DEEP YELLOW

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April - June 2005

QUARTERLY ACTIVITIES REPORT

DEEP YELLOW COMPLETES THE TRANSITION TO A 100% FOCUSED URANIUM PLAYER.

- **Received approval for resource definition drilling on Napperby Project, which commenced on 24 July 2005.**
- **Acquired uranium rights to 60,000 km^2 in Tanami-Arunta Province from Tanami Gold NL.**

Subsequent to the quarter:

- **Acquired a 90% interest in the Siccus joint venture in the Frome Basin of South Australia from Paladin Resources Ltd (Paladin).**
- **Acquired an exclusive licence to exploit Paladin's database over the highly prospective Frome Basin in South Australia.**
- **Acquired tenements containing prospective palaeochannels in the Ponton region of Western Australia, a region considered geologically analogous to the Frome Basin.**
- **Sold the Company's prospecting licences in Tanzania whilst retaining exposure through a shareholding in the purchasing company.**
- **Sold the Company's interest in the Mikado gold mining lease.**

A meeting of shareholders to consider the above transactions, where applicable, is proposed for 30 August 2005.

QUARTERLY REPORT ON EXPLORATION ACTIVITIES

During the June quarter, the Company continued to build its base for uranium exploration, development and mining through the acquisition of the uranium rights to 60,000km^2 of prospective exploration areas in the Tanami Arunta Province of the Northern Territory and Western Australia. On 29 June 2005, the Company announced the acquisition of the uranium rights from Tanami Gold NL (Tanami).

On its existing projects the Company received approval from the Department of Business, Industry and Resource Development (DBIRD) to carry out drilling on its 100% owned Napperby and Northeast Arunta projects. Drilling at Napperby commenced on 24 July 2005 and the Company has been advised by the Central Land Council (CLC) that site clearance has been received for the proposed drilling program at Northeast Arunta.

Events Subsequent to the End of the Quarter

On 18 July 2005, the Company announced that it had entered into separate conditional agreements with each of Paladin Resources Ltd and A1 Minerals Ltd to acquire two further uranium properties. These acquisitions extend the Company's Australian exploration interests beyond the Northern Territory to include prospective properties in both South Australia and Western Australia.

Key elements of the conditional agreements are as follows:-

1. Acquisition from Paladin Resources Ltd (**Paladin**) of a 90% interest in the Siccus joint venture in the Frome Basin of South Australia;

2. Acquisition of an exclusive licence to exploit Paladin's database for the highly prospective Frome Basin in South Australia;

3. Acquisition of tenements containing prospective palaeochannels in the Ponton region of Western Australia, a region considered geologically analogous to the Frome Basin;

4. The sale of the Company's interest in the Mikado gold mining lease.

As a consequence of the sale of the Mikado gold mining lease, Deep Yellow completes the transition to a 100% focused uranium player. A meeting of shareholders to consider these transactions is proposed for 30 August 2005.

ACTIVITIES

NORTHERN TERRITORY

Napperby Project (EL24246)

During the quarter, the Company received approval from DBIRD and site clearance from the CLC to commence its proposed resource definition drilling at its 100% owned Napperby Project in the Northern Territory. This drilling commenced on 24 July 2005.

As previously announced, the Company has approved a budget to cover drilling activities aimed at producing a JORC compliant resource estimate for the shallow mineralisation at Napperby.

The Napperby Project is located 150km northwest of Alice Springs in the Northern Territory. It consists of one exploration licence covering 809km^2 which contains the New Well Prospect and which is also prospective for deeper sandstone roll front uranium target types.

The calculation of a JORC compliant resource estimate for the New Well Prospect is a priority for Deep Yellow. In the late 1970's Uranerz Australia Pty Ltd, a major uranium explorer, drilled 820 shallow percussion and auger holes on the Napperby tenement culminating in resource definition work and a pre-feasibility study. The work delineated a 20km x 4km uranium mineralised palaeodrainage, known as the New Well Prospect, on which Uranerz carried out an economic orientation study based on a range of between 5,700-6,200t contained U_3O_8 within a grade range of 0.036-0.038%. The mineralised zone is 1-5m thick and occurs between 3m and 10m from surface.

The majority of the existing drilling is wide spaced (300m x 400m) and the Company believes that the higher grade parts of the deposit are controlled by sand filled channels which have only partly been delineated by the previous wide spaced drilling. Deep Yellow plans to carry out infill drilling around these channels to establish the channel boundaries, verify the continuity of the higher grade mineralisation and estimate a new resource for the New Well Prospect.

It should be noted that the above information has not been prepared in compliance with the JORC Code 2004. The statement is based on estimates made in a report by Uranerz in 1979. The Uranerz report used polygons centred on holes drilled on 300m x 400m, 300m x 200m, 300m x 100m and 100m x 100m grids. The calculations were performed using a 200ppm and 0.5m sample interval cut-off. Two calculations were employed, one using a strict 200ppm cut-off for each assay and the second incorporating values greater than or equal to 100ppm such that the polygon average was still above the 200ppm cut-off. The potential quantity and grade of the above information is conceptual in nature and to date there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

The prime untested exploration target in this project is a sandstone hosted uranium deposit amenable to in-situ leaching (ISL). Drilling by Uranerz showed the presence of a deeper Tertiary palaeochannel extending to the west of the near-surface calcrete uranium mineralisation at New Well. This drilling was never followed up. Considering the high uranium content of the ground waters in the area, this palaeochannel system offers an excellent target for discovery of a sandstone hosted uranium deposit suitable for in-situ leaching.

Northeast Arunta Project (EL9890)

On 14 April 2005, the Company received approval from DBIRD for its proposed drilling program at Northeast Arunta, subject to site clearance. Due to a number of factors outside of the control of the CLC, including the passing away of members of the Traditional Owner group and subsequent sorry time, site clearance from the CLC was significantly delayed. Subsequent to the end of the quarter the Company has received verbal advice from the CLC that the site clearance has now been completed. The Company expects written confirmation to be received in the near future.

The Northeast Arunta Project is located in the Proterozoic Arunta block, approximately 270km NNE of Alice Springs. Exploration by previous workers has defined a 1400m long radiometric anomaly (Yambla Prospect) within the Yambla Amphibolite. Drilling and trenching of the Yambla Amphibolite by PNC, a major Japanese explorer in the 1980's, defined a 1-10m thick alteration zone within which occurs sporadic occasionally very high grade uranium mineralisation in the form of egg-shaped nodules of uraninite grading 1-10% U_3O_8.

Fifteen of the trenches dug by PNC show mineralisation of which two have reasonable zones of high grade material. Better trench assays of channel samples (0.5m to 1.0m) ranged 0.1-10%.

Elsewhere, assays adjacent to mineralisation ranged 10-200ppm U. One campaign of diamond drilling (13 holes) was completed, with two holes showing moderate downhole anomalies. All holes intersected at least some alteration proving a wide extent of the mineralising system. Drillhole assays ranged 5-50ppm U in altered rock while unaltered amphibolite was all <5ppm U. Previous explorers have found it difficult to determine the extent and distribution of the uranium nodules. After reviewing existing data Deep Yellow plans to carry out bulk sampling at Yambla and drilling to determine the distribution and potential economics of the Yambla Prospect and locate the routes of the extremely high grade egg-sized pods of the near surface uranium mineralisation.

Uranium Rights to Tanami Tenements

On 29 June 2005, the Company announced that it had acquired the Uranium Rights to all of Tanami 's tenements in the Tanami-Arunta Province covering both the Northern Territory and Western Australia. This acquisition provides Deep Yellow with access, subject to approvals from the relevant stakeholders, to an extensive exploration package containing numerous prospective targets for uranium exploration. This acquisition builds on the Company's existing commitment to exploration in the Northern Territory via its Napperby and Northeast Arunta Projects.

In the 1970's and early 1980's extensive uranium exploration programs were conducted in the Alice Springs region where companies had access to Crown Land. Numerous small vein-type Metasomatic uranium occurrences were located in the highly metamorphosed granulite facies complexes in the Harts Range area. Outcropping Sandstone - Hosted deposits at Bigrlyi and Angela and the Surficial calcrete – hosted deposits at New Well and Currinya were also discovered together with numerous other occurrences and radiometric anomalies.

Although a significant uranium footprint was identified in the district the real focus at the time was on the discovery of the world-class Alligator Rivers uranium field in the 'top-end' of the Northern Territory, leaving the Alice Springs region under-explored.

Description of Uranium Targets Within the Tanami Tenements

The geological setting of the major uranium deposit types have analogues in the Tanami-Arunta Province:

- **Surficial Deposits** – *Yeelirrie (Western Australia) and Langer Heinrich (Namibia):* The New Well and Currinya calcrete deposits to the WNW of Alice Springs were discovered in recent channels and alluvial mud salt pans. Mineralisation occurs in calcareous sands and coating calcrete gravels.

- **Unconformity-Related Deposits** - *Alligator Rivers (Northern Territory), Athabasca Basin (Canada):* Archaean gneiss domes/terrane and early Proterozoic Tanami Complex basement terrane intruded syntectonic granites are unconformably overlain by mid to younger Proterozoic sandstone cover sequences. The granites of the Tanami District have an average uranium content of 6.5ppm.

- **IOCG/Breccia Complex Deposits** - *Roxby Downs, Prominent Hill (South Australia):* The ±1500 m.y. basement terrane of the Arunta Province in the Alice Springs area has magnetic/gravity signatures that require testing for copper-gold mineralisation with the possibility of there of being uranium rich zones within such mineralisation.

- **Sandstone-Hosted Deposits** – *The Bigryli and Angela deposits (Northern Territory) and the Beverley and Honeymoon deposits (South Australia) are examples of this style of mineralisation. Worldwide these rollfront deposits occur in younger sedimentary basins. Tertiary to recent sandstone filled basins are known to exist under the extensive transported sand cover of the Province.*

- **Metasomatic-Metamorphic Deposits** - *Valhalla deposit and the Mary Kathleen deposit (Mt Isa) and the Harts Range area Alice Springs:* The spotty/small high grade vein occurrences in Harts Range upper amphibolite and granulite facies regionally metamorphosed terrane provide an insight into the possible preservation of uranium mineralisation in the adjacent/contiguous lower amphibolite/upper greenschist facies terranes

Unconformity-related deposits are of particular interest within the tenement package. A more detailed description of this target type is provided below.

Unconformity Uranium Model

The basic parameters for this model are:

- Archaean granitic gneiss basement as both a heat (fluid) and uranium source.
- Lower Proterozoic metamorphosed mudrocks with chloritic, dolomitic and graphitic components.
- Middle to Lower Proterozoic sedimentary cover rocks.
- Structural pathways.

All of these parameters exist in the Tanami Province. Tanami hold a large group of tenements in the western portion of the Tanami Province, which conceptually contain prime uranium targets.

Specific areas in which the unconformity uranium model targeted are:

Lake Mackay

Conceptually this area has long been of interest to uranium explorers. The remote area logistics and lack of negotiated native title access along with the general uranium downturn have all contributed to the lack of exploration in the area.

Browns Range Dome and Adjacent Areas

These areas also fit the general Unconformity model well. PNC carried out exploration in these areas from 1987 to 1992. Several uranium anomalies were discovered indicating that uranium has been mobilized. A re-evaluation of the open file data may prove useful as the PNC exploration tended to be stratigraphy orientated and an evaluation of any structural corridors may be more successful.

Known Uranium Prospects Within Tanami Tenements

Deep Yellow's investigations show that the known uranium prospects The Don and Deva are covered by the Tanami tenement holdings. Exploration at The Don located several low-grade uranium intersections (generally < 500 ppm) in the order of 0.5-1 m thick within an irregular retrogressed fault zone. The best result returned was 45cm @ 4.65% U_3O_8. The Deva area was apparently not adequately drill tested.

Various companies including Energy Reserves Canada, BHP & CEGB during 1978 through to 1990 carried out uranium exploration in the area. Due to the general downturn in uranium exploration and due to the dominant position of the gold explorers in the area the west Tanami has been seriously under explored for uranium.

Conclusion

The acquisition of the Uranium Rights to the Tanami tenements represents a major opportunity to Deep Yellow to gain access to large areas of the Tanami-Arunta Province. The ability to share management costs to maintain such a grouping with a stable and successful partner is also a major plus.

The Tanami-Arunta Province presents a range of Uranium targets that, in general, have been neglected over the past 10-15 years. The Tanami Province is probably the only realistic target area for the Unconformity-Style Uranium left in Australia outside the National Parks (Rudall River and Alligator River) and Arnhem Land.

The acquisition builds on the Company's existing Napperby and Northeast Arunta Projects and provides significant potential for further work on areas which have been previously explored by other companies in the 1970's exploration boom.

SOUTH AUSTRALIA

Frome Uranium Project & Frome Basin Database Acquisition, South Australia

The acquisition of Paladin's 90% interest in the Siccus Joint Venture in the Frome Basin of South Australia is the Company's first foray into the South Australian uranium exploration province. This acquisition coupled with the acquisition of an exclusive licence to Paladin's Frome Basin database is expected to deliver to Deep Yellow a strong competitive advantage to the uranium province.

The Frome Basin of South Australia is located 500km north of Adelaide and is roughly 50,000 km^2 in size. Uranium exploration commenced in 1968 and continued until the early 1980's, focusing on targets occurring within Tertiary palaeochannel systems. Two substantial uranium deposits, Beverley and Honeymoon were discovered in this period. Beverley is the

third operating uranium mine in Australia and is successfully utilizing In-Situ Leach (ISL) mining technology.

To acquire the 90% interest in the Siccus Joint Venture and an exclusive licence to the database Deep Yellow has agreed to issue Paladin 7,500,000 ordinary shares and 12,500,000 options exercisable at 12 cents each on or before 31 July 2008.

Previous work undertaken by Paladin has indicated that the region contains numerous radiometric downhole anomalies and other prospective targets that remain untested.

WESTERN AUSTRALIA

Ponton North Uranium Project

The Ponton North acquisition will deliver to Deep Yellow Exploration Licence Applications (**ELA's**) covering approximately 1,150 km^2. The ELA's contain Tertiary palaeochannels considered highly prospective for uranium and which connect the Mulga Rocks Uranium Deposit discovered by PNC Exploration to the north with the Paladin Ponton Project to the south.

Uranerz drilled the area in the 1980's and outlined a well defined Tertiary palaeochannel drainage system. This work outlined the Driller's Corner Prospect which detected uranium mineralisation up to 0.14% from widespaced drilling. In addition, two 2km x 0.5km anomalous areas having greater than 0.02% U_3O_8 were delineated during this work confirming highly uraniferous waters flowed through these channel systems. The directors believe that the ground has the potential for roll-front type uranium deposits suitable for in-situ leaching.

In consideration for the acquisition of the ELA's, Deep Yellow has agreed to sell its 50% interest in the Mikado Gold Project to A1 Minerals Ltd and will issue 3,000,000 ordinary shares in Deep Yellow. The ordinary shares will be subject to a voluntary escrow for 12 months. The transaction is subject to shareholder approval and the approval of the trustee of creditors of the Deep Yellow Creditors Trust.

Exposure Retained to Tanzanian Assets

As announced on 18 July 2005, and as part of the Company's change of focus on developing its Australian assets, Deep Yellow has agreed to sell its Tanzanian prospecting licences to Uranium Resources plc, a company listed on the London Stock Exchange's AIM market, in consideration for £50,000 in cash and 6,000,000 shares valued at approximately £180,000 (a total consideration of approximately A$575,000). The Company is currently confirming its legal advice and may proceed directly to settlement under the contract.

Yours sincerely

James Pratt
Managing Director

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Dr Joseph Drake-Brockman who is a Member of The Australasian Institute of Mining and Metallurgy. Dr Drake-Brockman is employed by Drake-Brockman Geoinfo Pty Ltd. Dr Drake-Brockman 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 as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Drake-Brockman consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.