. These additional resources contributed a significant improvement to the existing palaeochannel related mineral resource base and significantly advanced the project toward achieving the stated objective of achieving 100 to 150Mlb U<sub>3</sub>O<sub>8</sub> when all targets are tested. Tumas 3 remains open and results confirm the high prospectivity of the 125km of palaeochannel target that has been delineated, of which 100km remains to be tested.

## Directors' Report

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Further drilling was carried out at Tumas 3 in December 2017 to test for extension of the mineralisation identified from the previous drilling. This follow-on drilling on broad 400mx100m spacing east and west of Tumas 3 extended the mineralised zone from 4.4km to 7.2km. Drill assays indicate the extension area will add to the current Tumas 3 inferred resource base. 27 of 62 holes drilled for 1,878m returned mineralisation > 100ppm U<sub>3</sub>O<sub>8</sub> over 1m.

In August the Company was advised by the Minister of Mines and Energy ("MME") of his preparedness to renew Exclusive Prospecting Licences 3496 and 3497 for a further two years until 5 June 2019. The renewal was subsequently confirmed.

### *Nova JV Project (EPLs 3669 and 3670)*

Following extensive ground verification work involving geological mapping and application of various geophysical surveys a 7,500m drill program was commenced to test some of the target areas that were identified. All work on this project is fully funded by JOGMEC as part of their obligation to spend AUD4.5M within 4 years to earn the right to a 39.5% equity interest in the project.

The first pass exploration scout drilling campaign of 7,490m of RC and diamond drilling was completed on EPLs 3669 and 3670 in December 2017. Targets included uranium mineralisation in surficial calcrete type within palaeochannels and alaskite and skarn type in basement rocks. This work identified greater than 100ppm eU<sub>3</sub>O<sub>8</sub> calcrete uranium mineralisation in a newly delineated palaeochannel. The mineralisation at the Namaqua prospect occurs in 3 adjacent holes with an average thickness of 3.5M grading 220ppm eU<sub>3</sub>O<sub>8</sub>. The mineralisation has no surface expression and is located in a previously unknown palaeochannel. This significantly upgrades regional prospectivity of the palaeochannels occurring in the Nova JV project area and adds another 70km of untested palaeochannels.

This drilling also identified anomalous zones at Cape Flats, Speke's, Bowsprit and Barking Gecko where 24 of 37 drill holes testing basement targets intersected narrow uranium mineralisation in alaskite granites or skarn type lithologies and requires follow-up work.

### *Uranium Market Outlook*

The annual World Nuclear Association (WNA) symposium was held in London in September 2017 and WNA released their biennial Nuclear Fuel Supply Report providing various scenarios for demand and supply availability 2017-2035. The current uranium oversupply situation was confirmed by this study with the supply shortage predicted to start in the early 2020s, suggesting continued weak uranium prices.

Cuts in production by both Cameco and Kazatomprom, as announced in the December 2017 quarter, has not had the desired effect in terms of influencing significant upward movement of the uranium spot price. The supply industry is in a non-sustainable situation and other catalysts will be needed to stimulate buying interest in the long-term market from the nuclear utilities.

### *Share capital*

During the 6-month period ending 31 December 2017 the following issues have been made:

- Shares to employees in relation to vested Performance Share Rights;
- Loan Plan shares to two Executive Directors; and
- Performance Share Rights to Namibian employees as part of an incentive program.

### Competent Person's Statement

#### Exploration Results and Mineral Resource Estimate:

The information in this report that relates to Exploration Results, Mineral Resource Estimates and Exploration Targets, is based on information compiled by Mr. Martin Hirsch, M.Sc. Geology, who is a member of the Institute of Materials, Minerals and Mining (UK) and the South African Council for Natural Science Professionals. Mr. Hirsch, who is the Exploration Manager for Reptile Mineral Resources and Exploration (Pty) Ltd (RMR – the Manager), 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 in terms of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code 2012 Edition). Mr. Hirsch consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. Mr Hirsch holds shares and performance share rights in the Company.

#### *Results of operations*

Exploration expenditure for the half-year was \$563,034 (December 2016: \$619,119).

Consolidated loss from continuing operations after income tax for the half-year was \$1,237,355 (December 2016: \$1,342,928). Included in the total expenses of \$1,437,797 (December 2016: \$1,417,694) for the period are exploration costs written-off to the amount of \$7,653 (December 2016: \$15,379).

#### *Equity*

Issued share capital increased by \$68,395 during the period, excluding capital raising costs. The increase relates to the issue of shares to employees in relation to the vesting of Performance Share Rights.

#### Auditor's Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 5 and forms part of this Directors' Report for the half year ended 31 December 2017.

Signed in accordance with a resolution of the Board of Directors.



**John Borshoff**

Managing Director

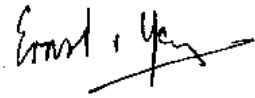
Dated this day 9 March 2018

## Auditor's Independence Declaration to the Directors of Deep Yellow Limited

As lead auditor for the review of Deep Yellow Limited for the half-year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Deep Yellow Limited and the entities it controlled during the financial period.



Ernst & Young



Robert A Kirkby  
Partner  
9 March 2018



Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income  
For the Half Year Ended 31 December 2017

	Notes	Consolidated	
		31 December 2017 \$	31 December 2016 \$
Interest revenue		120,649	24,369
Other income	3	79,793	50,755
<b>Revenue and other income</b>		<b>200,442</b>	<b>75,124</b>
Depreciation and amortisation expenses	3	(36,120)	(17,227)
Marketing expenses		(92,908)	(12,554)
Occupancy expenses		(72,852)	(30,355)
Administrative expenses		(794,141)	(647,888)
Employee expenses	3	(434,123)	(694,291)
Exploration costs written off	8	(7,653)	(15,379)
<b>Loss before income tax</b>		<b>(1,237,355)</b>	<b>(1,342,570)</b>
Income tax expense	3	-	(358)
<b>Loss for the period after income tax</b>		<b>(1,237,355)</b>	<b>(1,342,928)</b>
<b>Other comprehensive income, net of income tax</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation profit		1,250,187	3,922,440
<b>Other comprehensive profit for the period, net of tax</b>		<b>1,250,187</b>	<b>3,922,440</b>
<b>Total comprehensive profit for the period, net of tax</b>		<b>12,832</b>	<b>2,579,512</b>
		Cents	Cents
Loss per share attributable to the ordinary equity holders of the Company			
Basic loss per share		(0.65)	(1.19)
Diluted loss per share		(0.65)	(1.19)

The accompanying notes form part of these financial statements

Interim Consolidated Statement of Financial Position  
As at 31 December 2017

	Notes	Consolidated	
		31 December 2017 \$	30 June 2017 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	3,458,083	14,959,841
Trade and other receivables	6(a)	9,695,325	443,115
Other assets	6(b)	150,374	185,149
<b>Total Current Assets</b>		<b>13,303,782</b>	<b>15,588,105</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	7	608,220	547,797
Deferred exploration expenditure	8	29,805,851	28,181,518
<b>Total Non-Current Assets</b>		<b>30,414,071</b>	<b>28,729,315</b>
<b>Total Assets</b>		<b>43,717,853</b>	<b>44,317,420</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables		351,442	612,925
<b>Total Current Liabilities</b>		<b>351,442</b>	<b>612,925</b>
<b>Total Liabilities</b>		<b>351,442</b>	<b>612,925</b>
<b>Net Assets</b>		<b>43,366,411</b>	<b>43,704,495</b>
<b>Equity</b>			
Issued capital		238,644,439	239,065,259
Accumulated losses		(191,007,873)	(189,770,518)
Employee equity benefits reserve		10,844,329	10,774,425
Foreign currency translation reserve		(15,114,484)	(16,364,671)
<b>Total Equity</b>		<b>43,366,411</b>	<b>43,704,495</b>

The accompanying notes form part of these financial statements

**Interim Consolidated Statement of Changes in Equity**  
**For the Half Year Ended 31 December 2017**

	Issued capital \$	Accumulated losses \$	Employee equity benefits reserve \$	Foreign currency translation reserve \$	Total Equity \$
<b>At 1 July 2017</b>	239,065,259	(189,770,518)	10,774,425	(16,364,671)	43,704,495
Loss for the period	-	(1,237,355)	-	-	(1,237,355)
Other comprehensive income	-	-	-	1,250,187	1,250,187
Total comprehensive (loss)/income for the period	-	(1,237,355)	-	1,250,187	12,832
Transactions with owners in their capacity as owners:					
Issue of share capital	-	-	-	-	-
Capital raising costs	(489,215)	-	-	-	(489,215)
Vesting of Performance Share Rights	68,395	-	(68,395)	-	-
Performance Share Rights expensed	-	-	23,583	-	23,583
Share-based payments	-	-	114,716	-	114,716
<b>At 31 December 2017</b>	<b>238,644,439</b>	<b>(191,007,873)</b>	<b>10,844,329</b>	<b>(15,114,484)</b>	<b>43,366,411</b>

	Issued capital \$	Accumulated losses \$	Employee equity benefits reserve \$	Foreign currency translation reserve \$	Total Equity \$
<b>At 1 July 2016</b>	222,055,441	(161,726,145)	10,442,849	(19,829,289)	50,942,856
Loss for the period	-	(1,342,928)	-	-	(1,342,928)
Other comprehensive income	-	-	-	3,922,440	3,922,440
Total comprehensive (loss)/income for the period	-	(1,342,928)	-	3,922,440	2,579,512
Transactions with owners in their capacity as owners:					
Issue of share capital	2,167,853	-	-	-	2,167,853
Capital raising costs	(83,743)	-	-	-	(83,743)
Vesting of Performance Share Rights	192,530	-	(192,530)	-	-
Performance Share Rights expensed	-	-	279,031	-	279,031
Share-based payments	119,391	-	-	-	119,391
<b>At 31 December 2016</b>	<b>224,451,472</b>	<b>(163,069,073)</b>	<b>10,529,350</b>	<b>(15,906,849)</b>	<b>56,004,900</b>

The accompanying notes form part of these financial statements

Interim Consolidated Statement of Cash Flows  
For the Half Year Ended 31 December 2017

	Notes	Consolidated	
		31 December 2017 \$	31 December 2016 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(1,213,137)	(773,666)
Interest received		26,462	17,375
Research and development tax incentive		-	44,730
Other receipts		-	6,025
Tax paid in foreign jurisdiction		-	(358)
<b>Net cash flows used in operating activities</b>		<b>(1,186,675)</b>	<b>(705,894)</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(82,626)	(18,915)
Payments for exploration expenditure		(1,795,402)	(693,808)
Proceeds on disposal of security deposits		-	40,532
Other (JOGMEC earn-in contribution)		934,362	-
<b>Net cash flows used in investing activities</b>		<b>(943,666)</b>	<b>(672,191)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		-	2,167,852
Capital raising costs		(489,216)	(83,743)
<b>Net cash flows from financing activities</b>		<b>(489,216)</b>	<b>2,084,109</b>
Net increase/(decrease) in cash held		(2,619,557)	706,024
Net foreign exchange difference		117,799	116,014
Cash and cash equivalents at the beginning of the period		14,959,841	1,579,488
<b>Cash and cash equivalents at the end of the period</b>	5	<b>12,458,083</b>	<b>2,401,526</b>

The accompanying notes form part of these financial statements

### Note 1 Corporate information

The interim condensed consolidated financial statements of Deep Yellow Limited and its subsidiaries (collectively, the Group) for the half year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Directors on 8 March 2018, subject to minor changes.

Deep Yellow Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded. The Group's principal activities are uranium mineral exploration activities in Namibia.

### Note 2 Basis of preparation and changes to the Group's accounting policies

#### *Basis of preparation*

The interim condensed consolidated financial statements for the half year ended 31 December 2017 have been prepared in accordance with IAS 34 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim condensed consolidated financial statements do not include all the information and disclosures normally included within the annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the annual financial statements.

It is recommended that the interim condensed consolidated financial statements be read in conjunction with the Group's annual financial statements for the year ended 30 June 2017 and considered together with any public announcements made by Deep Yellow Limited during the half year ended 31 December 2017 in accordance with the continuous disclosure obligations of the ASX listing rules.

#### *New standards, interpretations and amendments adopted by the Group*

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2017.

Deep Yellow Limited has elected not to adopt any new standards or amendments that have been issued but are not yet effective.

Note 3 Income and expenses

	Consolidated	
	31 December 2017 \$	31 December 2016 \$
<b>Loss for the period includes:</b>		
<b>Other income</b>		
Rental and sundry income	79,793	6,025
Research and development tax incentive	-	44,730
	<u>79,793</u>	<u>50,755</u>
<b>Depreciation expense</b>		
Office equipment	12,707	5,392
Vehicles	924	-
Site equipment	10,721	-
Buildings	11,768	11,835
	<u>36,120</u>	<u>17,227</u>
<b>Employee expenses</b>		
Wages, salaries and fees	300,880	401,548
Superannuation	9,551	29,721
Share-based payments	123,692	263,022
	<u>434,123</u>	<u>694,291</u>
<b>Income Tax</b>		
The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings.		
<b>Numerical reconciliation between aggregate tax expense recognised in the Statement of Profit and Loss and Other Comprehensive Income and the tax expense calculated per the statutory income tax rate</b>		
Loss before income tax	(1,237,355)	(1,342,570)
Prima facie tax on result at 30% (2016: 30%)	(371,207)	(402,771)
Effect of tax rates in foreign jurisdictions	70,220	53,923
Non-deductible share-based payment expense	34,572	78,907
Under-provision in prior year	-	(358)
Carry forward tax losses not brought to account	263,180	265,767
Non-assessable income: Research and development incentive	-	(13,419)
Other	3,235	17,593
Income tax expense recognised in Statement of Profit and Loss and Other Comprehensive Income	-	(358)

## Notes to the Financial Statements for the Half Year ended 31 December 2017

### Note 4 Operating segment information

The following tables present revenue and profit information for the Group's operating segments for the half years ended 31 December 2017 and 2016, respectively.

	Australia \$	Namibia \$	Total \$
<b>Half Year Ended 31 December 2017</b>			
<b>Revenue</b>			
Other income	-	79,793	79,793
Unallocated			
Interest income			120,649
Total revenue			200,442
<b>Results</b>			
Pre-tax segment profit and loss	(1,161,104)	(196,900)	(1,358,004)
Unallocated			
Interest income			120,649
Loss from continuing operations after income tax			(1,237,355)

	Australia \$	Namibia \$	Total \$
<b>Half Year Ended 31 December 2016</b>			
<b>Revenue</b>			
Other income	6,000	25	6,025
Unallocated			
Interest income			24,369
Research and development tax incentive			44,730
Total revenue			75,124
<b>Results</b>			
Pre-tax segment profit and loss	(1,268,355)	(143,314)	(1,411,669)
Unallocated			
Interest income			24,369
Research and development tax incentive			44,730
Income tax expense			(358)
Loss from continuing operations after income tax			(1,342,928)

## Notes to the Financial Statements for the Half Year ended 31 December 2017

### Note 4 Operating segment information (cont.)

The following tables present assets information for the Group's operating segments as at 31 December 2017 and 30 June 2017, respectively.

	Australia \$	Namibia \$	Total \$
<b>Half Year Ended 31 December 2017</b>			
<b>Segment Assets</b>			
Segment operating assets	162,907	30,401,538	30,564,445
Unallocated assets			
Cash			3,458,083
Receivables			9,695,325
Total assets			<u>43,717,853</u>

	Australia \$	Namibia \$	Total \$
<b>Year Ended 30 June 2016</b>			
<b>Segment Assets</b>			
Segment operating assets	197,200	28,717,264	28,914,464
Unallocated assets			
Cash			14,959,841
Receivables			443,115
Total assets			<u>44,317,420</u>

#### *Adjustments and eliminations*

The following items and associated assets are not allocated to individual segments as the underlying instruments are managed on an overall group basis:

- Interest income
- Taxes
- Cash
- Receivables
- Liabilities are not allocated to the segments as they are not monitored by the executive management team on a segment by segment basis

### Note 5 Current assets – cash and cash equivalents

	31 December 2017 \$	Consolidated 30 June 2017 \$	31 December 2016 \$
Cash at bank and in hand	3,458,083	14,959,841	1,401,526
Short term deposits	-	-	1,000,000
<b>Total cash and cash equivalents</b>	<u>3,458,083</u>	<u>14,959,841</u>	<u>2,401,526</u>



## Notes to the Financial Statements for the Half Year ended 31 December 2017

### Note 5 Current assets – cash and cash equivalents (Cont'd)

(a) For the purpose of the cashflow statement, cash and cash equivalents at the end of the year comprise:

	Consolidated		
	31 December 2017	30 June 2017	31 December 2016
	\$		\$
Cash and cash equivalents	3,458,083	14,959,841	2,401,526
Other short term bank deposits (Note 6)	9,000,000	-	-
Balance per Statement of Cash Flows	<u>12,458,083</u>	<u>14,959,841</u>	<u>2,401,526</u>

### Note 6 Current assets – trade and other receivables

	Consolidated	
	31 December 2017	30 June 2017
	\$	\$
(a) Receivables		
GST recoverable	179,621	218,673
Other receivables	515,704	224,442
Other short term bank deposits	9,000,000	-
	<u>9,695,325</u>	<u>443,115</u>
(b) Other assets		
Bonds	100,971	123,042
Prepayments	49,403	62,107
	<u>150,374</u>	<u>185,149</u>

### Note 7 Property, Plant and equipment

There had been no significant acquisitions or disposals of assets for the half year ended 31 December 2017.

### Note 8 Deferred exploration expenditure

	Consolidated		
	31 December 2017	30 June 2017	31 December 2016
	\$	\$	\$
Cost brought forward at the start of the reporting period	28,181,518	53,390,163	49,039,393
Exploration expenditure incurred during the period at cost	563,034	680,812	619,119
Exchange adjustment	1,068,952	(452,466)	3,747,030
Exploration expenditure written-off	(7,653)	(25,436,991)	(15,379)
Cost carried forward at the end of the reporting period	<u>29,805,851</u>	<u>28,181,518</u>	<u>53,390,163</u>

Exploration expenditure written-off relates to Namibian assets for which the expenditure is not expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale.

**Note 9 Share-based payments**

*(a) Performance Share Rights*

On 14 December 2017 235,525 Performance Share Rights were granted to employees under the Deep Yellow Limited Awards Plan (Awards Plan). Performance Share Rights were granted under the Awards Plan for no consideration. The rights vest if certain time measures are met in the measurement period. If these time measures are not met, the rights lapse. The fair value of the rights granted is estimated to be the share price of Deep Yellow Ltd at the date of acceptance. The contractual life of each granted right is 15 years with a vesting period of 77 days to 1 March 2018. There is no cash settlement for the rights. The fair value of rights granted during the six months ended 31 December 2017 was estimated on the date of acceptance using an underlying security spot price of \$0.33.

The weighted average fair value of the Performance Share Rights granted during the six-month period was \$0.33 (year ended 30 June 2017: no Performance Share Rights granted). For the six months ended 31 December 2017, the Group has recognised an expense of \$8,976 in the Consolidated Statement of Comprehensive Income (30 June 2017: write back of \$57,328).

*(b) Loan Plan Shares*

On 6 December 2017, 2,250,000 shares were granted to the Executive Directors under the Deep Yellow Limited Share Loan Plan (Share Plan). The Share Plan rewards and incentivises employees (including Directors who are employees of the Company) and contractors (participant), where shareholder approval has been granted, through an arrangement where participants are offered shares subject to long term performance conditions. The shares are offered at market value such that the incentive is linked to the increase in value over and above the purchase price and so aligns the participants to the risks and rewards of a shareholder. The purchase price payable by the participant for the ordinary shares is lent to the participant under an interest free limited recourse loan, with the loan secured against the shares. The loan can be repaid at any time, however, the loan must be repaid on the earlier of 10 years after the issuance of the shares and the occurrence of:

- a) in the case of vested shares, the date being 12 months after cessation of employment or service contract for any reason; or
- b) pre-determined occurrences as per the Share Plan including but not limited to a Control Event or material breach by the Participant.

The shares vest if certain Company share price targets are met and the holder of the awards remains employed with the Company during the measurement period. If these conditions are not met the shares are forfeited and the forfeited shares are treated as full consideration for the repayment of the loan. A participant may not trade shares acquired under the Plan until the shares have vested, any imposed dealing restrictions have ended and the limited recourse loan in respect to those shares has been paid in full. The fair value at grant date is estimated using a Black Scholes option pricing model for shares with non-market based vesting conditions and a Monte-Carlo model for those with market based vesting conditions. The fair value of shares granted during the six month period ended 31 December 2017 was estimated on the date of grant using the following assumptions:

Dividend yield (%)	Zero
Expected volatility (%)	125.00
Risk free interest rate (%)	2.51
Expected loan term (years)	10.00
Share price at valuation date (\$)	0.31

The weighted average fair value of the shares granted during the six month period was \$0.24 (year ended 30 June 2017: \$0.17)

For the six months ended 31 December 2017, the Group has recognised \$114,716 of loan plan share expense in the Statement of Profit or Loss (31 December 2015: \$336,231).

**Note 10 Contingent assets and liabilities**

There were no material contingent assets or liabilities as at 31 December 2017.

**Note 11 Events after the reporting date**

No event or circumstance has arisen since 31 December 2017 that would require disclosure in the financial report.

### Note 12 Dividends

No dividends were paid or proposed for the six months ended 31 December 2017 or 31 December 2016.

### Note 13 Key Management Personnel disclosures

There had been no significant change to transactions with and/or compensation to Key Management Personnel since the end of the last annual reporting period, except for:

#### *Loans to Key Management Personnel*

Loans to the value of \$486,000 and \$243,000 were provided to Mr Borshoff and Ms Swaby respectively to enable the acquisition of Loan Plan Shares under the Deep Yellow Limited Loan Share Plan. The loan was approved by shareholders at the 2017 AGM.

There were no other loans made to any Director or Key Management Personnel or any of their related entities during the reporting period.

#### *Other Transactions with Key Management Personnel*

Mr Borshoff continued to provide services to the Group through Scomac Management Services Pty Ltd ("Scomac") as described in the 2017 Financial Report. During the reporting period Scomac billed the Company \$588,922, inclusive of GST and on-costs, for technical and geological services rendered by him and other Scomac personnel on normal commercial terms and conditions.

Ms Swaby continued to provide services to the Group through Strategic Consultants Pty Ltd ("Strategic") as described in the 2017 Financial Report. During the reporting period Strategic billed the Company \$115,489, inclusive of GST, for consultancy services on normal commercial terms and conditions.

There were no other transactions with any Director or Key Management Personnel or any of their related entities during the reporting period.

## Directors' Declaration

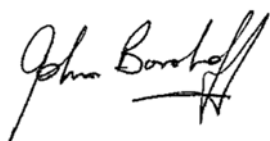
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In accordance with a resolution of the Directors of Deep Yellow Limited ('the Company'), I state that:

In the opinion of the Directors:

1. The financial statements and notes of the consolidated entity for the half year ended 31 December 2017 are in accordance with the *Corporations Act 2001*, including:
  - a. giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half year ended on that date; and
  - b. complying with Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board of Directors.



**John Borshoff**  
Managing Director  
Dated this day 9 March 2018

# Independent auditor's review report to the members of Deep Yellow Limited

## Report on the half-year financial report

### Conclusion

We have reviewed the accompanying half-year financial report of Deep Yellow Limited (the Company) and its subsidiaries (collectively the Group), which comprises the interim consolidated statement of financial position as at 31 December 2017, the interim consolidated statement of profit or loss and other comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

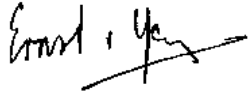
### Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Deep Yellow Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Ernst & Young



Robert A Kirkby  
Partner  
Perth  
9 March 2018