

DEEP YELLOW LIMITED

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22 October 2008

QUARTERLY REPORT - FOR THE PERIOD ENDING 30 SEPTEMBER 2008

HIGHLIGHTS

NAMIBIA

- Drill-out of Tumas JORC Code estimation area completed, data for **2,312 holes totalling 27,935 metre** validated and submitted to consultants.
- Inca uraniferous magnetite project continues to grow and return good grades and thicknesses, e.g. **607 ppm eU₃O₈ over 54 metre (including 2,981 ppm eU₃O₈ over 11 metre)**.
- Reconnaissance drilling on the Oryx section of the Tumas-Tubas palaeochannel returns good grades and thicknesses, e.g. **984 ppm eU₃O₈ over 10 m from 9 metre**.
- Drill-out of Aussinanis almost completed – **3,397 holes totalling 39,368 metre** to date. Data to be validated for JORC Code estimation.
- Chemical assays of 1 metre channel samples from the Tubas trench red sand returned values up to **2.4% U₃O₈**. Bench scale leach trials on the trench sand gives promising early results.
- Disequilibrium studies by ANSTO complete for all projects.

AUSTRALIA

- XRF chemical assays received for the Ewen Project drilling return significant drill intercepts including:

Conquest Central Prospect

- 14 m at 1,080 ppm U₃O₈ from 29 m
- 9 m at 734 ppm U₃O₈ from 13 m

Slance NE Prospect

- 19 m at 774 ppm U₃O₈ from 51 m
- 16 m at 427 ppm U₃O₈ from 34 m
- 19 m at 455 ppm U₃O₈ from 28 m
- 6 m at 1,152 ppm U₃O₈ from 74 m

Slance NW Prospect

- 12 m at 1,338 ppm U₃O₈ from 61 m
- 14 m at 813 ppm U₃O₈ from 82 m
- 16 m at 505 ppm U₃O₈ from 174m
- 16 m at 964 ppm U₃O₈ from 90 m
- 12 m at 853 ppm U₃O₈ from 14 m

- RC drilling has commenced on the Isa West Project tenements 5 km west of the Mt Isa city limits. Initial downhole logging results are encouraging and chemical assays will be announced as they become available.
- Regional exploration programmes in the Cloncurry area have identified the Robur Prospect as having potential to host sandstone style uranium mineralisation. RC drilling is planned for November.

CORPORATE

- **Employee Options**

On 26 August 2008, 5,050,000 unlisted options to acquire ordinary shares in Deep Yellow Limited were issued to employees, and contractors. The issue was made in two tranches each with an exercise price of 27.5 cents and is pursuant to the terms of the Deep Yellow Limited - Employees and Other Permitted Persons Option Plan which was approved at the Company's Annual General Meeting held on 30 November 2006.

- **Paladin Energy Shareholding**

During the quarter Paladin Energy Ltd (Paladin) made two announcements relating to an increase in its position on the Company's register. On 29 July 2008 Paladin announced it had exercised 12,500,000 options in the Company prior to their expiry. The Company received an amount of \$1,012,500 for the resulting share issue. On 19 September 2008 Paladin notified the market that it had acquired additional shares in DYL on the market.

The result of these two transactions places Paladin's total holding in the Company at 19.29%.

- **Matrix Metals Deal**

Subsequent to the end of the quarter Matrix Metals Limited ("Matrix") and Deep Yellow Limited ("DYL") announced (ASX 13 October 2008) that they have agreed to amend the terms of the Uranium Joint Venture ("UJV") whereby DYL has been granted access to explore for uranium on Matrix's tenement holdings in the uranium rich Mt Isa region of North West Queensland.

Subject to completion of final legal documentation and the payment of \$3,000,000 by DYL to Matrix, the parties have agreed that DYL will be granted 100% of the uranium rights on Matrix's current tenement holdings.

- **Annual Report**

The 2008 Annual Report has been released to the market and circulated to all those shareholders who requested a paper copy. The Company is very appreciative of those shareholders who have indicated that they would prefer to access the Annual Report as a full colour and fully interactive version on our website at www.deeptyellow.com.au.

- **AGM Notice**

The Notice of Meeting for the 2008 Annual General Meeting (AGM) has recently been circulated to shareholders. This year the AGM will be held on Wednesday 19 November 2008 at 3:00 pm (WST) at The Irish Club Inc, 61 Townshend Road in Subiaco.

EXPLORATION - NAMIBIA

DYL's activities in Namibia are carried out by its wholly owned subsidiary Reptile Uranium Namibia (Pty) LTD (Reptile).

KEY POINTS:

- During the quarter up to 7 RC and one diamond drill were actively drilling on 6 separate projects.
- Data validation on the Tumas JORC Code estimation area completed and dispatched to Hellman and Schofield in Perth
- Acquisition of adjoining building that will house chemical and metallurgical staff and facilities as Reptile evolves from pure explorer to detail project evaluation and scoping studies.

SUMMARY AND STATISTICS

Drilling and Assaying:

Drilling for the quarter totalled 45,444 metre completed on six project areas as listed below.

REVERSE CIRCULATION/AIR CORE		
PROSPECT	NUMBER OF HOLES	TOTAL METRE DRILLED
TUMAS	1,717	19,284
AUSSINANIS	1,640	17,695
INCA1	73	7,079
ORYX	17	398
TUBAS	41	488
TOTAL RC AND AIR CORE		44,944

DIAMOND		
PROSPECT	NUMBER OF HOLES	TOTAL METRE DRILLED
TUBAS	1	500
TOTAL DIAMOND		500

GRAND TOTAL DRILLING		45,444
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Table 1: Laboratory Performance Indicators

Job Description	Jul 08	Aug 08	Sep 08	TOTAL
Samples Received	15,954	12,563	10,329	38,846
Samples Crushed	1,153	0	0	1,153
Samples Split	3,784	110	141	4,035
Samples Checked in Pb-Block	17,278	18,558	9,710	45,546
Samples > 10 cps (RadEye)	3,531	2,595	1,072	7,198
Samples Weighed	5,277	2,665	1,468	9,410
Sample duplicates packed & stored	18,853	18,641	9,578	47,072
Samples Milled	5,686	2,899	1,448	10,033
Samples Analysed (Repeats, QC & Daily checks included)	3,861	2,487	872	7,220
Sample results reported	3,410	2,255	633	6,298

In addition, 1,353 Inca samples and 3,144 Tubas Trench samples were sent to Scientific Services Laboratories for analysis during the quarter.

PROJECTS AND EXPLORATION ACTIVITIES

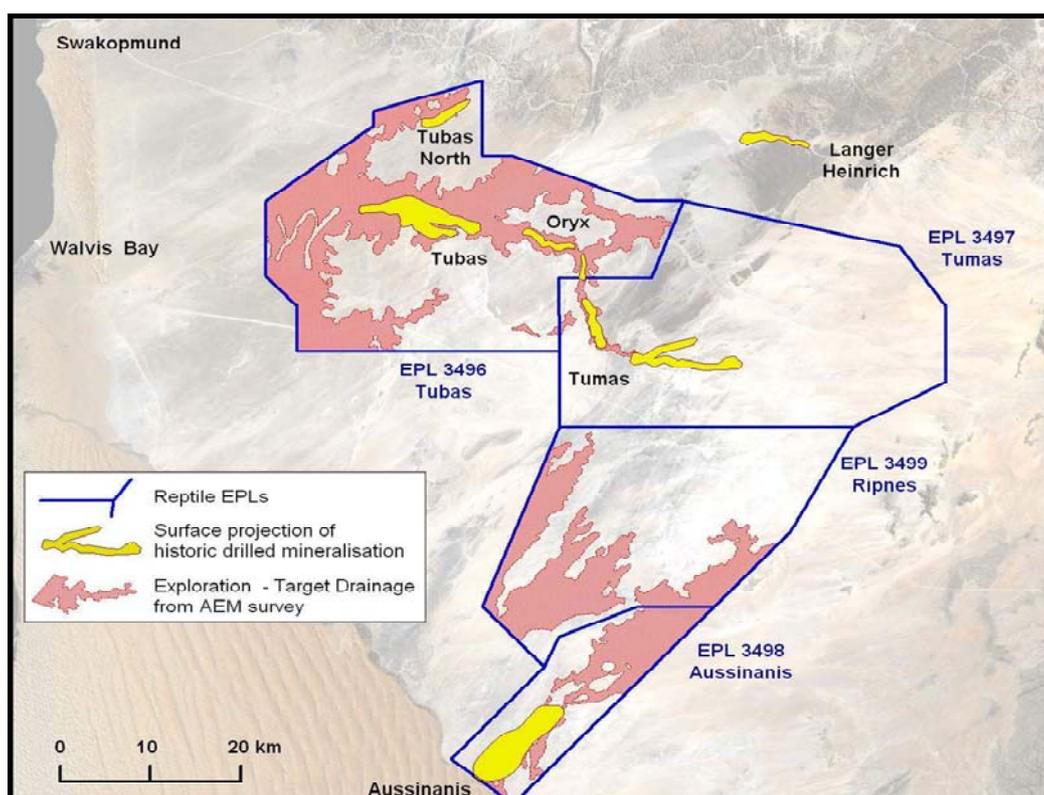


Figure 1: EPL boundaries and project areas showing surface projections of areas previously prospected and extent of airborne electromagnetic anomalies depicting interpreted palaeochannel development.

TUMAS

During the quarter Reptile completed the drill-out of the Tumas JORC Code estimate area (Figures 2 and 3). A total of 2,312 holes totalling 27,935 metre were drilled primarily on a 50 by 50 metre grid pattern with some closer spaced at channel extremities. Numerous highly anomalous intersections were included in this process as listed in the Table 2.

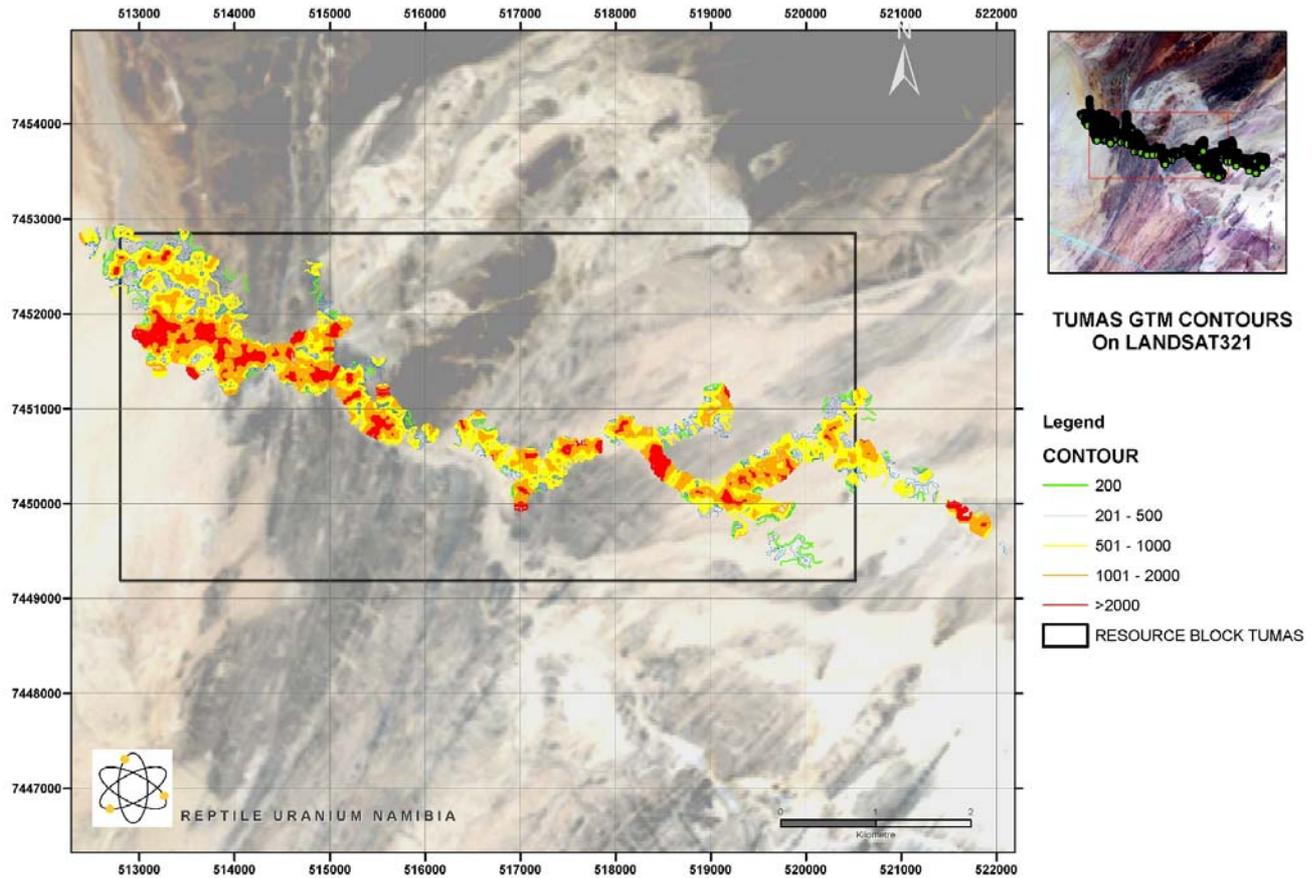


Figure 3: Tumas Final GTM values

ORYX

Further RC drilling outside the rectangular study area has now been curtailed in favour of reconnaissance drilling on the Oryx section of the Tumas-Tubas palaeochannel system. This drilling has intersected mineralised calcretes to depths of 45 metre. Problems with drilling equipment not coping with water ingress will shortly lead to a temporary curtailment of this programme that will probably only recommence in January 2009. Best intersections to 30 September are listed in Table 3.

Table 3: Oryx - Significant Vertical RC and Aircore Drill Intercepts

HOLE	UTM_EAST	UTM_NORTH	FROM	TO	INTERVAL	eU ₃ O ₈	GTM	TD
B8.750N 1.300W	511703	7462753	19	29	10	984	9,443	36
B8.750N 1.350W	511654	7462755	16	31	15	302	4,665	33
B8.750N 1.300W	511703	7462753	0	13	13	330	4,147	36
B8.750N 1.250W	511754	7462755	5	11	6	625	4,064	17
B8.750N 1.700W	511301	7462753	3	6	3	453	1,562	19
B8.750N 1.150W	511852	7462754	8	15	7	221	1,539	25

INCA

Drilling on the nominal 100 by 100 metre grid pattern to depths of 100 metre continued at the uraniferous magnetite Inca project.

Importance of this Discovery

- Mineralisation starts at or near surface
- Expanse of drill-indicated main mineralised zone
- Geophysical and geological anomaly extends a further 10 km to ENE
- Numerous other similar geophysical targets within a thirty kilometre radius
- First such anomaly (Inca) tested returns excellent grade and thickness
- Association of uranium with magnetite could lead to easy beneficiation
- Analogous to Mary Kathleen (CRA uranium mine in Queensland)
- Mainly tested to only 100 metre vertical depth

To end September a total of 110 holes for 11,120 m had been drilled, with 73 completed for 7,079 m during the quarter. Another RC rig with greater depth capacity will be added to this programme when available to test the mineralisation below its present known depth extent.

Significant intersections for the quarter are listed in Table 4.

Table 4: Inca - Significant Vertical RC Drill Intercepts for the Quarter

HOLE	UTM_EAST	UTM_NORTH	FROM	TO	INTERVAL	eU ₃ O ₈	GTM	TD
AM1_9.200 11.100	488904	7475804	39	50	11	2,981	32,939	100
AM1_8.300 11.300	488705	7476704	93	108	15	516	7,863	115
AM1_8.200 11.400	488603	7476805	68	82	14	429	5,901	100
AM1_8.300 10.700	489307	7476705	82	99	17	308	5,335	106
AM1_8.300 10.600	489414	7476701	67	74	7	550	3,797	103
AM1_8.300 11.400	488610	7476708	45	54	9	394	3,623	100
AM1_8.300 10.800	489203	7476707	82	90	8	426	3,536	100
AM1_8.100 10.200	489803	7476904	62	69	7	452	3,049	103
AM1_7.500 11.000	489005	7477505	80	86	6	495	3,042	100
AM1_7.900 11.400	488602	7477104	74	92	18	152	2,795	100
AM1_8.300 11.300	488705	7476704	28	40	12	215	2,581	115
AM1_8.100 11.300	488702	7476904	64	75	11	206	2,353	100
AM1_8.100 11.300	488702	7476904	28	36	8	270	2,285	100
AM1_8.000 10.500	489503	7477006	46	59	13	142	1,902	100

AUSSINANIS

Drilling at Aussinanis continued during the quarter with another 1,640 holes for 17,695 m completed. Drill-out of open areas within the mineralised areas will be completed in October and data validated for JORC Code estimation determinations.

Table 5: Aussinanis - Significant Vertical RC Drill Intercepts for the Quarter

HOLE	UTM_EAST	UTM_NORTH	FROM	TO	INTERVAL	eU ₃ O ₈	GTM	TD
D17.200 21.200	518188	7413208	4	8	4	1,403	5,122	15
D15.000 19.000	516002	7410999	2	16	14	269	3,797	25
D17.800 20.400	517397	7413796	6	9	3	1,301	3,772	13
D19.800 20.400	517397	7415803	0	5	5	702	3,617	7
D19.400 20.200	517202	7415405	0	4	4	787	3,540	13
D15.200 19.200	516201	7411200	1	4	3	768	2,610	13
D4.400 5.800	502799	7400400	16	22	6	412	2,330	25
D18.750 21.000	518000	7414753	5	7	2	1,398	2,167	21
D18.800 21.000	517996	7414800	5	6	1	1,203	1,744	13
D17.600 21.400	518398	7413593	6	8	2	711	1,422	15
D20.600 21.800	518801	7416602	5	7	2	916	1,421	13
D19.800 21.400	518395	7415793	7	10	3	521	1,381	16
D4.200 4.300	501301	7400203	1	5	4	349	1,377	7
D4.400 4.800	501800	7400399	1	8	7	179	1,297	13
D4.100 4.400	501402	7400099	0	6	6	215	1,288	13

WEST TUBAS

Reptile has been trialling Landcruiser mounted aircore rigs in an attempt to lessen the environmental footprint, but it has been found these rigs are limited in their ability to drill the calcretes while being more suited to drill testing of the red sand mineralisation. At present reconnaissance drilling is being undertaken to the west of the trench constructed on the red sand with good results.

Table 6: West Tubas Reconnaissance Drilling - Significant Vertical Aircore Intercepts for the Quarter

HOLE	UTM_EAST	UTM_NORTH	FROM	TO	INTERVAL	eU ₃ O ₈	GTM	TD
A0.800 4.000	486005	7469203	6	11	5	361	1,767	13
A0.600 4.000	486003	7469404	5	9	4	233	886	14
A1.400 4.000	486004	7468606	6	8	2	255	536	9.5
A1.350 4.000	486003	7468650	4	7	3	198	515	9.3

It is probable that the 2 rigs will be relocated to do detail drill-out work on the known red sand area surrounding the trench that falls within the 2007 Tubas JORC Code inferred resource.

TUBAS TRENCH

3,743 of the one metre channel samples from the Tubas Trench have now been chemically assayed and are in the process of being plotted and a 3-D model constructed to better understand the distribution of the mineralisation. Listed in Table 7 are the 20 best assays to date and as can be seen there are exceptionally high concentrations of up to 2.4% U_3O_8 .

Table 7: Best 20 Chemical Assays Returned from Assaying of the 1 Metre Channel Samples to Date

CHANNEL ID	NORTH	EAST	RL	DIRECTION	SAMPLE No	SAMPLE ID	SAMPLE TYPE	U_3O_8 ppm
H8	7467754.09	491803.61	283	EW	HNDNE8	H000352	1 m channel	24,040
F6	7467756.09	491805.61	285	EW	FNFNG6	H000611	1 m channel	20,466
NENF10	7467751.09	491804.11	281	NS	NENFJK10	I003842	1 m channel	18,614
LNI	7467750.09	491807.61	285	VERTICAL	LNI6	H000717	1 m channel	16,153
NI5	7467756.09	491807.61	286	NS	NIEF5	H000420	1 m channel	15,449
JND	7467752.09	491802.61	283	VERTICAL	JND8	H000375	1 m channel	10,253
NH7	7467748.09	491806.61	284	NS	NHMN7	H000099	1 m channel	9,909
G8	7467755.09	491806.61	283	EW	GNGNH8	H000297	1 m channel	9,669
NF8	7467753.09	491804.61	283	NS	NFHI8	H000244	1 m channel	9,134
INF	7467753.09	491804.61	285	VERTICAL	INF6	H000796	1 m channel	8,302
ND7	7467749.09	491802.61	284	NS	NDLM7	H000224	1 m channel	8,169
FNF	7467756.09	491804.61	283	VERTICAL	FNF8	H000209	1 m channel	7,544
HNG	7467754.09	491805.61	284	VERTICAL	HNG7	H000287	1 m channel	7,329
ND7	7467751.09	491802.61	284	NS	NDJK7	H000364	1 m channel	7,213
KNE	7467751.09	491803.61	286	VERTICAL	KNE5	H000774	1 m channel	7,205
J8	7467752.09	491804.61	283	EW	JNENF8	H000206	1 m channel	7,186
L6	7467750.09	491803.61	285	EW	LNDNE6	H000901	1 m channel	7,091
NE8	7467747.09	491803.61	283	NS	NENO8	H000056	1 m channel	6,861
NG6	7467753.09	491805.61	285	NS	NGHI6	H000622	1 m channel	6,524
NG8	7467754.09	491805.61	283	NS	NGGH8	H000274	1 m channel	6,203

Figure 4 displays the location of the sample channels and their relationship to the drill holes.

Figure 5 shows the long section down the centre of the trench coinciding roughly with the drill holes and clearly demonstrates the distribution of the mineralisation away from and between the holes.

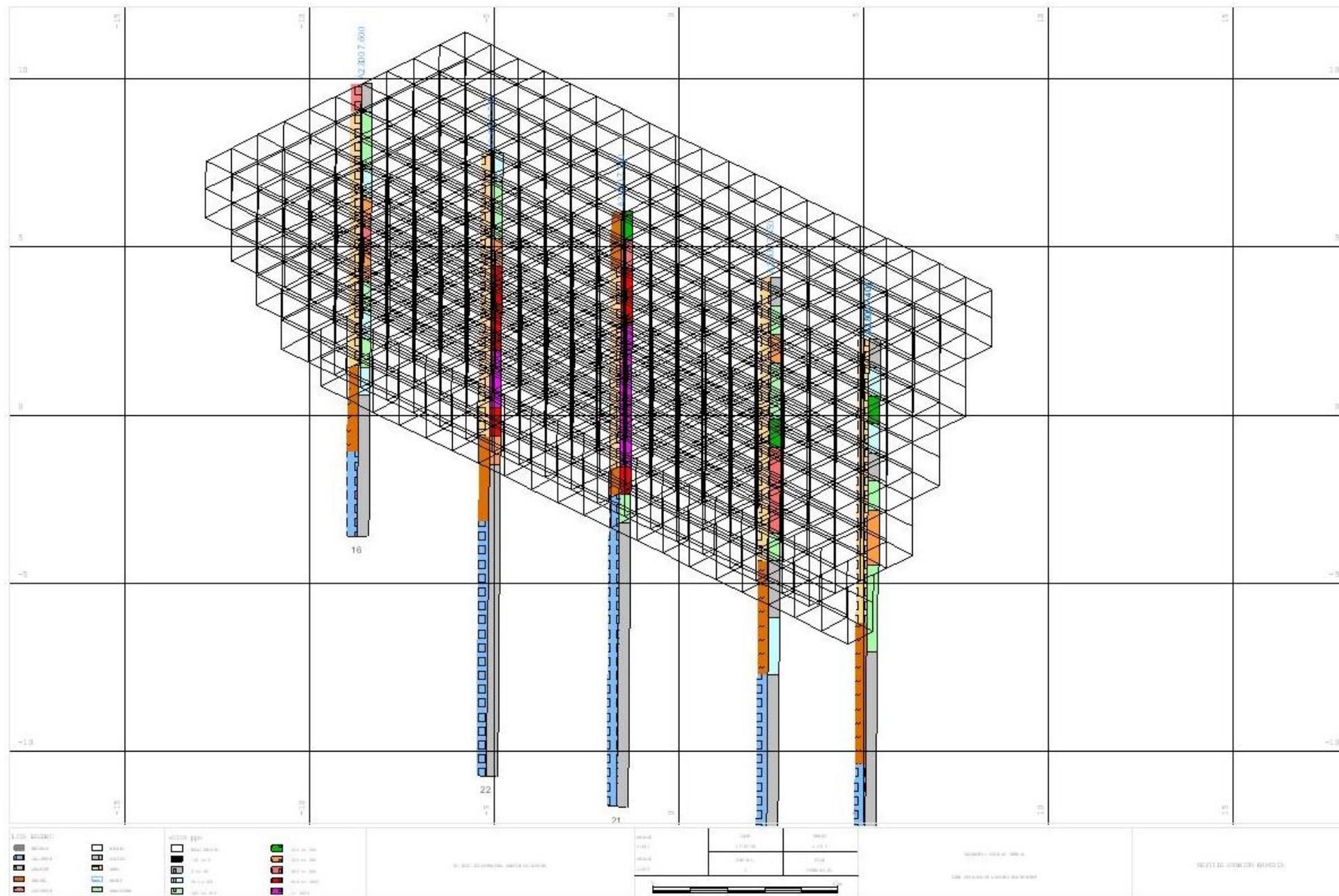


Figure 4: Location of drill holes within trench

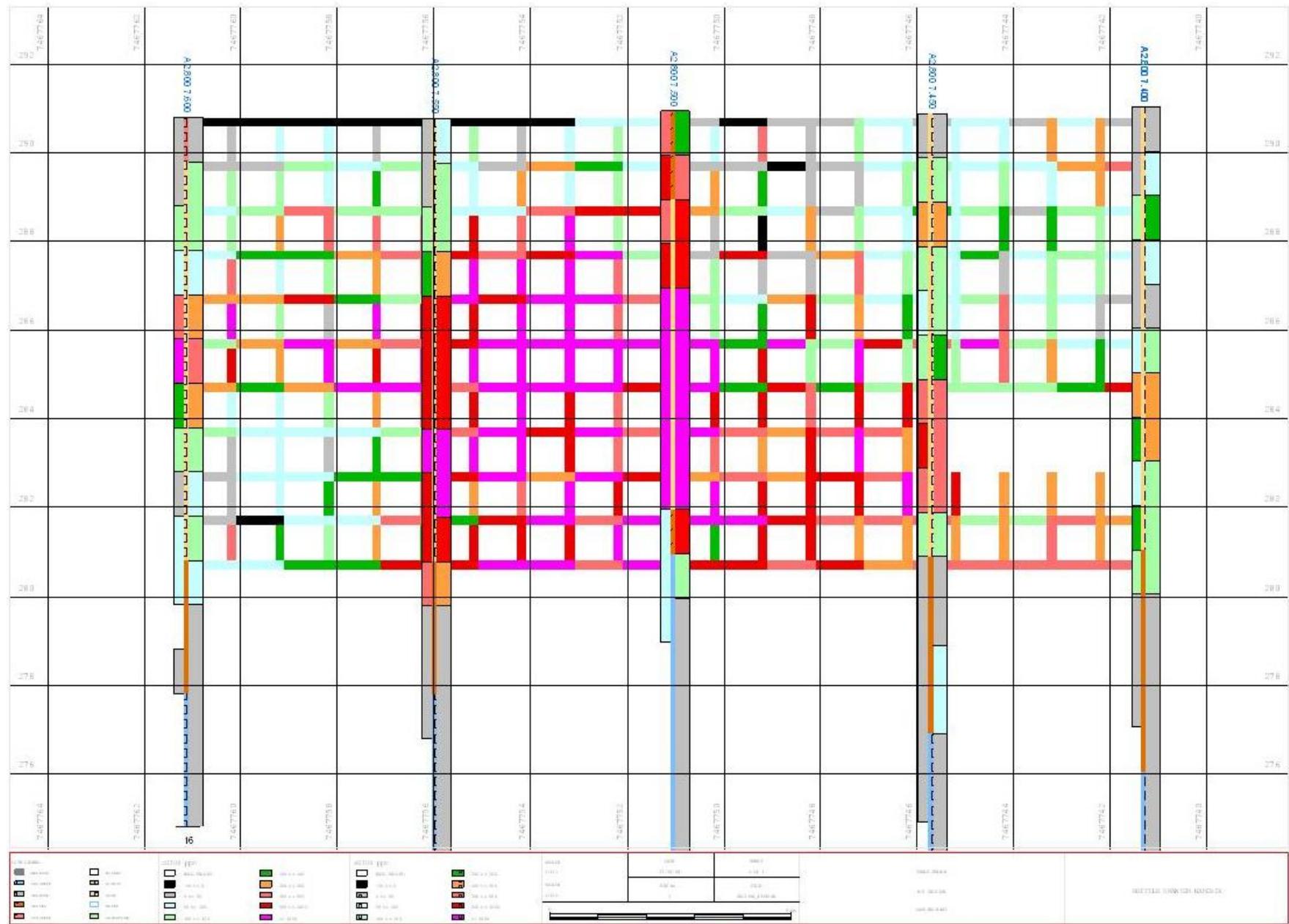


Figure 5: Long section down the centre of the trench coinciding roughly with the drill holes which clearly demonstrates the good correlation of the mineralisation around and between the holes (some data outstanding)

TECHNICAL NOTE ON BENCH SCALE COLUMN LEACH TEST USING TUBAS TRENCH RED SAND

The purpose for this scoping test is to determine the suitability of the mineralised Tubas red sand from the trenching exercise for large-scale column leach test work and to identify potential problems and show stoppers. The two important physical ore characteristics essential for conducting successful column leach tests are agglomeration properties (ability of the ore to produce mechanically stable agglomerates) and stability of agglomerates under pressure and during stacking and irrigation. The aim is to obtain data for predicting potential heap leach performance.

Experimental Procedure

- 15 kg of Tubas trench red sand sample containing approximately 400 ppm U_3O_8 was crushed to minus 6 mm for this experiment.
- The product was agglomerated by turning it in a 750 mm diameter plastic bowl and simultaneously adding water.
- The agglomerates were poured into the column with inner diameter of 1475 mm to a height of approximately 600 mm.
- 6 litre of leach liquor (2 litre of water in void space and 4 litre of circulating lixivate) was used for the 15 kg of sample after having washed it for 36 hrs with 10 litre of fresh water to remove soluble impurities such as chlorides.
- Irrigation rate was set at 8 l/m²/hr or for the above column 2.28 ml/min.
- Leach liquor was prepared containing 40 g/l Na_2CO_3 (Sodium carbonate or soda ash) and 10 g/l $NaHCO_3$ (Sodium hydrogen carbonate or sodium bicarbonate). The leach liquor is applied at 2.28 ml/min and carbonate as well as fresh water is added to maintain the lixivate volume and concentration.
- The column temperature was elevated using a fan heater to + 26°C for increased leach rates.
- The intermediate liquor solution (ILS) was circulated manually by catching the percolate (maintained at approximately 4 litre) in a reservoir below the column and filling the feed reservoir.
- The target U_3O_8 concentration of the PLS to be produced by this ore is between 650 and 700 ppm assuming approximately 65% to 70% recovery. (Leach efficiency will likely to be higher than pregnant liquor solution (PLS) recovery, as much of the dissolved uranium will become adsorbed to the clay minerals and will subsequently be removed by washing.)

Experimental Results and Observations to Date

Agglomeration required the addition of 13% water by weight, however the agglomerates had poor mechanical strength as they broke apart when dropped from a height of 1.5 metre.



Figure 6: Progressive formation of agglomerates ending with mechanically hardened agglomerates with and ideal moisture content indicated by a shiny surface.

Figure 6 shows the progressive agglomeration process used in order to pack the column. Although agglomerates failed the drop test, the column was packed using pebbles as drainage material stacked 9 cm high and the 16.95 kg agglomerated ore was stacked to a height of 52 cm (density of 1.92 g/cc). Upon washing the stacked agglomerated ore, the height shrank to 47 cm (density of 2.12 g/cc).

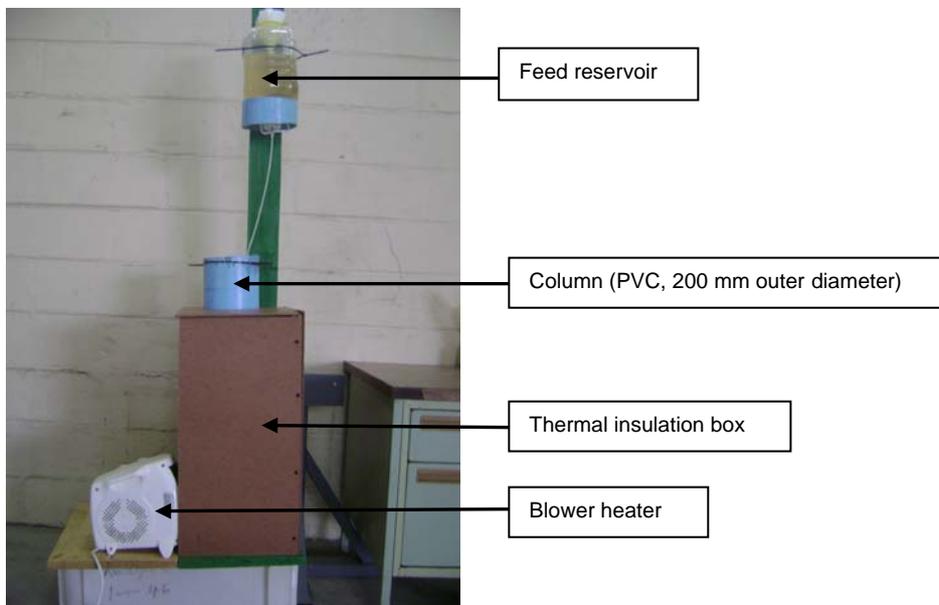


Figure 7: Column test set-up for leaching Tubas Red Sand at 400 ppm U_3O_8 , using 40 g/l Sodium carbonate and 10 g/l Sodium bicarbonate at a column temperature of + 26°C.

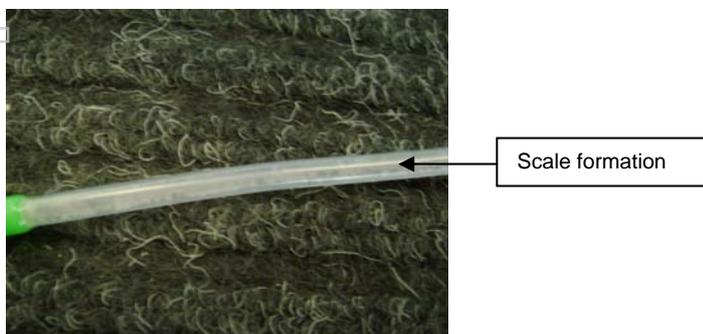


Figure 8: Presence of scaling interferes with flow rate control.

Scaling is evident and posed flow rate regulation problems throughout testing to date. No carbonate and bi-carbonate concentrations were measured and carbonate bi-carbonate additions were based on theoretical values as well as reactive management to the leach performance and re-precipitation of uranium in the ore.

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Figure 9 below illustrates leach progress, carbonate addition and strontium in solution to date.

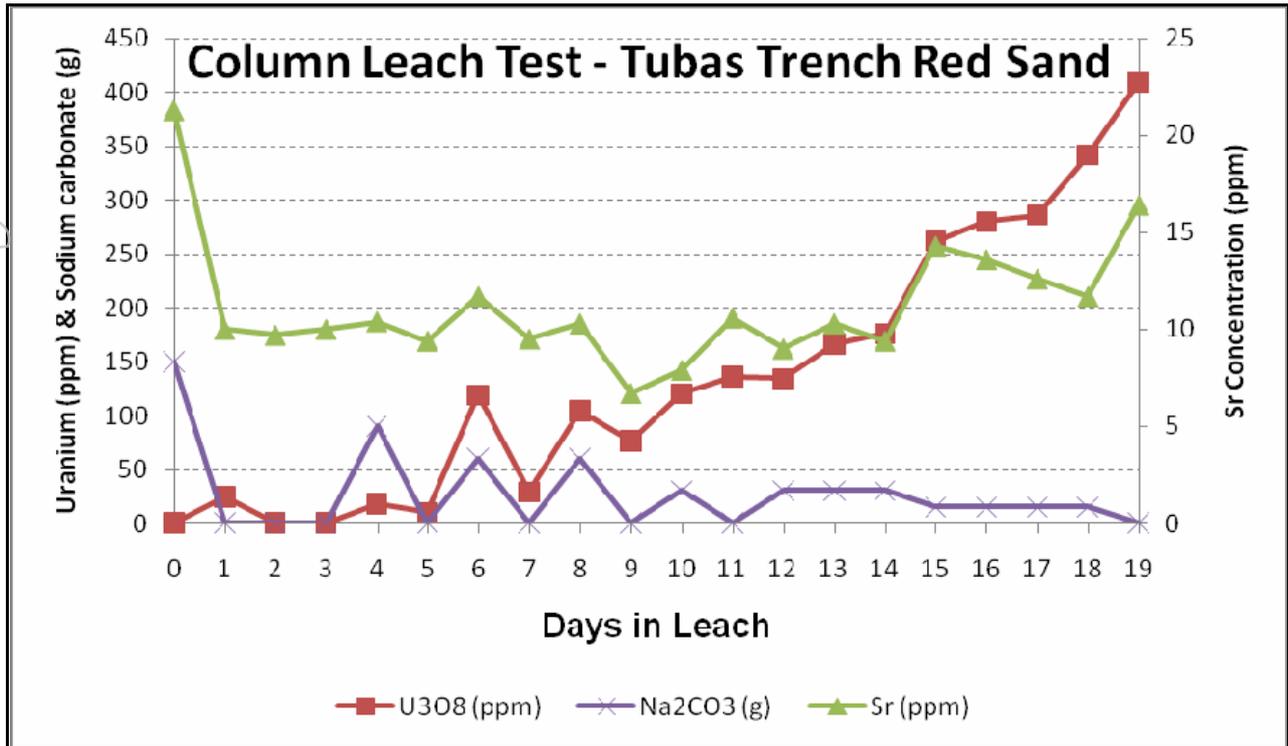


Figure 9: Days under leach vs. uranium extraction, strontium in solution and carbonate addition.

The column leach test will continue until uranium in solution remains constant (the extraction curve flattens out). At this point the carbonate and adsorbed uranium will be washed from the ore and the tailings will be used to determine leach efficiency. Final results will follow when available.

FUTURE DRILLING ACTIVITIES

Once the present reconnaissance first pass evaluation of all the EPLs is complete (estimated to be early 2009) it is envisaged that only 2 RC rigs will be employed at any one palaeochannel site at any one time to carry out campaign style detail JORC-style drilling. It is planned for all camps to close in favour of transporting personnel to and from drill areas on a shift basis. Drilling at Inca will continue with one or two RC rigs. Diamond drilling will occur as required.

EXPLORATION - AUSTRALIA

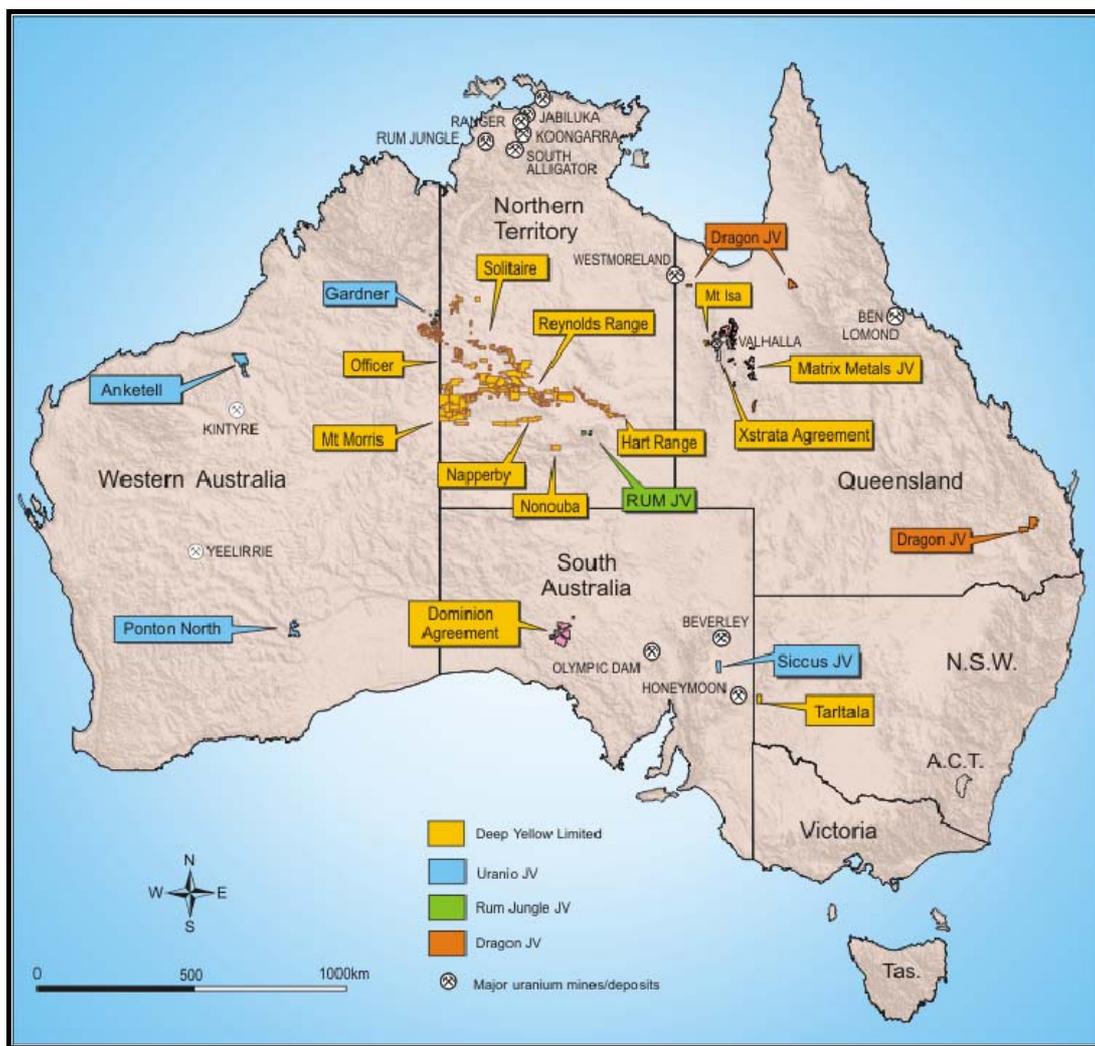


Figure 10: Australian Projects

QUEENSLAND

MT ISA DISTRICT

EWEN PROJECT - EPM 14916 (acquiring 100% from Matrix Metals Ltd)

As announced to the ASX (13 October 2008) DYL will acquire 100% of the uranium rights over 23 exploration tenements subject to the NW Queensland JV for an all-up payment of \$3 million to Matrix. As part of the acquisition, title to the Ewen EPM 14916 which contains several significant uranium prospects (drilled by DYL) will be transferred 100% to DYL. Matrix will retain the right to explore for all non-uranium minerals on the tenement.

The acquisition of the Ewen tenement together with DYL's existing 100% owned Prospector EPM 15070 and specifically the Queens Gift prospect will now comprise a 100% owned Project Area located 75 km north of Mt Isa.

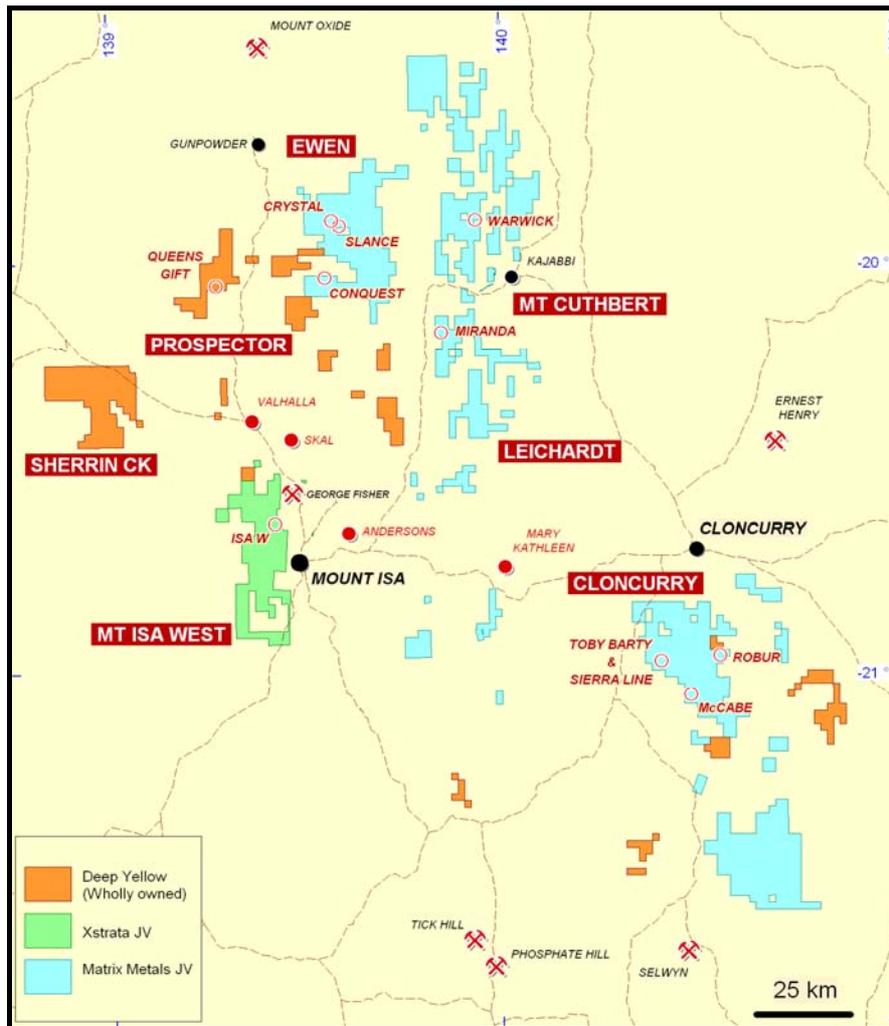


Figure 11: Mt Isa Tenure

RC Drill Programme

RC Percussion drilling on the Ewen EPM was terminated on 19 September 2008 with a total of 87 holes for 9,107 metre being completed (see Table 8).

Table 8: Ewen RC Percussion Drilling

Prospect	No. of Holes	Metre
Conquest Central	14	1,667
Conquest North	3	246
Bluestone	8	672
Slance NE	17	1,696
Slance NW	9	1,146
Slance SW	4	366
Crystal 6	4	420
Crystal 5	9	882
Crystal 4	11	1,256
Crystal 1	8	756
Total	87	9,107

A number of significant intercepts were returned from the programme with the widths and grade of intersections at the **Slance NE, Slance NW and Conquest Central Prospects** (see Table 9) justifying follow-up RC and diamond drilling in the 2009 field season. The **Slance NW Prospect** returned some significant 'potentially economic' intercepts over a 115 metre strike length to 150 metre vertical depth and the prospect remains open to depth and to the south along strike. The **Slance NE Prospect** is located 400 m south and 250 m east of **Slance NW**. The 2007 drilled **Slance Prospect** is a further 250 m south of **Slance NE** giving a total prospect strike length of 650 m that will require follow-up evaluation and drilling in 2009.

The relatively small (<50 m strike) surface expression of the mineralised systems in the Ewen tenement and the initial hit or miss first-pass shallow undercut holes demonstrate the need to persist along strike for 150-200 m and to 100 m vertical depth to complete a full evaluation of existing surface anomalies. Based on these criteria there remain numerous targets for follow-up drilling in 2009 within the Ewen and Prospector tenements.

Table 9: Ewen Project Significant Intercepts – XRF Chemical Assays

Drillhole	UTM#		Azi	Dip	TD (m)	Depth (m)		Interval (m)	U ₃ O ₈ (ppm)
	mE	mN				From	To		
Conquest Central									
DCQRC008	348615	7783520	270	-60	72	7	12	5	468
						17	21	4	1,013
DCQRC009	348645	7783520	270	-60	99	46	54	8	760
DCQRC010	348590	7783510	090	-60	102	13	22	9	734
						29	43	14	1,080
Slance NE									
DSLRC009	352512	7797962	090	-60°	90	34	50	16	427
DSLRC010	352492	7797961	090	-60°	120	51	70	19	774
DSLRC012	352487	7797910	090	-60°	120	74	80	6	1,152
DSLRC014	352488	7797876	090	-60°	96	53	58	5	469
DSLRC029	352509	7797940	090	-60	78	28	47	19	455
DSLRC030	352464	7797910	090	-60	144	111	113	2	2,150
						116	120	4	1,375
Slance NW									
DSLRC017	352205	7798392	270	-60	102	14	26	12	833
						30	44	14	370
DSLRC018	352220	7798390	270	-60	114	61	73	12	1,338
DSLRC020	352233	7798349	270	-60	102	33	35	2	1,975
DSLRC021	352248	7798350	270	-60	120	72	76	4	863
						80	89	9	1,017
						102	112	10	464
DSLRC033	352250	7798390	270	-60	144	82	96	14	813
DSLRC034	352230	7798325	270	-60	156	26	30	4	1,410
						90	106	16	964
DSLRC035	352250	7798275	270	-60	222	131	135	4	710
						174	190	16	505

#UTM Datum: MGA Zone 54 / GDA 94

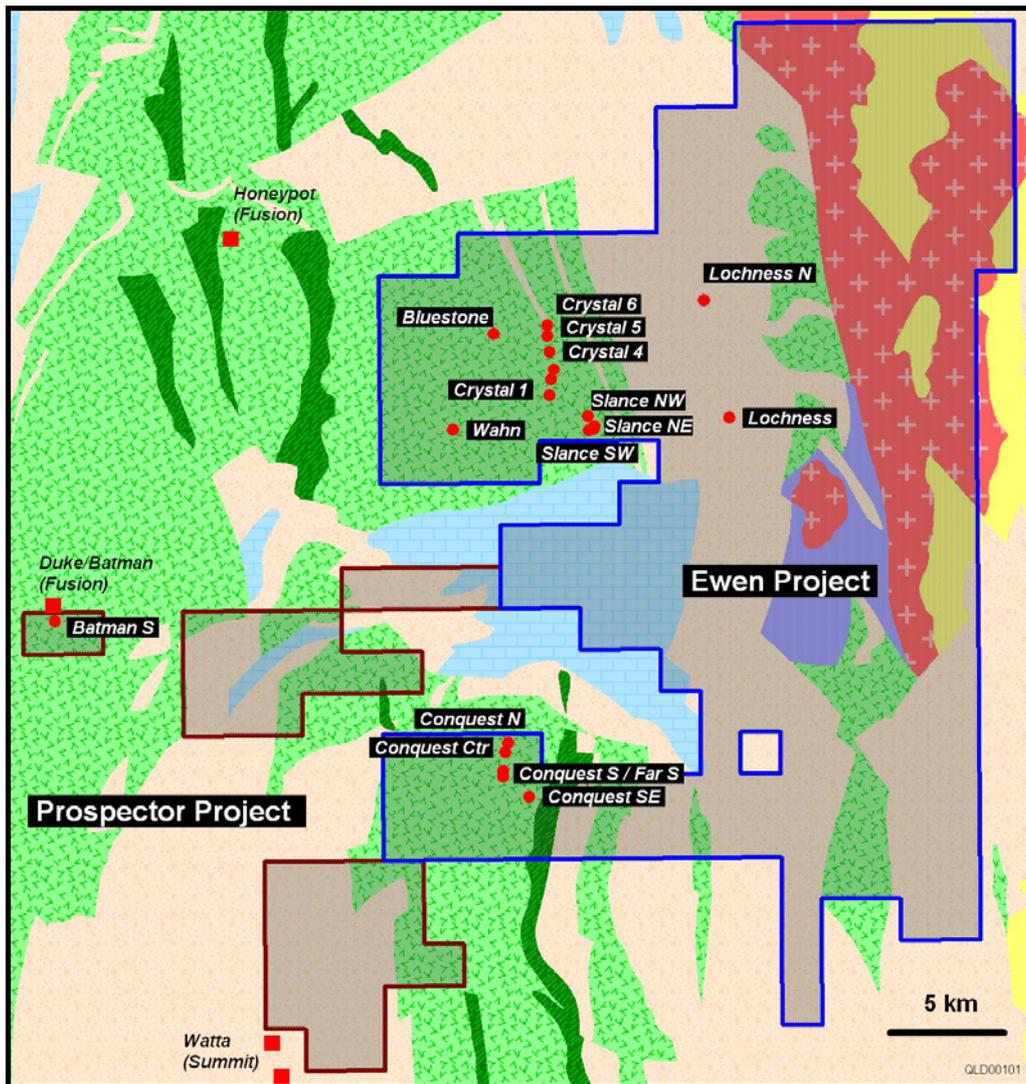


Figure 12: Ewen Project EPM 14916 Prospect Locations

ISA WEST PROJECT (earning 100% of uranium rights from Xstrata)

Based on the uranium assay results from DYL’s surface sampling programme (ASX 23 July and 21 August 2008) and ground radiometric surveys together with the historic data, 16 prospect areas were selected as initial drill targets. The two RC drill rigs that were drilling on the Ewen Project were relocated to the Isa West Project in late September.

As of 17 October 2008 63 holes for a total of 5,094 metres had been completed with 14 target areas being tested (see Table 10). Thirteen of the targets were historic prospects that had been explored for uranium intermittently from the late 1960’s to early 1980’s. Prior to commencing the drill programme the Kalkadoon Traditional Owners cleared a 6 x 3 km area covering the target areas.

XRF chemical assays are not yet available for the drill programme however initial results from downhole radiometric logging of the holes are positive but no eU₃O₈ results will be released as this is a new project area and disequilibrium factors used in the estimation of grade are as yet unknown. All samples from the drill programme have been dispatched for assay.

DYL anticipates that it will achieve a \$1 million expenditure level on the project area by early November so crystallising the major earn-in phase of the JV (a further \$9 million over 4 years to earn 100% of the uranium rights to the Project tenements – ASX 21 January 2008).

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Table 10: Isa West Project. RC Drilling Summary

Prospect	No. of Holes	Metre
Goya	2	180
Bambino	12	1320
Folderol South	6	594
Mothers Day	6	420
Folderol North	4	306
Flat Tyre	4	330
Turpentine	6	456
Citation	3	168
Middle Glare	3	180
Anniversary	2	108
Miami	3	174
Never Can Tell	3	180
Thanksgiving	8	618
Eldorado North	1	60
Total	63	5,094

Regional Drilling

Following on from the prospect drilling a 1.2 km east-west regional line is being drilled with overlapping holes on 50 m centres to test undercover targets north of the Miami and Never Can Tell prospects.



Figure 13: Isa West Anomalies

PROSPECTOR EPM 15070 (DYL 100%)

Queens Gift Prospect

Three RC percussion holes were drilled to test the northern extent of the main (northern) Queens Gift mineralised zone. Holes DQRC0048 and 0049 closed off the near surface northern extension of the mineralised zone. Hole DQRC0050 was drilled 50 m north of 2007 hole DQRC0043 which returned 43 m at 362 ppm U₃O₈ from 37 m. The intercept of 69 m at 171 ppm U₃O₈ in hole DQRC0050 indicates that further drilling (2009 field season) is required to test the depth extent of mineralisation. The results from the 2008 diamond drill programme (ASX 22 July 2008) also confirmed continuity to depth of the northern and central mineralised zones.

Table 11: Queens Gift RC Percussion Drilling –XRF Chemical Assays

Drillhole	UTM#		Azi	Dip	TD (m)	Depth (m)		Interval (m)	U ₃ O ₈ (ppm)
	mE	mN				From	To		
DQRC0048	319418	7781800	090	-60	66	-	-	-	NSR*
DQRC0049	319414	7781754	088	-60	60	11	17	6	356
DQRC0050	319425	7781725	090	-60	144	68	137	69	171
						108	114	6	330
						133	137	4	527

* No significant results

UTM Datum: MGA Zone 54 / GDA 94

NW QUEENSLAND JV (acquiring 100% of uranium rights from Matrix)

Over the 2007 and 2008 field seasons DYL conducted three helicopter supported reconnaissance mapping and sampling surveys over the tenements identifying uranium targets for follow-up detail assessment. The focus for 2008 has been in the Cloncurry district resulting in the delineation of the Robur Prospect which will be drilled in November 2008.

The 2007 reconnaissance programmes focussed on tenements surrounding Matrix's mining operations northeast of Mt Isa and identified targets for follow-up work. Weather permitting Anomaly 78 to the north of Mt Cuthbert will also be drilled in late November. The Kalkadoon Traditional Owners have cleared the prospect areas for drilling and access tracks and drill pads have been established.

There remains a significant number of 'mid to lower priority' uranium anomalies within the Matrix tenements that will be field checked in 2009.

Robur Prospect – EPM 14772

Detailed mapping, sampling and ground radiometric surveys have been conducted at the Robur uranium anomaly which is located 30 km south of Cloncurry. The surface anomaly over an area of 400 x 350 m is within steeply dipping sandstones and siltstones and is regarded as a possible sandstone hosted uranium occurrence not previously recognised in the district.

The Kalkadoon Traditional Owners have cleared the prospect area for drilling. A total of 17 RC drill holes are planned to be drilled in early November. Access tracks and drill pads have been established ahead of the drilling.

NORTHERN TERRITORY

Napperby Project (DYL 100% - Toro Energy Limited Option to Purchase)

Drilling at the Napperby Uranium Project, 150 km northwest of Alice Springs was completed in early September (Toro Energy ASX 30 September 2008). A total of 333 sonic drillholes for 3,300 metre and 784 aircore drillholes for 9,723 metre were completed. The majority of these holes were drilled to assess extensions to the previously reported, JORC Inferred Mineral Resource of 4.6 million tonne at 305 ppm (0.031%) U_3O_8 for 1,420 tonne (3.13 million pounds) of contained uranium oxide (using a 200 ppm U_3O_8 cut off: refer to Toro Energy ASX Release 25 July 2008).

The Napperby Project is a historic mineralised zone discovered and explored by CRA Exploration and Uranerz in the late 1970's early 1980's. The project comprises an extensive, consistent mineralised zone within 3 to 7 metre depth from surface in semi-consolidated and unconsolidated sediments. The project is close to infrastructure, being 150 km NW of Alice Springs along the sealed section of the Tanami Highway, within 20 km of the Alice Springs to Darwin gas pipeline and with access to the main N-S railway through Alice Springs.

Toro Energy have an Option Agreement with Deep Yellow over the Napperby Project which allows 100% purchase of the project at a capped price per resource pound (lb) basis at any stage, over a three year period.

Aircore holes were drilled at nominal 100 m centres and logged with a calibrated gamma probe. Corrections of gamma data were made for casing type, probe crystal K factor and ground water level, to produce equivalent grades ('e U_3O_8 '). Previously reported disequilibrium studies have provided confidence in e U_3O_8 values at Napperby and gamma data are therefore universally corrected for disequilibrium by a factor of 1.4. Any hole reporting greater than 100 ppm e U_3O_8 over 1 metre is twinned with a sonic hole that provides samples for assay, as well as additional calibrated gamma data. Once all sonic hole assays are available and validated, an updated resource will be estimated using these results. It is expected that the updated resource figure will be available in early 2009.

The gamma equivalent grade x thickness from the 2007 and 2008 drilling to date continues to show very good continuity along the palaeochannel (Figure 14).

The Central Land Council (CLC) and Toro Energy hosted a traditional owners' meeting at Laramba with up to 70 traditional owners attending. Information was provided on the Napperby project and a site visit was also conducted.

Toro Energy have advised that baseline environmental and radiometric studies have also been completed. These will feed into a planned Scoping Study for the project, during early part of 2009.

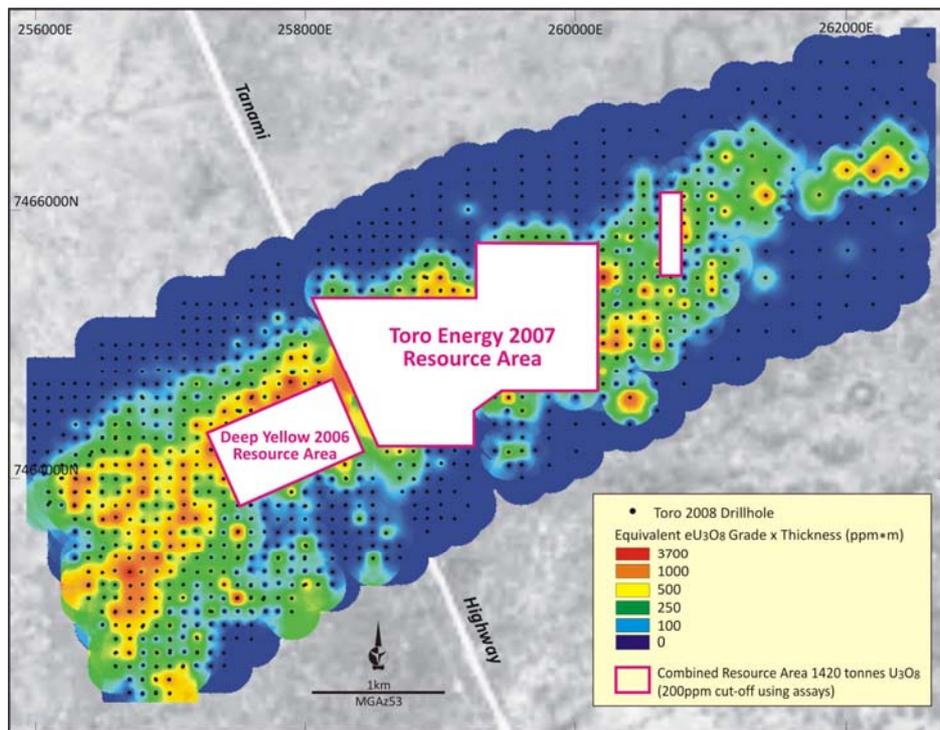


Figure 14: Completed Toro Energy 2008 drilling showing grade x thickness (GT) using corrected eU₃O₈ equivalent grades

Notes on the analysis in Figure 14:

- 1) Grade x thickness (GT) – the product of grade (U₃O₈ ppm) and ore thickness (metres) is used as an indicator of potential mineability.
- 2) eU₃O₈ grades shown here are for indicative mineralisation purposes only, and samples from the sonic drilling have been gathered under QAQC procedures and dispatched for assay. Initial results are pending. Gamma eU₃O₈ grades are currently not used by Toro Energy for resource calculation purposes, but this will depend if ongoing disequilibrium work provides the basis for increased confidence in grade estimation from gamma data.
- 3) Data were generated by applying a cut-off of 130 ppm eU₃O₈ to the gamma derived grades. GTs was then calculated and a grid applied. The lowermost GT increment in this figure, 100ppm.m, translates to a grade of 130 ppm with a thickness of 0.75m.

Regional Programmes (DYL 100%)

Airborne Electromagnetic Survey (AEM): Preliminary data from the AEM surveys over the Reynolds Range, Mt Doreen and Mt Liebig Projects has highlighted a number of palaeochannels and restricted basins to be tested by the regional aircore drill programme.

The palaeochannels for the most part are coincident with present day drainages although several buried channels were indentified. Importantly the AEM data has identified a number of potential lignite-bearing Tertiary basins beneath extensive sand plain cover. Reconnaissance drilling of the basins will be undertaken in October 2008.

Aircore Drilling: Aircore drilling on the Reynolds Range Project commenced in early September and the programme was initially disrupted by rig breakdowns and rain. A total of 186 holes for 4,232 m were drilled to 30 September 2008. No significant radiometric anomalies were returned from the drilling programme, however a number of palaeochannels were delineated and their provenance needs to be identified. Assay results from the drill programme have yet to be received and evaluated.

Drilling will continue at Reynolds Range and on the Mt Doreen Project tenements in October. Initial reconnaissance and marking out of drill traverses has been completed on the Mt Liebig tenements however final clearance for drilling has not yet been received.

Nonouba Project (DYL 100%)

Information relating to sacred site locations (i.e. exclusions zones) was received from the A.A.P.A. for the Nonouba project area, 60 km west of Alice Springs. A 5,000 metre RC drill programme is scheduled to commence at Nonouba in mid-November testing for roll-front uranium mineralisation to 150 metre depth (see Figure 15).

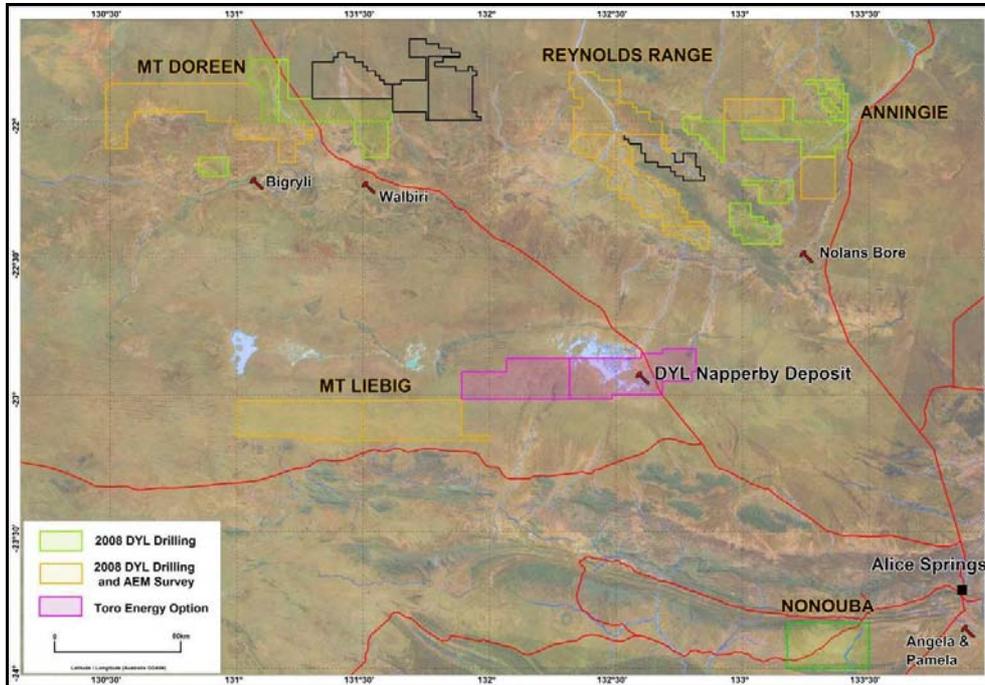


Figure 15: 2008 AEM Surveys / Aircore Drilling Areas

Western Tanami Projects (DYL 100%)

A meeting of Traditional Owners and the CLC was held at Lajamanu in relation to access for exploration on EL's 25155, 25156 and 25177 – the Officer Project in the Western Tanami region (see Figure 16). A report from the CLC is expected shortly. In addition DYL attended a meeting of Traditional Owners and the CLC at Yuendumu in relation to access for exploration on EL's 8846, 10223, 25097 and 25212 – Green Swamp, Cornelius and Solitaire Projects in the Western Tanami region (see Figure 16). A formal response is expected in the next week.

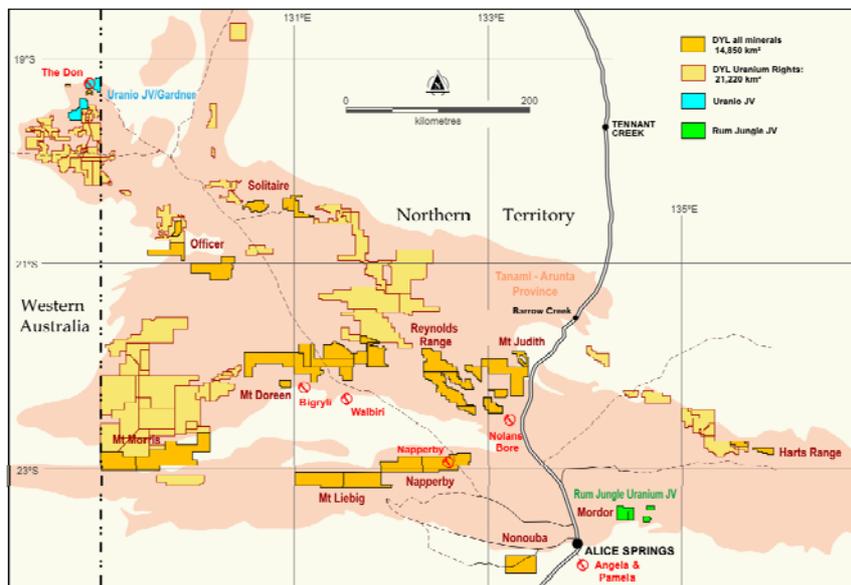


Figure 16: Northern Territory

NEW SOUTH WALES

TARLTALA PROJECT – EL 6573

The Tarltala Project is located 80 km northwest of Broken Hill on the New South Wales/South Australian border. The tenement totaling 360 km² covers the contact zone between Curnamona Craton and the Willyama Province (Broken Hill).

DYL is targeting IOCGU mineralisation in basement terrain beneath 150-250 metre of Tertiary and Cretaceous sediment cover of the Frome Basin. DYL has flown an Airborne Electromagnetic (AEM) survey over the tenement and a detail gravity survey on 1 x 1 km centres (440 stations) ahead of a 2,000 metre RC drilling programme.

The survey revealed several discrete gravity highs in the northeast of the tenement. In addition there are clear NNE-SSW structures and several gravity high anomalies on a northwest striking gravity ridge in the south of the tenement.

JOINT VENTURES

Uranio (DYL 30%)

Ponton North: A first pass drill programme was completed at Ponton North with 74 holes for a total of 4,630 m being drilled. The drilling focused on areas of known historic uranium mineralisation and other targets generated from the interpretation of AEM survey data acquired in 2007. Assay results from the drilling are due in mid November 2008.

Gardner Range: An airborne magnetic and radiometric survey at 100 m line spacing was flown over the Gardner Range project area in July 2008. Interpretation is almost complete with an indication that the U and U/Th channels demonstrate the existence of strong lithologically controlled uranium anomalies both at, and along strike from, the known Don and Deva prospects. These strong radiometric anomalies are in the Killi Killi Beds at or below the unconformity with the Gardner Range Sandstone.

Rum Jungle (DYL 50%)

Rum Jungle Uranium (RJU) has advised DYL that they intend to carry out an aircore drill programme on the Ambulindum tenement east of Alice Springs in November. In addition RJU will also complete a gravity survey over the Mordor intrusive complex targeting massive sulphides (Ni, Pt-Pd) at depth within the complex.

Dragon Energy (100% DYL)

The management of Dragon Energy a privately funded company have advised DYL that due to the current market downturn they are unable to proceed with an IPO based on DYL's Queensland Divestment tenements (ASX 12 December 2007).

As part of the divestment DYL received a non-refundable \$50,000 in cash from Dragon Energy. In addition Dragon Energy paid \$42,862.40 in annual rental on the tenements. DYL will review the tenement package in light of its current commitments in Queensland.

CORPORATE

EMPLOYEE OPTIONS

New Issues:

On 26 August 2008, 5,050,000 unlisted options to acquire ordinary shares in DYL were issued to employees, and contractors. The issue was made in two tranches and is pursuant to the terms of the Deep Yellow Limited - Employees and Other Permitted Persons Option Plan which was approved at the Company's Annual General Meeting held on 30 November 2006.

- 1,375,000 with an exercise price of 27.5 cents which vest on 1 December 2008 and expire on 30 June 2011; and
- 3,675,000 with an exercise price of 27.5 cents which vest on 1 June 2009 and expire on 30 June 2011.

The Directors use the issuing of options as a basis for rewarding employees and contractors which conserves cash however provides an incentive to join / remain with DYL.

Options lapsing:

250,000 employee options have lapsed in the quarter in accordance with the terms of the Deep Yellow Limited Directors, Employees and Other Permitted Persons Option Plan.

PALADIN ENERGY SHAREHOLDING

During the quarter Paladin Energy Ltd (Paladin) made two announcements relating to an increase in its position on the Company's register. On 29 July 2008 Paladin announced it had exercised 12,500,000 options in the Company prior to their expiry. The Company received an amount of \$1,012,500 for the resulting share issue. On 19 September 2008 Paladin notified the market that it had acquired additional shares in DYL on the market.

The result of these two transactions places Paladin's total holding in the Company at 19.29%.

Following Paladin's ASX announcement on 19 September, the Chairman and two Executive Directors have had separate discussions with Paladin's Managing Director, Mr John Borshoff.

Mr Borshoff reiterated that Paladin recognises the extensive tenement position of DYL and DYL's strong uranium management, exploration teams and looks forward to continuing to be a supportive shareholder of DYL.

MATRIX METALS DEAL

Subsequent to the end of the quarter Matrix Metals Limited ("Matrix") and Deep Yellow Limited ("DYL") announced that they have agreed to amend the terms of the Uranium Joint Venture ("UJV") whereby DYL has been granted access to explore for uranium on Matrix's tenement holdings in the uranium rich Mt Isa region of North West Queensland.

Subject to completion of final legal documentation and the payment of \$3,000,000 by DYL to Matrix, the parties have agreed that DYL will be granted 100% of the uranium rights subject to the NW Queensland Joint Venture.

In essence, the terms of the current joint venture arrangements will prevail, however DYL will achieve 100% ownership of the uranium rights without proceeding through the original ownership path. As the general operating structure of the arrangement has already been mapped out via the current agreement, finalisation of a new agreement is expected to proceed quickly.

ANNUAL REPORT

The 2008 Annual Report has been released to the market and circulated to all those shareholders who requested a paper copy. The Company is very appreciative of those shareholders who have indicated that they would prefer to access the Annual Report as a full colour and fully interactive version on our website at www.deeptyellow.com.au.

AGM NOTICE

The Notice of Meeting for the 2008 Annual General Meeting (AGM) has recently been circulated to shareholders. This year the AGM will be held on Wednesday the 19th November at 3:00 pm (WST) at The Irish Club Inc, 61 Townshend Road in Subiaco.

We hope as many shareholders as are able can come along; in the event that you cannot attend please send in your proxies.



Dr Leon Pretorius
Managing Director

Further Information:

Mr Martin Kavanagh
Executive Director
61 8 9286 6999

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. 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.