DEEP YELLOW LIMITED

ABN 97 006 391 948

HALF-YEAR
FINANCIAL REPORT
31 DECEMBER 2004

CONTENTS

DIRECTORS' REPORT

The Board of Directors of Deep Yellow Limited has pleasure in presenting their report on the results for the half-year ended 31 December 2004.

DIRECTORS

The names of the Directors of the Company in office during or since the end of the half year until the date of this report are:

Mr Gary Steinepreis, appointed 20 August 2004
Mr Hugh Warner, appointed 20 August 2004
Mr James Pratt, appointed 9 December 2004

Mr David Steinepreis, appointed 20 August, resigned 7 January 2005
Mr Rick Crabb, resigned 20 August 2004
Dr Alistair Cowden , resigned 20 August 2004
Mr Brett Dickson , resigned 20 August 2004
Mr John Blue, resigned 20 August 2004

PRINCIPAL ACTIVITIES OF THE CONSOLIDATED ENTITY

The principal activity of the Company and controlled entities during the financial period was mineral exploration.

RESULTS

The net loss of the consolidated entity for the period under review was, $231,716 compared to a loss of $409,864 for the six months ending 31 December 2003. Comments on the operations and major activities of the Company are set out below.

REVIEW OF OPERATIONS

During mining of the Mikado Gold Deposit difficulties arose due to poor continuity and highly variable gold distribution, problems with the ore body grade control and dilution during mining around stopes. As a result of these difficulties, the returns were significantly lower than the mine model predictions and the Company did not have sufficient working capital to continue operations.

On 22 June 2004, the Directors of Deep Yellow Limited (Deep Yellow or the Company) appointed Christopher Munday and Bryan Hughes of Pitcher Partners as Joint and Several Administrators (Administrator) of the Company under Section 436A of the Corporations Act. On 23 June 2004 the Company's securities were suspended from trading on the Official List of Australian Stock Exchange Limited.

At a meeting of creditors held on 20 July 2004, creditors voted in favour of the Company entering into a deed of company arrangement with Ascent Capital Pty Ltd ("Ascent Capital") in order for Ascent Capital to recapitalise the Company ("Recapitalisation Proposal"). On 10 August 2004, the Deed of Company Arrangement was executed by the relevant parties and nominees of Ascent Capital being David Steinepreis, Hugh Warner and Gary Steinepreis were appointed Directors of the Company on 20 August 2004.

DIRECTORS' REPORT (Continued)

The Deed of Company Arrangement, subject to conditions being met, required that an amount of $500,000, the issue of 10,000,000 shares at a deemed issue price of 1 cent and certain assets and rights of the Company be made available for the satisfaction of the claims of creditors and to meet the costs of the Administrator and Deed Administrator. Ascent Capital provided the additional funding to meet the costs associated with the Notice of General Meeting and arranged $500,000 in additional loan funds, via a conditional loan agreement, to enable the Company to meet the terms of the Deed of Company Arrangement.

The proposal from Ascent Capital required members in a General Meeting which was held on 27 October 2004 to vote on and pass resolutions to enable the Company to satisfy the terms of the Deed of Company Arrangement.

The shareholders passed the resolutions and the Company raised equity funds of $1,751,000 and settled the Deed of Company Arrangement via the payment of $500,000. The Company was reinstated to trading on the ASX on 1 December 2004.

On 9 December 2004, the Company acquired two advanced Uranium projects from Paladin Energy Minerals NL, a wholly owned subsidiary of Paladin Resources Ltd (Paladin). The projects are known as Napperby and Northeast Arunta and both are located in the Northern Territory.

The consideration paid by Deep Yellow to Paladin comprised:

1) $100,000 cash; and
2) 2% gross royalty; and
3) 15,000,000 ordinary shares in Deep Yellow; and
4) 25,000,000 options, each option granting Paladin the right to acquire one ordinary share in Deep Yellow exercisable at 1c on or before 31 December 2007.

The Company is reviewing its options on the Mikado Gold Joint Venture but focussing on the development of its Uranium projects and considering further uranium projects for investment.

AUDITORS' INDEPENDENCE DECLARATION

The Company has obtained an independence declaration from its auditors, Ernst and Young. That declaration forms part of this report and included at page 13 of the financial report.

This half-year consolidated financial report is made in accordance with a resolution of the Directors.

For and on behalf of the Board.

G Steinepreis

Gary Steinepreis
Director
Perth, Western Australia
Dated this 11th day of March 2005

CONDENSED STATEMENT OF FINANCIAL PERFORMANCE
For the half-year ended 31 December 2004

	Note	31/12/04 $	31/12/03 $
Sales revenue	2(a)	170,780	-
Cost of sales	2(b)	(126,382)	-
Gross profit		44,398	-
Other revenue from ordinary activities	2(a)	59,562	23,589
Loss on restructure of company pursuant to deed of company arrangement	2(c)	(132,046)	-
Exploration expenditure		(6,063)	-
Occupancy expenses		(9,560)	(97,482)
Administrative expenses		(69,748)	(296,260)
Other expenses from ordinary activities		(118,259)	(39,711)
Operating loss from ordinary activities before income tax	2	(231,716)	(409,864)
Income tax benefit attributable to operating loss		-	-
Net loss attributable to members of Deep Yellow Limited		(231,716)	(409,864)
Share issue costs		(2,058)	(25,200)
Total revenues, expenses and valuation adjustments attributable to members of Deep Yellow Limited and recognised directly in equity		(2,058)	(25,200)
Total changes in equity other than those resulting from transactions with owners as owners attributable to members of Deep Yellow Limited		(233,774)	(435,064)
Basic loss per share (cents per share)		(0.001)	(0.02)
Diluted loss per share (cents per share)		(0.001)	(0.02)

CONDENSED STATEMENT OF FINANCIAL POSITION
As at 31 December 2004

	Note	31/12/04 $	30/06/04 $
CURRENT ASSETS			
Cash assets		944,737	177,507
Receivables		97,389	379,588
Inventories		-	280,069
Plant and equipment		-	15,414
Other financial assets		3,300	948,500
Total Current Assets		1,045,426	1,801,078
NON-CURRENT ASSETS			
Deferred exploration expenditure		1,050,000	400,000
Total Non-Current Assets		1,050,000	400,000
TOTAL ASSETS		2,095,426	2,201,078
CURRENT LIABILITIES			
Payables		38,855	2,408,368
Provisions		-	114,628
TOTAL LIABILITIES		38,855	2,522,996
NET ASSETS / (LIABILITIES)		2,056,571	(321,918)
EQUITY			
Contributed equity	6	33,043,062	30,835,120
Option premium reserve	6	391,000	-
Accumulated losses		(31,377,491)	(31,157,038)
TOTAL EQUITY / (DEFICIT)		2,056,571	(321,918)

CONDENSED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2004

	31/12/04 Inflow/(Outflow) $	31/12/03 Inflow/(Outflow) $
Cash flows from Operating Activities		
Receipts from customers	170,780	-
Payment to administrator and deed administrator	(193,494)	-
Payments to suppliers and employees	(179,847)	(299,588)
Payments for exploration and mining operations	(128,466)	(185,933)
Interest received from non-related entities	9,562	10,480
Payments for deed of company arrangement	(500,000)	-
Cash transferred to trust established for the benefit of creditors	(110,247)	-
Net cash flows from operating activities	(931,712)	(475,041)
Cash flows from Investing Activities		
Proceeds from the sale of property, plant and equipment	-	13,109
Proceeds from sale of mineral properties	50,000	25,000
Payments for mineral properties	(100,000)	(200,000)
Proceeds from sale of investment	-	89,645
Payments for security deposits	-	(32,500)
Net cash flows from investing activities	(50,000)	(104,746)
Cash flows from Financing Activities		
Proceeds from issue of shares	1,751,000	504,000
Payment for share issue costs	(2,058)	(25,200)
Net cash flows from financing activities	1,748,942	478,800
Net increase/(decrease) in cash held	767,230	(100,987)
Cash at the beginning of the reporting period	177,507	341,045
Cash at the end of the reporting period	944,737	240,058

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2004

1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL STATEMENTS

The half-year financial report does not include all notes of the type normally included within the annual financial report 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 full financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of Deep Yellow Limited as at 30 June 2004. It is also recommended that the half-year financial report be considered together with any public announcements made by Deep Yellow Limited during the half-year ended 31 December 2004 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and the Australian Stock Exchange Listing Rules.

(a) Basis of accounting

The half-year financial report is a general purpose financial report that has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

The half-year financial report has been prepared in accordance with the historical cost convention and except where stated, does not take into account changing money values or current valuations of non-current assets.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Changes in accounting policies

The accounting policies adopted are consistent with those applied in the 30 June 2004 Annual Financial Report.

(c) Tax Consolidation

At the date of signing the financial report, the Group has not yet formally elected to form a tax consolidated group under the Tax Consolidation Regime ("TCR"). Any decision to enter into the TCR will not have an impact on the half-year financial report as the net future income tax benefit associated with carried forward tax losses has not been brought to account as an asset in the financial report.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2004

2. OPERATING LOSS FROM ORDINARY ACTIVITIES

Operating loss before income tax includes:

	31/12/04 $	31/12/03 $
(a) revenues from ordinary activities		
- sales revenue – mining operations	170,780	-
Other revenue		
- interest received	9,562	10,480
- proceeds from sale of tenements	50,000	-
- proceeds from sale of plant and equipment	-	13,109
	59,562	23,589
(b) expenses		
- cost of sales	126,382	-
- administration	69,748	-
- exploration expenditure	6,063	24,743
- occupancy expenses	9,560	-
- other	118,259	-
(c) loss on restructure of company pursuant to deed of company arrangement		
The net impact of the restructure is as follows:		
Liabilities transferred as a result of debt forgiveness		
- ordinary unsecured creditors	2,408,367	-
- provisions	5,628	-
- Total Liabilities	**2,413,995**	-
Less: Assets transferred		
- Receivables	(198,350)	-
- Property, plant and equipment	(15,414)	-
- Inventories	(280,069)	-
- Investments	(948,500)	-
- Deferred exploration	(200,000)	-
Total Assets	**(1,642,333)**	-
Less: Costs incurred		
- Payment for DOCA	(600,000)	-
- Payment to creditors trust (includes opening cash)	(110,214)	-
- Payment to administrator	(193,494)	-
Total costs incurred	**(903,708)**	-
NET LOSS ON RECONSTRUCTION	**(132,046)**	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2004

3. CONTINGENT ASSETS AND LIABILITIES

Since the last annual reporting date, there has been no material change of any contingent liabilities or contingent assets.

4. SEGMENT INFORMATION

The Company operates in one geographic segment – Australia – and within one industry classification – exploration and mining for minerals.

5. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

The consolidated entity has allocated internal resources to conduct impact assessments to isolate key areas that will be impacted by the transition to IFRS. As a result of this assessment priority has been given to considering the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when the Company prepares its first fully IFRS compliant financial report for the year ended 30 June 2006.

Set out below are the key areas where accounting policies will change and may have an impact on the financial report of Deep Yellow Limited. At this stage the Company has not been able to reliably quantify the impacts on the financial report.

Impairment of Assets

Under AASB 136 Impairment of Assets the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the group's current accounting policy which determines the recoverable amount of an asset on the basis of undiscounted cash flows. Under the new policy it is likely that impairment of assets will be recognised sooner and that the amount of write-downs will be greater however, the financial impact on transition to AIFRS has yet to be determined.

Share Based Payments

Under AASB 2 Share Based Payments, the Company will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial Performance. This standard is not limited to options and also extends to other forms of equity based remuneration. It applies to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2005. As at transition date and during the six month period ended 31 December 2004, no equity based compensation has been provided to directors or employees of the Company.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2004

5. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS (Continued)

Income Taxes

Under AASB 112 Income Taxes, the Company will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Statement of Financial Position or a tax-based balance sheet. The financial impact is yet to be determined.

Exploration

AASB 6 "Exploration for the Evaluation of Mineral Resources" will require the Company to apply "area of interest" accounting to exploration and evaluation expenditures, effectively grandfathering the treatment currently used by the Company under AASB 1022 "Accounting for the Extractive Industries". Under AASB 6, if facts and circumstances suggest that the carrying amount of any recognised exploration and evaluation assets may be impaired, the Company must perform impairment tests on those assets in accordance with AASB 136 "Impairment of Assets".

Impairment of exploration and evaluation assets is to be assessed at a cash generating unit or group of cash generating units level provided this is no larger than the area of interest. Any impairment loss is to be recognised as an expense in accordance with AASB 136.

The adoption of AASB 6 is not expected to lead to a change in the Company's accounting policy with respect to exploration and evaluation expenditure.

Rehabilitation Provision

AASB 137 "Provisions, Contingent Liabilities and Contingent Assets" requires that the present value of restoration obligations associated with mining operations be recognised as a non-current liability and the costs of future restoration be capitalised as part of the relevant project. The capitalised cost is then amortised over the life of the project and the provision is accredited periodically as the discounting of the liability unwinds. The unwinding of the discount is recorded as an interest expense. This differs to the current accounting policy where the consolidated entity accrues the liability for restoration costs to the Statement of Financial Position progressively over the life of mine, based on the present value of the estimated cost of restoration for disturbance that has occurred up to balance date. Adjustments may be required to the liability recognised where the amount accrued at the date of transaction under Australian GAAP differs from that required under IFRS. The adjustments that may be required have not yet been determined.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2004

6. CONTRIBUTED EQUITY

	31/12/04 $	30/6/04 $
Ordinary shares	32,833,062	30,835,120

Movements in contributed equity for the period

	Number of Ordinary Shares	
On issue at start	258,173,629	194,173,629
Consolidation of capital - 1 for 10 basis	(232,356,046)	-
Shares on issue post consolidation of capital	25,817,583	194,173,629
Issued during the period at 0.25 cents per share	60,000,000	-
Issued during the period at 0.5 cents per share	60,000,000	-
Issued during the period at 1 cent per share	130,000,000	-
Issued during the period at 1 cent per share to trustee for the benefit of creditors	10,000,000	-
Issued during the period to acquire exploration tenements	15,000,000	-
Issued during the year at 2.1 cents per share	-	24,000,000
Issued during the year at 2.5 cents per share	-	40,000,000
Closing balance	300,817,583	258,173,629

Movements in contributed equity for the period

	$	$
On issue at start	30,835,120	29,413,907
Issued during the period for recapitalisation	1,850,000	1,504,000
Issued to acquire exploration tenements	360,000	-
Issue costs	(2,058)	(82,787)
Closing balance	33,043,062	30,835,120

Ordinary Shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of, and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Details of outstanding options

As a result of the recapitalisation all options were consolidated on a 10 for 1 basis.

Issued during the period:

(a) 30,000,000 unlisted options to subscribe for ordinary shares in the Company at an exercise price of 1 cent each as part of the recapitalisation. All options expire on 31 December 2007. These options raised a total of $1,000.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2004

6. CONTRIBUTED EQUITY continued

(b) 25,000,000 unlisted options to subscribe for ordinary shares in the Company at an exercise price of 1 cent each as part of the purchase of exploration tenements. All options expire on 31 December 2007.

Expired during the period:
(a) 20,000 unlisted options exercisable at $2.00 each.

Exercised during the period:
(a) Nil

Outstanding at end of period:
(a) 102,500 unlisted options over ordinary shares in the Company issued to former employees. Of these, 82,500 are exercisable at $2.50, 20,000 are exercisable at $2.70 each. All options expire on 16th February 2005.
(b) 1,500,000 unlisted options issued under a memorandum of understanding dated 11 February 2003. Options are exercisable at 50 cents each at any time on or before 31 December 2005.
(d) 160,000 unlisted options issued to former employees and contractors. Options are exercisable at 35 cents each at any time on or before 1 January 2007.
(c) 55,000,000 unlisted options to subscribe for ordinary shares in the Company at an exercise price of 1 cent each. All options expire on 31 December 2007.

7. SUBSEQUENT EVENTS

A total of 11,250,000 options exercisable at one cent each on or before 31 December 2007 have been exercised subsequent to the end of the financial period to raise $112,500.

On 4 March 2005, shareholders approved the following incentive option package and placement which was announced on 20 January 2005:

(a) 10,000,000 options to subscribe for ordinary fully paid shares in the capital of the Company at an exercise price of 2 cents each on or before 31 December 2007 to Mr James Pratt. These options include standard terms and conditions, including vesting restrictions; and

(b) a placement of 33,000,000 ordinary shares at 3cents each to raise $990,000. The funds have been raised and was to clients of a number of Perth brokers including DJ Carmichael & Co and Montague Stockbroking. The ordinary shares, when issued, will rank equally with existing ordinary shares on issue. The purpose of the issue is to enable Deep Yellow to more aggressively pursue its uranium exploration and acquisition programme and for working capital.

Other than the above, there has not been any matter or circumstance that has arisen since the end of the financial period, that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial periods.

DIRECTORS' DECLARATION

The directors declare that:

a) in the directors' opinion, the financial statements and notes thereto of the consolidated entity comply with Accounting Standard AASB 1029 "Interim Financial Reporting";

b) in the directors' opinion, the financial statements and notes thereto of the consolidated entity give a true and fair view of the financial position as at 31 December 2004 and the performance for the half-year ended on that date;

c) in the directors' opinion, the financial statements and notes thereto of the consolidated entity are in accordance with the Corporations Regulations 2001; and

d) in the directors' opinion, there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

On behalf of the Directors

G Steinepreis

Gary Steinepreis
Director
Perth, Western Australia
Dated this 11th day of March 2005

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

In relation to our review of the financial report of Deep Yellow Limited for the half-year ended 31 December 2004, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Gavin Buckingham
Partner
11 March 2005

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Independent review report to members of Deep Yellow Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows and accompanying notes to the financial statements for the consolidated entity comprising both Deep Yellow Limited (the company) and the entities it controlled during the half-year ended 31 December 2004, and the directors' declaration for the company, for the period ended 31 December 2004.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the consolidated entity, and that complies with Accounting Standard AASB 1029 "Interim Financial Reporting", in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the Corporations Act 2001, Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Financial Report.

GAB:NR:DEEPYELLOW:014

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of the consolidated entity, comprising Deep Yellow Limited and the entities it controlled during the half-year ended 31 December 2004 is not in accordance with:

(a) the Corporations Act 2001, including:

  (i) giving a true and fair view of the financial position of the consolidated entity at 31 December 2004 and of its performance for the 6 months ended on that date; and

  (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

G Buckingham
Partner
Perth
11 March 2005