DEEP YELLOW LIMITED
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31 July 2006

The Company Announcements Officer
Australian Stock Exchange Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

By e-Lodgement

Dear Sir/Madam

QUARTERLY REPORT
FOR PERIOD ENDING 30 JUNE 2006

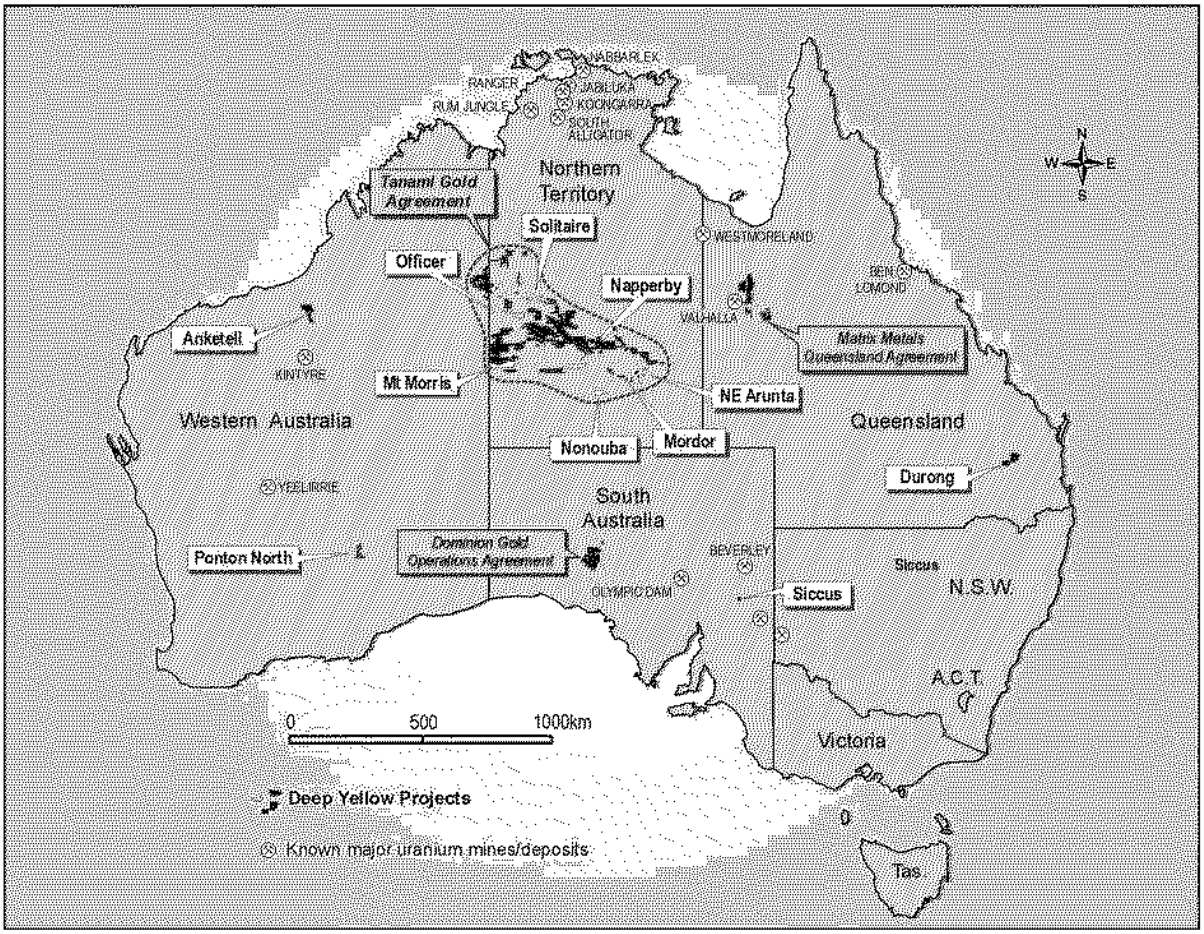
HIGHLIGHTS

During the Quarter positive assay results were received from drilling at Napperby and from rock chip samples collected in the Mt Isa district. These field activities together with further tenement applications continue to highlight the value of the Company's uranium experienced technical team:

- **At Napperby 147 out of a 250-hole detail drilling programme has been completed on 50 x 50 m centres within an area of 1,000 x 600 m**
- **Numerous one metre intersections of plus 1,000 ppm (0.1%) U_3O_8 have been returned from XRF chemical analysis of the first 68 holes at Napperby**
- **At the Lochness Project northeast of Mt Isa mapping confirms the presence of uranium mineralisation related to a large airborne radiometric anomaly. Drilling is planned for September.**
- **Rock chip sampling of the Miranda Project northeast of Mt Isa previously drilled by CRA returns values up to 9,640 ppm (0.964%) U_3O_8. Drilling planned for September.**

EXPLORATION ACTIVITIES

Deep Yellow's Australian Projects



Napperby Project (100% Northern Territory)

Drilling at the Napperby Project as follow up to the previously announced successful trenching programme (ASX 27th April 2006) commenced on 7th June 2006 (ASX 7th June 2006).

A Piling / Auger Rig drilling large (60 cm) diameter holes to maximum 10 m depth is being used to ensure perfect sample recovery and visual evaluation of the host lithologies and distribution of carnotite ($K_2(UO_2)_2(VO_4)_2.3H_2O$) mineralisation. These holes are being drilled on 50 x 50 m centres within an area of 1,000 x 600 m.

Samples are collected each 50 cm from surface and a composite for each metre is submitted for XRF powder analysis.

The results from the first 68 holes of this 250-hole drilling programme have been received and composite values for intersections containing in excess of 100 ppm U_3O_8 using a 100 ppm U_3O_8 cut-off are listed in Table 1.

Clearly this ongoing programme of resource drilling indicates the existence of a near surface higher grade mineralised channel within the broad envelope of low-grade uranium mineralisation outlined by previous explorers over an area of 14 by 4 km at Napperby.

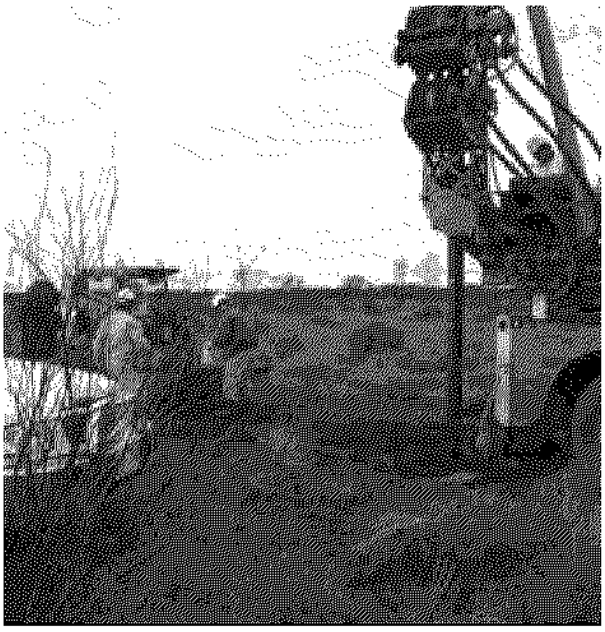
Table 1: Composite chemical assay values using a 100 ppm U_3O_8 cut-off

Hole	From (m)	To (m)	Interval (m)	U_3O_8 (ppm)
1	3	8	5	359
2	3	6	3	565
3	5	7	2	155
4	4	7	3	138
5	3	5	2	102
6	4	5	1	169
7	2	6	4	261
8	3	7	4	204
9	5	7	2	328
10	4	7	3	424
11	4	8	4	500
12	4	8	4	234
13	6	7	1	290
14	5	7	2	130
15	3	6	3	332
16	-	-	-	-
17	4	7	3	270
18	3	6	3	1,290
19	1	4	3	268
20	3	4	1	291
21	4	7	3	188
22	5	7	2	225
23	3	7	4	225
24	4	7.5	3.5	170
25	4	7	3	341
26	5	7	2	193
27	4	7	3	930
28	4	6	2	290
29	3	7	4	328
30	3	8	5	893
31	4	8	4	210
32	4	8	4	307
33	3	8	5	335
34	3	8	5	264
35	3	8	5	328
36	5	7	2	956
37	3	8	5	360
38	4	7	3	226
39	4	6	2	191
40	3	8	5	359
41	1	8	7	203
42	0	8	8	278
43	3	9	6	436
44	3	8	5	262
45	4	9	5	407

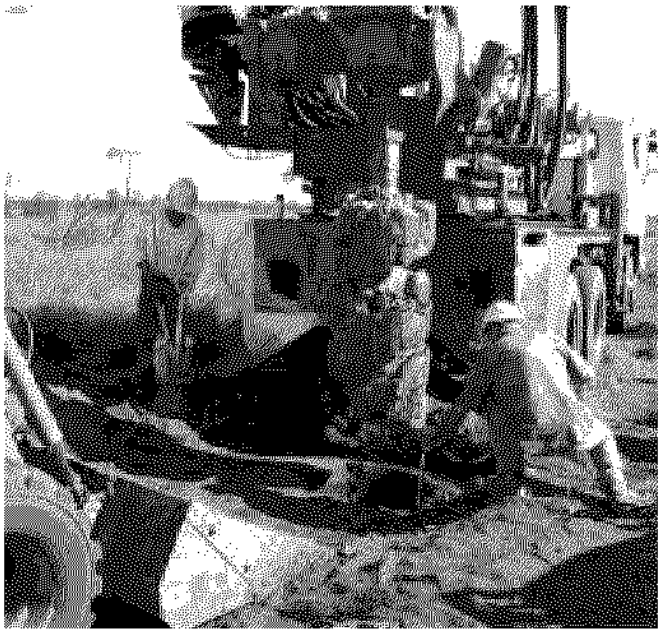
Table 1 continued

Hole	From (m)	To (m)	Interval (m)	U_3O_8 (ppm)
46	3	7	4	376
47	3	10	7	386
48	2	8	6	400
49	3	6	3	235
50	3	7	4	296
51	4	7	3	189
52	2	6	4	452
53	2	9	7	221
54	4	8	4	390
55	3	8	5	892
56	2	9	7	739
57	5	8	3	400
58	4	7	3	303
59	4	7	3	153
60	3	7	4	546
61	3	7	4	164
62	3	9	6	266
63	3	8	5	747
64	3	8	5	247
65	3	8	5	524
66	4	7	3	228
67	4	7	3	211
68	4	8	4	444

A further 79 holes within the grid area and 8 regional holes have been completed and samples dispatched for assay. Results are expected shortly and will be reported to the ASX.



Drilling and sampling above the water table



Drilling and sampling below the water table

Mt Isa – Cloncurry District (Earning 100% Queensland)

During the quarter, regional airborne spectral radiometric, magnetic, landsat, and airphoto data was acquired and processed to highlight uranium specific radiometric anomalies within the tenement package. This was followed up with a first pass field program in June, where several of the uranium anomalies in EL 14916 ("Ewen"), and EL 14281 ("Miranda Creek") were visited, with prospect scale 1:2,000 geological mapping, ground radiometric traversing, and rock chip sampling initiated.

The Lochness and Lochness North Prospects lie within the Western Succession of the Mt Isa Inlier, more specifically within the Leichard River Fault Trough, which also is the host unit for the Valhalla and Skal uranium deposits.

The Miranda Prospect lies within the Central Succession of the Mt Isa Inlier, specifically within the Kalkadoon-Leichardt block. The Mary Kathleen uranium mine occurred to the south at the eastern margin of this block.

At the Lochness Prospect a strong airborne radiometric anomaly was shown to devolve at ground prospect scale mapping into broad weakly radioactive, oxidised limonitic, fine grained mudstones, with several thinner (1 – 5 m) stronger radioactive, bedding sub-parallel to acutely cross-cutting, intensely limonitised gossan rock which displayed a discernable sheared and sometimes laminated fabric. A maximum assay of 233 ppm U_3O_8 was returned from several rock chip samples collected from this area.

Similar features, but over smaller stratigraphic width and strike, were displayed at the Lochness North Prospect located some 5.5 km north of the main Lochness Prospect.

Previous drilling by former tenement owners at both the above prospects around 30 years ago, is assessed as having not having intercepted the more strongly radioactive structures. A new round of RC percussion drilling is planned by DYL to test these anomalies later in 2006, pending the availability of a drilling rig.

At the ***Miranda Prospect***, located some 40 km SE of Lochness, an intensely radioactive (+20,000 cps TC) anomaly hosted within a chloritic schist of the basal Leichardt Metamorphics and close to the intrusive contact of the Kalkadoon Granite, was seen in the field to contain a platy, pale yellow, radioactive mineral thought to be uranophane. A rock chip sample from this location assayed 9,640 ppm (0.964%) U_3O_8. This prospect will be drill tested at the same time as the Lochness prospects.

Tanami-Arunta Province (100% Northern Territory)

The Company has submitted a Work Area Clearance request to the Central Land Council for ***EL 9890 – NE Arunta*** covering a 1,000 m (8–10 holes) RC percussion drill programme targeting high grade vein hosted uraninite mineralisation in basement shear/fault zones. Drilling is scheduled for September/October.

Western Gawler Project (Earning 100% South Australia)

Further discussions with PIRSA regarding access to Dominion's calcrete sample pulps now held in storage by the South Australian Geological Survey have been positive. It is anticipated that samples will be made available for assay during the September quarter.

Durong (90% Queensland)

The Company (90%) and Superior Resources, a privately held company (10%) have applied for five Exploration Permits for Minerals (EPMs) over an area of 4606 km^2 in the Kingaroy – Chinchilla district SE Queensland. The five EPMs cover approximately 50 kilometres strike of a southwest trending palaeochannel. The 'headwaters' of the palaeochannel comprise the outcropping Boondooma Granite which has a reasonably high uranium content as indicated by the airborne radiometric survey data.

The Durong Project is a greenfields conceptual target where the granite is seen as a potential source of uranium for the development of sandstone/roll front style uranium deposits in the organic rich Tertiary stream channels. Four of the five tenements have been offered and accepted for grant. The fifth tenement is still being processed.

Yours Faithfully

Dr Leon Pretorius
Executive Chairman
Deep Yellow Limited

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Dr Leon Pretorius a Fellow of The Australasian Institute of Mining and Metallurgy. Dr Pretorius 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 as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Pretorius consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

DEEP YELLOW LIMITED

ABN	Quarter ended ("current quarter")
97 006 391 948	30 JUNE 2006

Consolidated statement of cash flows

		Current quarter $A'000	Year to date (12 months) $A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation	(265)	(843)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(179)	(659)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	213	303
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	Net Operating Cash Flows	(231)	(1,199)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a)tenements	-	(917)
	(b)equity investments	-	-
	(c)other fixed Assets	(97)	(251)
	(c)environmental bonds	(114)	(114)
1.9	Proceeds from sale of: (a)tenements	-	121
	(b)equity investments	-	-
	(c)other fixed Assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid from other entities	-	-
1.12	Other (provide details if material)	-	-
	Net investing cash flows	(211)	(1,161)
1.13	Total operating and investing cash flows (carried forward)	(442)	(2,360)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(442)	(2,260)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	447	13,034
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other	-	-
	Net financing cash flows	447	13,034
	Net increase (decrease) in cash held	5	10,674
1.20	Cash at beginning of quarter/year to date	14,206	3,537
1.21	Exchange rate adjustments to item 1.20		-
1.22	**Cash at end of quarter**	**14,211**	**14,211**

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	85
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

NIL

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

NIL

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	N/A	
3.2	Credit standby arrangements	N/A	

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	500
4.2	Development	-
	Total	**500**

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	14,211	14,206
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	**14,211**	**14,206**

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	NIL			
6.2	Interests in mining tenements acquired or increased	EPM 15615 EPM 15620 EPM 15621 EPM 15622 EPM 15624	1,500 Blocks for 4,606km^2 (Queensland)	NIL	100%

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference +securities** *(description)*	NIL			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	627,045,966	627,045,966		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	5,000,000 5,000,000	5,000,000 5,000,000	7.5 c 2 c	Fully paid "
7.5	**+Convertible debt securities** *(description)*	NIL			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*	*Unlisted options* 160,000 25,000,000 12,500,000 6,000,000 4,000,000	 - - - - -	*Exercise Price* 35 cents 1 cent 12 cents 25 cents 35 cents	*Expiry Date* 01/01/2007 31/12/2007 31/7/2008 31/12/2008 31/12/2008
7.8	Issued during quarter	-	-		
7.9	Exercised during quarter	5,000,000 5,000,000	5,000,000 5,000,000	7.5 cents 2 cents	31/12/2008 31/12/2007
7.10	Expired during quarter	NIL			
7.11	**Debentures** *(totals only)*	NIL			
7.12	**Unsecured notes** *(totals only)*	NIL			

+ See chapter 19 for defined terms.

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

31 July 2006

Sign here: ..... Date: .....
(Company secretary)

MARK PITTS

Print name: .....

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.