



DEEP YELLOW LIMITED

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02 December 2008

COMPANY STRATEGY AND PLANNED ACTIVITIES FOR 2009

OVERVIEW

Deep Yellow (DYL) retains its strongly held belief that the prospects for very significant growth in nuclear power will continue to improve - notwithstanding present credit and financial market difficulties - and that this will have a positive effect on the medium and long term demand for, and price of, uranium.

DYL has in excess of A\$50 million in cash plus additional liquid assets and has no debt, and will commence 2009 in a financially favourable position. A prudent decision to preserve funds at this stage of the global economic cycle with a clear focus on its advanced projects in Namibia and in the Mt Isa region, will result in a reduction to the current rate of expenditure and will limit reconnaissance exploration programmes.

The extensive drilling in Namibia (totalling approximately 140,000 metre to date) based mainly on areas previously explored in the 1970s and 1980s, will be completed in December 2008 and the Company will release the resulting JORC resource numbers as they become available over the coming months. The initial 2009 drilling programme will concentrate on extending newly discovered mineralisation and further drilling of known mineralised areas.

The Company's switch from reconnaissance and regional exploration to a more focused resource analysis and pre-development strategy in both Namibia and Australia requires a different technical skill set and has necessitated retrenchment of a number of employees in both locations. Nonetheless the Group has sought to retain as many of its core personnel as possible to ensure that its planned activities and switch of focus to the advanced projects can be managed and continued in as effective and efficient a manner as possible.

The Company will continue assessing acquisition opportunities in areas near its operational bases in Namibia and the general Mount Isa region in Queensland.

The exploration, development and administration expenditure will be at a rate that will ensure that the longevity of the Company is preserved.

NAMIBIA

To date a total of 9,517 holes had been drilled for 137,295 metre – or an average of 12,000 metre per month. The completion of this programme before Christmas will mean that DYL has drilled more than four times the historic drilling undertaken in the 1970s and 1980s. Results from Reptile Uranium's exploration programmes in Namibia are meeting expectations by confirming historic work and results, or in the case of the anomaly follow-up drill programmes being conducted in areas of previously unknown mineralisation, the results are very encouraging given the grade and widths of numerous intersections being returned.

Given the rate of drilling and results being attained all the JORC Code resource estimates should be available 3 to 6 months after completion of the 2008 drilling programmes due to the sheer volume of data to be processed.

Inca Project

Ongoing exploration drilling on the 100 x 100 metre grid has extended the area of mineralisation to approximately 2,000 by 1,700 metre and a 300 x 300 metre area will be infilled at a greater drill hole density to allow a better understanding of the style and distribution of mineralisation and ultimately a JORC Code resource estimation. Chemical assay results from vertical RC hole 9.200 11.100 of which the eU₃O₈ (measurements from radiometric logging) values were released to the ASX (29 September 2008) have now been received and compare very favourably with the eU₃O₈ values as indicated below. This is very encouraging given that in these primary mineralised bodies radiation from Thorium can be a significant contributor to total gamma measurements during radiometric logging.

Comparison of eU₃O₈ (from downhole gamma logging) versus XRF chemical analyses: -

From and to depth (in metre)	Width in metre	eU ₃ O ₈ (ppm)	XRF U ₃ O ₈ (ppm)	Variance % *
40 to 94 (complete mineralised section)	54	674	625	Minus 7.27
Including 40 to 57	17	1,956	1,853	Minus 5.27
Including 40 to 50	10	3,238	3,047	Minus 5.90

* Quoted laboratory analytical error is 5%.

The average XRF chemical assay value of **1.29% U₃O₈ over 2 metre** (from 47 to 49 metre) at such a relatively shallow depth is very encouraging and justifies the Company's decision to focus on this project in the New Year. Two RC percussion rigs will undertake the planned grid drilling programme of about 3,000 metre and once completed the rest of the interpreted extent (13 x 2 km) of this metasomatic altered zone of mineralisation will be tested on a regional drill hole spacing with up to 15,000 metre RC drilling budgeted.

Tubas

In 2007 an initial JORC inferred resource was announced (ASX 20 November 2007). Subsequent work has included the digging of a trench to further document the geology of the system and to allow for metallurgical studies to commence. Column leach testing has confirmed uranium recovery of 94%. To better understand the distribution of both the buried red aeolian (dune) sand and the mineralisation this evaluation is being complemented by detail resource drilling on a 20 x 10 metre grid that includes the area of the trenching programme.

Tumas

At Tumas a 7,700 metre long (east-west) section of the larger mineralised palaeochannel was selected to be drilled out for the initial JORC Code resource estimation study. The data comprising 2,298 holes for 27,382 metre is being processed by Hellman and Schofield in Perth with final numbers due before year end or early 2009.

Aussinanis

Aussinanis drilling will cease before December break and initial JORC Code resource data should be compiled for submission to DYL consultants before the end of February 2009. Present drilling totals are 4,000 RC holes for 43,941 metre.

Carnotite Projects

Drilling of the calcrete hosted carnotite mineralisation in the palaeochannels will be put on hold until the Reptile's Technical Service division has collated, validated and verified all of the existing drill data. This is expected to take up to six months. At that stage decisions will be taken on prioritising further drilling programmes within these areas and on extensions to them.

AUSTRALIA

Isa West Project

As previously released to the ASX results from recent RC drilling on this project which is subject to a joint venture with Mt Isa Mines (Xstrata) are highly encouraging. As per the terms of the joint venture, DYL is required to spend A\$9 million over the four year period on this project. With the Company's decision to limit exploration expenditure and the prospectivity of this project, exploration activities will focus on the joint venture.

The Company will ensure that the remainder of its tenements in Australia are kept in good standing but will restrict its reconnaissance style exploration activities and will reassess this strategy once market sentiment improves.



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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 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 Pretorius consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Where eU_3O_8 is reported it relates to values attained from radiometrically logging boreholes with Auslog equipment using an A675 – slimline gamma ray tool. The probe has been calibrated at the Pelindaba Calibration facility in South Africa with calibration certification provided by Geotron Systems (Pty) Ltd a geophysical consultancy based in South Africa. Furthermore core samples studied by ANSTO indicate negligible disequilibrium in this mineralisation. However, all eU_3O_8 results reported are affected by issues pertaining to possible disequilibrium and uranium mobility which should be taken into account when interpreting those pending confirmatory chemical analyses.