

ABN 97 006 391 948

L 1, 329 Hay St, Subiaco
PO Box 1770, Subiaco, 6904
Tel : 08 9286 6999
Fax : 08 9286 6969
admin@deepyellow.com.au
www.deepyellow.com.au

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Manager Company Announcements
Company Announcements Office
Australian Stock Exchange Limited
Level 10, 20 Bond Street
SYDNEY NSW 2000

Western Gawler Uranium Exploration and Development Heads of Agreement

Deep Yellow Limited ("Deep Yellow") is pleased to announce that it has entered into an agreement to acquire the uranium rights (100%) to Dominion Gold Operations (Pty) Ltd's (a wholly owned subsidiary of Dominion Mining Limited "Dominion") Western Gawler tenements in South Australia (see attached Figure 1). These five tenements cover 3,300 sq km.

Exploration by Dominion together with regolith mapping by the South Australian Geological Survey has outlined a series of major south to southwest trending palaeochannels within the Dominion tenements. These palaeochannel systems drain and incise uraniumiferous granitic source rocks.

Under the terms of the Agreement with Dominion, the Company has access to over 40,000 calcrete samples collected during regional to detailed gold geochemical surveys. The data includes both surface and shallow drill samples. The effectiveness of surface and shallow buried calcrete horizons in scavenging and enriching gold is well documented and was used extensively by Dominion in the early days of their exploration in the Gawler Province. No uranium analyses were carried out by Dominion.

Calcrete horizons within palaeochannels are good hosts for secondary concentrations of uranium, e.g. Paladin Resources' Langer Heinrich deposit and BHP Billiton's Yeleerie deposit. Deep Yellow recognized the potential of the palaeochannels within Dominion's tenements and approached them for access. Deep Yellow will initially re-assay selected sample pulps in order to generate regional anomalies ahead of drilling programs. In addition the Company intends to conduct a regional prospectivity analysis to identify deeper portions of the channel systems for uranium deposits that may also be amenable to treatment by In Situ Leach (ISL) recovery techniques. The Company has established a Regional Office in Adelaide which will also service its Northern Territory programs.

The agreement also gives Deep Yellow access to the uranium rights to any other tenements within the area covered by the Figure 1 map that Dominion may apply for in future.

Key Terms of the Heads of Agreement

Deep Yellow and Dominion have executed a binding heads of agreement (HOA) to be followed by a formal agreement on the following terms:

- Deep Yellow has the right to earn a 90% position in the uranium rights of the tenements by spending \$3,000,000 over a 3 year period. Deep Yellow has the right to spend up to \$500,000 within 12 months (Year 1) from the date of this HOA on both office related studies and fieldwork.
- The expenditure commitments require Deep Yellow to spend \$500,000 in the first 12 months and to issue to Dominion ordinary shares in Deep Yellow equal to 2.2% of the issued capital of Deep Yellow (or \$1 million worth whichever the greater) to continue earning towards a 51% position.
- Provided Deep Yellow spends at least \$250,000 it may elect to withdraw at any time without then earning any equity.
- On election Deep Yellow must spend \$1,000,000 in the following year and \$1,500,000 the year after that, to earn its 90% position.
- If Deep Yellow acquires a 90% interest in the uranium rights, then Dominion shall retain a 10% interest in the uranium rights and shall be free-carried to BFS completion on each and any uranium deposit found. Deposits within 10 km of each others boundaries will be deemed to be one project.
- On completion of a BFS Deep Yellow has the right to buy Dominion's 10% interest in the uranium rights for 15% of 10% of the inground value of the mineable resource as defined in the BFS in cash or shares or a combination of both at DYL's election. If DYL does not exercise this right then DGO must contribute its 10% interest.

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. Dr Leon Pretorius is a Fellow of the Australasian Institute of Mining and Metallurgy and is an employee of the Company. Dr Pretorius has sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which they 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, the JORC Code". Dr Pretorius consents to the inclusion in the report of the matters based on information in the form and context in which it appears.

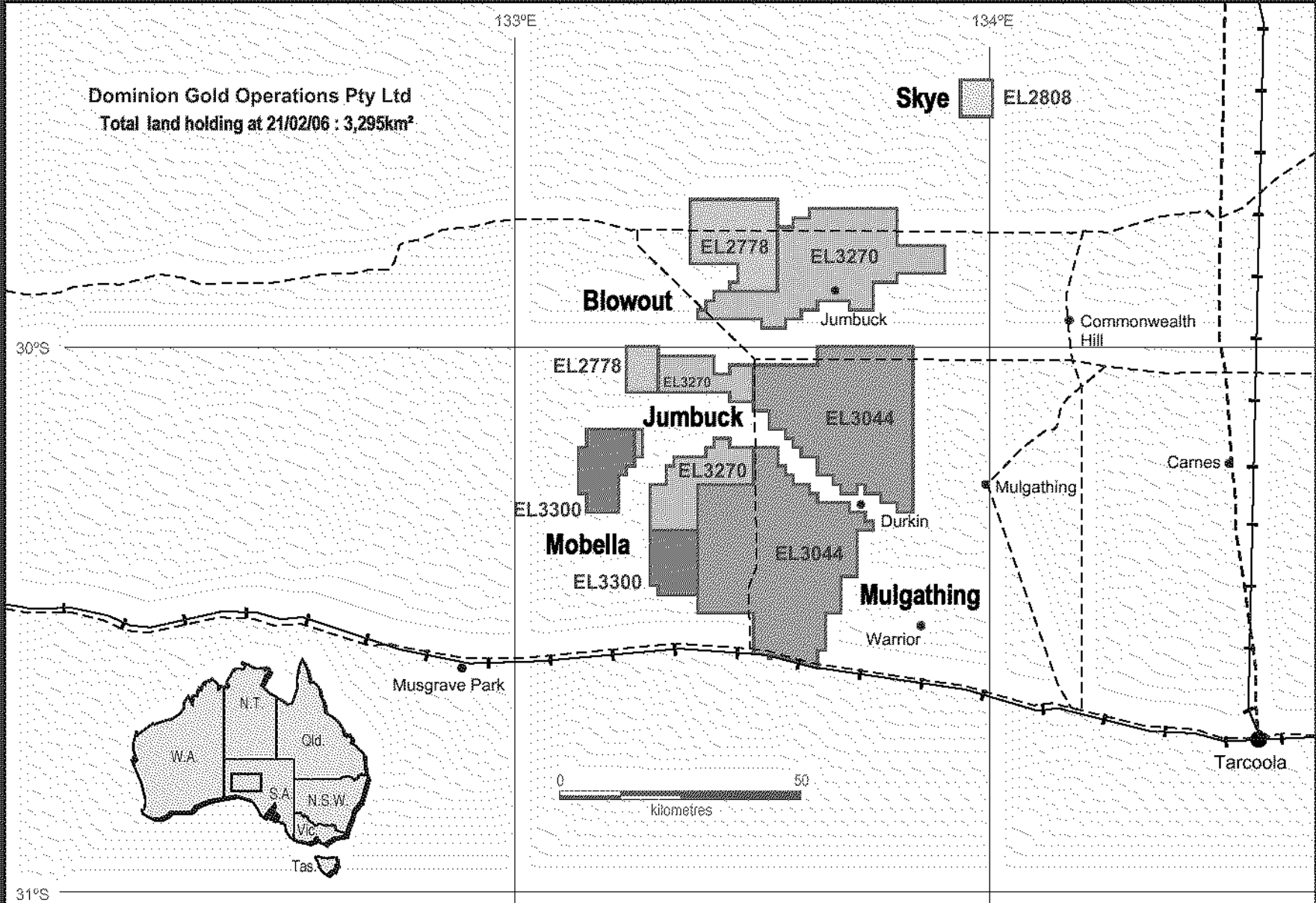


FIGURE 1

WESTERN GAWLER PROJECT

