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27 October 2006

The Companies Announcement Office  
Australian Stock Exchange Limited  
Level 10 Exchange Centre  
20 Bond Street  
**SYDNEY NSW 2000**

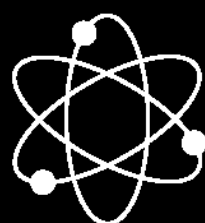
Dear Sirs

**2006 ANNUAL REPORT  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

Enclosed please find the 2006 Annual Report and Notice of Annual General Meeting which is being dispatched to shareholders today.

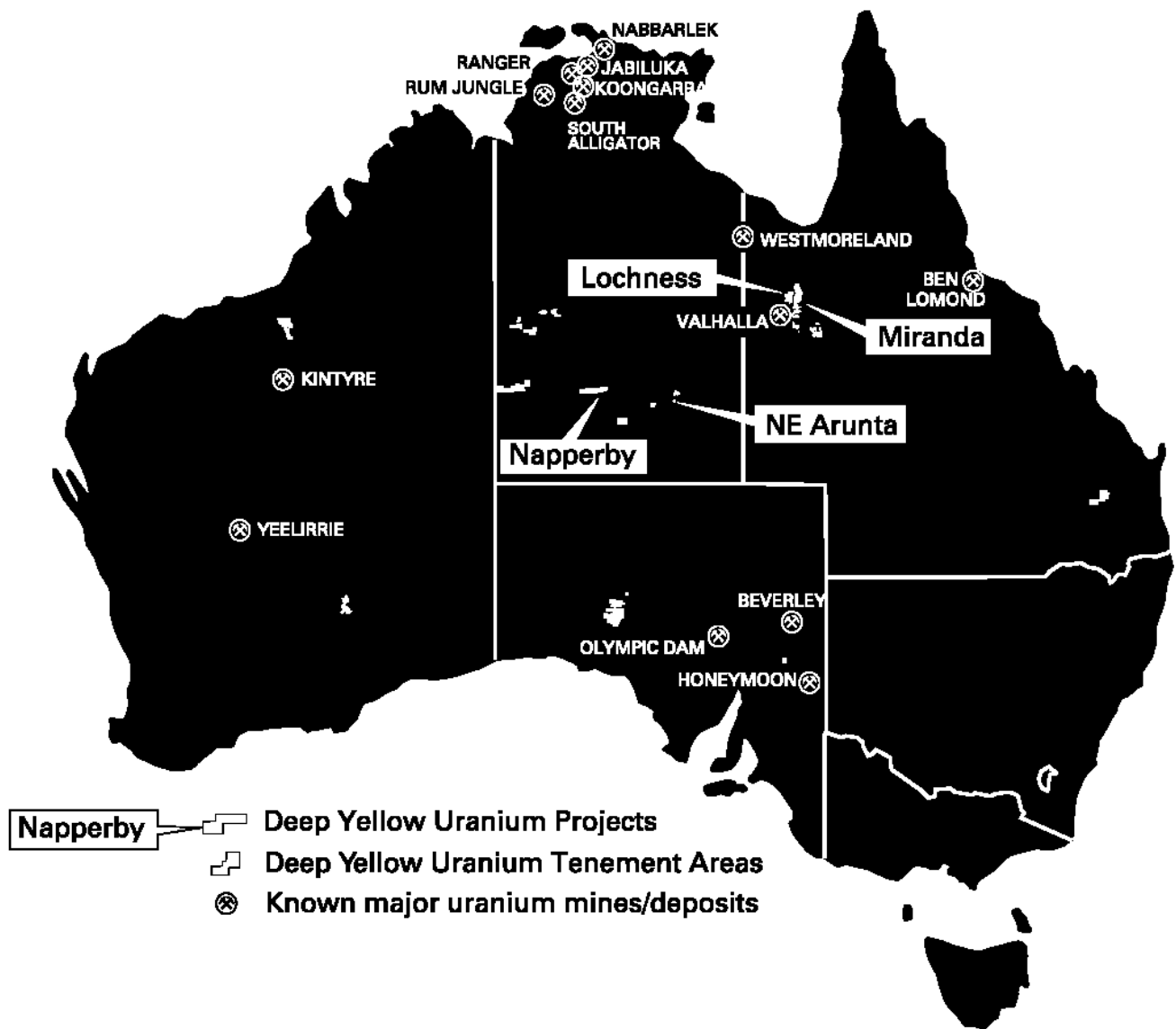
Yours faithfully

**MARK PITTS**  
Company Secretary



DEEP YELLOW LIMITED

ANNUAL REPORT 2006



**DEEP YELLOW LIMITED**

ABN 97 006 391 948

**Board of Directors**

Dr Leon Pretorius	Executive Chairman
Mr Martin Kavanagh	Executive Director
Ms Gillian Swaby	Non-Executive Director

**Company Secretary**

Mr Mark Pitts

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Ernst & Young Chartered Accountants  
 11 Mounts Bay Road  
 Perth WA 6000

**Share Registry**

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 45 St George's Terrace  
 Perth WA 6000  
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**Stock Exchange Listing**

Australian Stock Exchange  
 Perth, Western Australia

**Website Address**
[www.deeptyellow.com.au](http://www.deeptyellow.com.au)
**ASX Code**

DYL

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## CHAIRMAN'S REVIEW

Dear Shareholder

It is my pleasure as Executive Chairman of your Company since 11 October 2005 to report that Deep Yellow has recovered from its disappointments surrounding the JORC resource drilling problems at its Napperby uranium project and has, importantly, continued to grow its tenement portfolio in Australia to approximately 63,000km<sup>2</sup>.

Some good technical input by the Company's new team led to successful trenching at Napperby that resulted in a better understanding of the style and controls of the uranium mineralisation. Ongoing resource drilling continues to return very good assay results and has delineated higher grade mineralised channels.

On 20 February 2006 the Company announced a one for two non-renounceable entitlement issue at 7.5 cents which was very well supported and raised almost \$12 million. This left the Company with about \$15 million and I am especially thankful for the faith shown by the shareholders towards the new Board by subscribing to this extent.

Following on from the June 2005 acquisition of the uranium rights to Tanami Gold NL's extensive tenement holding in the Tanami-Arunta Province, two further landmark acquisitions were made; the first being an agreement to acquire 100% of the uranium rights to Matrix Metals Ltd's extensive tenements in the Mt Isa-Cloncurry district of North Western Queensland; and the second an agreement to acquire 100% of the uranium rights to Dominion Gold Operation Pty Ltd's extensive tenement holdings in the Western Gawler district of South Australia. Both these agreements offer exciting potential for discovery and will be aggressively evaluated over the coming year.

The Company has also recently announced that it will be seeking to extend its activities by looking at uranium projects offshore. Although a number of projects have been inspected, nothing meeting our criteria has been identified to date.

I look forward to an exciting year for Deep Yellow with drill ready-targets in the Northern Territory, Queensland, South Australia and Western Australia.

Thank you to my co-directors and our small but dedicated and hardworking team. A special word of thanks to Martin Kavanagh who agreed to close his successful consultancy to join Deep Yellow as a fulltime Executive Director.



**Dr Leon Pretorius**  
Executive Chairman

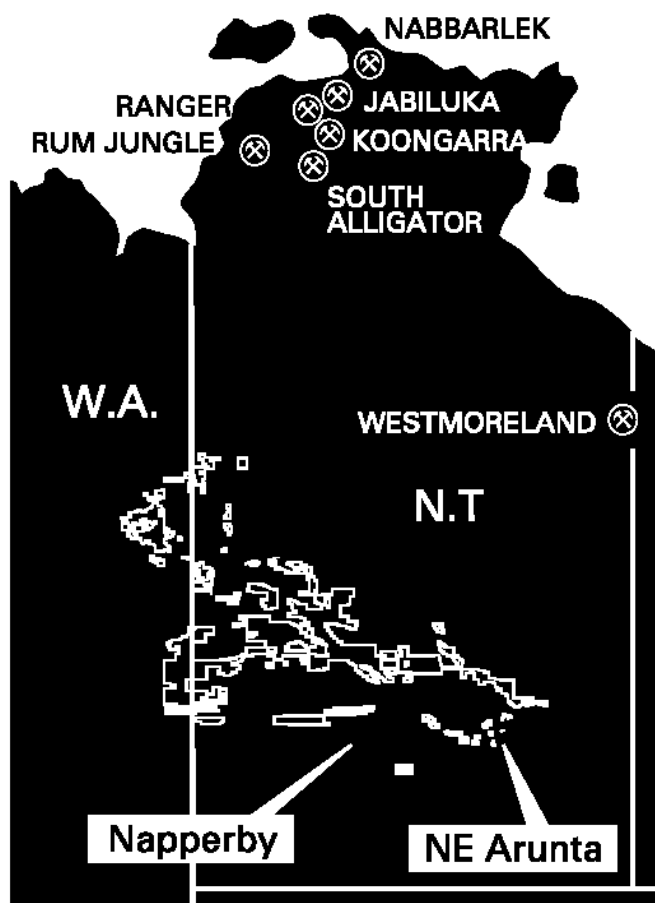
## OVERVIEW

Following the early disappointment stemming from the August 2005 drill results for the Napperby Project the Company has been able to refocus its exploration efforts. These have resulted in confidence in the Napperby Project, as well as positioning the Company in the key uranium provinces of Australia and reviewing off-shore opportunities. Highlights include:

- The transition to successful trenching and drilling campaigns at Napperby which continue to delineate higher grade mineralised channels within a broad envelope of mineralisation.
- An agreement to acquire 100% of the uranium rights to Matrix Metals Ltd's extensive tenements in the Mt Isa-Cloncurry district, Queensland.
- An agreement to acquire 100% of the uranium rights to Dominion Gold Operation's extensive tenement holdings in the Western Gawler district, South Australia.
- The signing of a Native Title Agreement to access the Siccus Joint Venture tenement 50km south of the Beverley Uranium Mine in South Australia.
- Commencement of negotiations between the Company and the Traditional Owners and Central Land Council (CLC) to access its 100% held tenement applications in the Tanami-Arunta Province.
- Commencement of negotiations between the Company and the Traditional Owners and CLC to access its 100% held tenements subject to the Agreement with Tanami Gold NL.
- Tenement applications to cover greenfields conceptual targets in Queensland and Western Australia.
- Assessment of off-shore acquisition opportunities.
- The Company's tenement portfolio at the end August 2006 had expanded significantly to 63,232km<sup>2</sup>.

Tanami-Arunta Province	~ 49,869km <sup>2</sup>	Mt Isa - Cloncurry District	~ 4,436km <sup>2</sup>
Western Gawler District	~ 3,295km <sup>2</sup>	Queensland - Durong Project	~ 1,550km <sup>2</sup>
Frome Basin - EL 3288	~ 672km <sup>2</sup>	Western Australia	~ 3,410km <sup>2</sup>

With \$13 million in cash and a team of Senior Geologists with uranium experience the Company has put in place a three year strategic growth plan to carry out exploration over its extensive tenement holdings.



## NORTHERN TERRITORY

### NAPPERBY PROJECT (DYL 100%)

The Napperby Project is located 150km northwest of Alice Springs and comprises granted Exploration Licences 24246 and 24606 covering approximately 1,403km<sup>2</sup>. Exploration to date has been restricted to EL 24246 and carried out under an Exploration Deed with the Traditional Owners. Exploration on EL 24606 contiguous to the west of EL 24246 is planned for 2007.

As previously announced to the ASX (on 15, 18 and 29 November 2005) the results from the July/August 2005 aircore drilling programme could not be used in a resource estimation owing to poor sample recovery.

In March 2006 a trenching programme at three sites totalling 54 linear metres was completed. Mapping of the trenches together with their assay results confirmed that uranium mineralisation at Napperby is of classic calcrete-hosted style and that potential existed to locate higher grade 'channels' within the broader mineralised palaeochannel previously outlined by Uranerz.

Mapping of the trenches together with the assay results confirm the presence of flat lying calcrete hosted uranium mineralisation developed from 2m below surface to the maximum depth of 6.3m as sampled in the trenches. As such, the mineralisation is similar in style to the Yeelirrie deposit in Western Australia and the Langer Heinrich deposit in Namibia.

The assay results clearly demonstrate the presence of consistent +500 ppm U<sub>3</sub>O<sub>8</sub> values associated with visible carnotite (K<sub>2</sub>(UO<sub>2</sub>)<sub>2</sub>(VO<sub>4</sub>)<sub>2</sub>·3H<sub>2</sub>O) mineralisation and Trench 3 returned a 2m thick zone of +1,000ppm (0.1%) U<sub>3</sub>O<sub>8</sub> over 10m of channel sampling on both walls of the trench. A peak value of 3,460ppm (0.35%) U<sub>3</sub>O<sub>8</sub> over 1.2m was returned from the East Wall of Trench 3.

The average grade of the deposit as delineated by Uranerz over 14km strike was 370ppm U<sub>3</sub>O<sub>8</sub> and the trenching by DYL has provided significant upside by locating higher grade channels within the broader mineralised area.

Following the disappointment of the 2005 drill results the positive results returned from the trenching provided the Board with confidence to pursue a resource evaluation programme at Napperby (ASX 28 April 2006).

Inspection of the mineralised horizons in the trenches led to a decision to carry out a 250 hole detailed drilling programme on 50x50m centres within an area of 1,000x600m covering in part the main western zone of mineralisation as previously outlined by wide spaced drilling. This area also encompasses the three sets of trenches referred to above.

### 150ppm AVERAGE GRADE 150ppm cutoff

- 450+ppm
- 150 to 450ppm
- < 150ppm

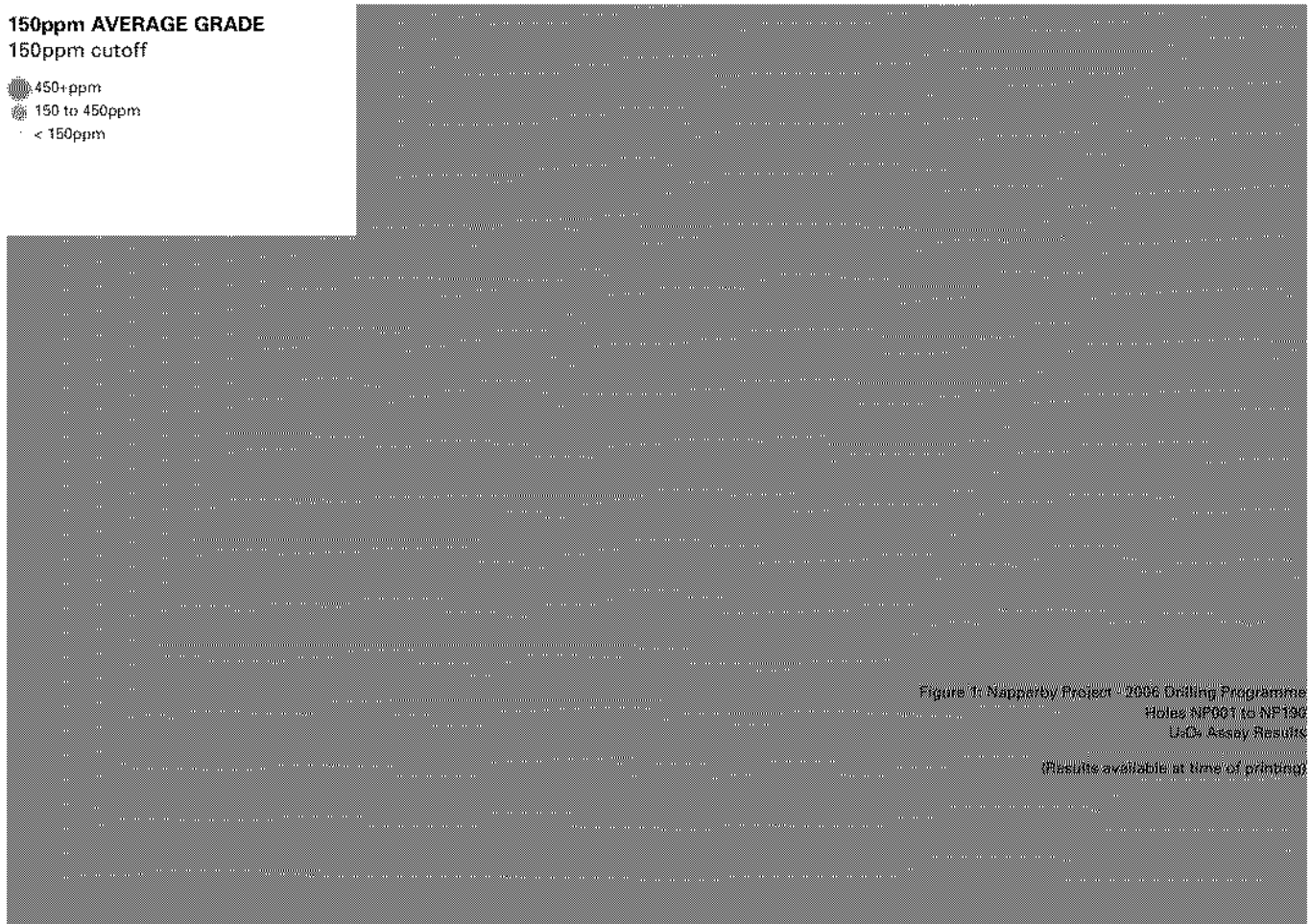


Figure 1: Nappataby Project - 2006 Drilling Programme  
Holes NP001 to NP190  
U<sub>3</sub>O<sub>8</sub> Assay Results  
(Results available at time of printing)

A piling/auger rig drilling large diameter holes (60cm) to 10m depth was used for the programme. This drilling method gave 100% recoveries and good visual evaluation of the host lithologies and distribution of carnotite mineralisation.

The detail programme was completed on 14 September with a total of 251 holes being drilled and 2,370 samples submitted for chemical analysis by powder XRF. A further 8 holes were drilled outside the detail area in order to verify results from earlier drilling programmes and 2 holes were drilled as twin holes to the 2006 programme.

The 2006 restricted grid specific detailed drilling programme has clearly identified a continuous sheet of mineralisation lying between 2 and 10m depth (average thickness 3.25m at 100ppm U<sub>3</sub>O<sub>8</sub> cut-off). The results from holes 1 to 190 also clearly demonstrate continuity of mineralisation hole to hole on 50m centres compared to the original resource drilling by Uranerz (1979) on 300x400m centres.

#### Highlights from the drilling include:

- The highest grade assays received to date of 1m at 5,120ppm (0.51%) U<sub>3</sub>O<sub>8</sub> from 5 to 6m in hole 160, and 1m at 4,320ppm (0.43%) U<sub>3</sub>O<sub>8</sub> from 4 to 5m in hole 132.
- Best composite results of 4.5m at 1,516ppm (0.15%) U<sub>3</sub>O<sub>8</sub> from 4m in hole 160, and 4m @ 1,121ppm (0.11%) U<sub>3</sub>O<sub>8</sub> from 3m depth in hole 77.
- Numerous one metre intersections have been returned with XRF chemical assay values of over 1,000ppm (0.1%) U<sub>3</sub>O<sub>8</sub> for drill holes 1 to 190.

Assay results for holes 191 to 261 are not expected to be received until mid October 2006. Processing of the assay results should be completed prior to the Annual General Meeting.



## REVIEW OF OPERATIONS

The 2006 assay results to date from the 1,000x600m block clearly demonstrate continuity of mineralisation with enhanced (higher grade) intercepts compared to the Uranerz (1979) data from the same area. Significant results are given in Table 1.

Hole	From (m)	To (m)	Interval (m)	U <sub>3</sub> O <sub>8</sub> (ppm)
2	3	6	3	565
11	4	8	4	500
18	3	6	3	1,290
27	4	7	3	930
30	3	8	5	893
36	5	7	2	956
55	3	8	5	892
56	2	9	7	739
65	3	8	5	524
69	4	6	2	632
70	3	5	2	524
71	4	6	2	915
75	4	8	4	1,004
77	3	7	4	1,121
78	3	6	3	507
79	3	6	3	581
80	3	6	3	500
82	4	5	1	650
83	4	7	3	611
91	3	4	1	555
93	3	5	2	1,172
93	6	7	1	527
108	3	6	3	567
111	4	5	1	520
113	4	5	1	662
116	4	9	5	751
119	3	7	4	500
120	4	6	2	519
132	4	6	2	2,242
134	4	5	1	1,635
143	3	5	2	625
145	2	5	3	585
146	2	8	6	583
148	6	7	1	568
149	3	7	4	877
150	2	8	6	603
159	4	5	1	519
160	4	8.5	4.5	1,516
161	4	7	3	574
162	4	8	4	616
170	4	8	4	521
173	5	8	3	624
174	4	5	1	1,060
178	5	7	2	507
181	5	6	1	600
188	4	5	1	525

Table 1: 1m composite results for XRF chemical assays averaging over 500ppm U<sub>3</sub>O<sub>8</sub> (at 100 ppm cut-off) with depth and intervals noted

Once all the assay data has been received, the Directors will decide upon the nature and detail of exploration activity on the project in the near term.

### NE ARUNTA PROJECT (DYL 100%)

The NE Arunta Project is located in the Proterozoic Arunta block, approximately 140km NNE of Alice Springs. Exploration by previous workers (PNC) defined a 1,400m long radiometric anomaly (Yambla Prospect) within the Yambla Amphibolite and defined a 1 to 10m thick alteration zone within which sporadic, occasionally very high grade, uranium mineralisation occurs in the form of egg-shaped nodules of uraninite grading 1-10% U<sub>3</sub>O<sub>8</sub>.

Fifteen trenches showed mineralisation of which two had reasonable zones of high grade material, with channel samples (0.5 to 1.0m) ranging between 0.1 and 10% U<sub>3</sub>O<sub>8</sub>. However, assays immediately adjacent to these anomalous values ranged between 10 and 200ppm U<sub>3</sub>O<sub>8</sub> due to the spotty nature of the mineralisation. One campaign of diamond drilling (13 holes) was completed, with two holes showing moderate downhole anomalies. All holes intersected at least some alteration proving the broad extent of the mineralising system.

In March 2006 a helicopter supported field visit was made to the tenement in order to review the project area. The rehabilitated trench sites were visited and inspected. The lack of a significant alteration halo developed in the host amphibolite indicated the drilling would be hit or miss with respect to intersecting the 'pea to egg' size uraninite nodules.

A decision was made to target the more extensive east-west fault structures with known lower grade uranium mineralisation. This strategy would test for potential mineralisation within veins and faults rather than for the erratic, nuggetty, stratabound uraninite presently known at the Yambla Prospect. An RC percussion drill programme is scheduled for October following Work Area Clearance by the CLC/Traditional Owners.

### TANAMI-ARUNTA PROVINCE (DYL 100%)

During the year the Company has acquired a further nine exploration licences covering 5,095km<sup>2</sup> in the Tanami-Arunta Province. Eight of the applications fall within Aboriginal Land Trust areas managed by the CLC. The Company had submitted, and had accepted by the CLC, Uranium Exploration and Mining Proposals for seven of the tenements. There will now follow a 12-18 month period of negotiating access through Deeds for Exploration with the Traditional Owners and the CLC.

The target mineralisation in all eight tenements is calcrete-hosted uranium mineralisation similar to the Napperby deposit.

The Mordor West tenement located 65km northeast of Alice Springs is targeting intrusive related uranium mineralisation associated with the apatite bearing alkaline intrusive Mordor complex. At Nonouba, 60km southwest of Alice Springs, the Company is targeting roll front style uranium mineralisation hosted by Tertiary sandstones.

**TANAMI-ARUNTA PROVINCE****(100% Uranium Rights to Tanami Gold NL's Tenements)**

A review of the uranium potential of tenements held by Tanami Gold NL (TGNL) in the Province has highlighted several tenements for follow-up uranium exploration. All of TGNL's tenements in the Province are subject to 'gold only' exploration agreements with the Traditional Owners and the CLC. In order to access TGNL's tenements for uranium exploration the Company must first submit a Uranium Exploration and Mining Proposal to the Traditional Owners and the CLC.

The initial priority targets in the TGNL tenements are near surface calcrete hosted mineralisation and a Uranium Exploration and Mining Proposal has been submitted to the CLC for the Cornelius-Lake Ruth tenements which lie between the Company's Officer and Solitaire Project areas. As for the Company's 100% areas, negotiated access is likely to take some time to achieve.

The Company will submit further Uranium Exploration and Mining Proposals on TGNL's tenements in September and October this year.



## QUEENSLAND

### NW QUEENSLAND (DYL can earn 100% of uranium rights)

On 20 February 2006 the Company reached agreement with Matrix Metals Ltd (Matrix) whereby it can ultimately acquire 100% of the uranium rights to Matrix's extensive tenement (4,436km<sup>2</sup>) portfolio in the Mt Isa - Cloncurry District, Queensland. Details of the Heads of Agreement can be found in the Company's ASX release of 20 February 2006.

Prior to DYL's involvement, Matrix had undertaken an assessment of the uranium potential of their tenements which highlighted the following occurrences:

- Percussion drilling reporting results of up to 2m at 0.38% U<sub>3</sub>O<sub>8</sub>, diamond drilling results of up to 4m at 0.12% U<sub>3</sub>O<sub>8</sub> and 0.84% U<sub>3</sub>O<sub>8</sub> in rock chips all from the Conquest Line in the Ewen Group Project Area. The majority of the prospects in the Ewen Group were hosted by sediments within the Eastern Creek Volcanics which also host the Skal and Valhalla uranium deposits.
- A 12km long very prospective co-incident geochemical and airborne radiometric uranium anomaly along the Sierra Line in the White Range Project area. The uranium anomalies in the White Range area are hosted by the Mary Kathleen Group geological package in which the Mary Kathleen uranium mine occurs.
- Values of up to 1.18% U<sub>3</sub>O<sub>8</sub> in rock chips and 18m at 0.081% (810ppm) U<sub>3</sub>O<sub>8</sub> from 30m in an RC percussion drill hole at the Miranda Prospect.

In addition to the above uranium occurrences DYL was specifically interested in the Lochness Prospect which is located about 50km northeast of the Skal and Valhalla deposits. The prospect is associated with an outcropping metasomatic altered ironstone ridge which is a standout uranium channel anomaly within a regionally continuous 20km airborne radiometric anomaly.

Following the compilation and processing of the regional airborne spectral radiometric, magnetic, landsat, and airphoto data to highlight uranium specific radiometric anomalies within the tenement package, a first pass field programme by DYL commenced in June.

The **Lochness and Lochness North Prospects** lie within the Western Succession of the Mt Isa Inlier, more specifically within the Leichard River Fault Trough, which also is the host unit for the Valhalla (11.5Mt at 0.08% U<sub>3</sub>O<sub>8</sub>) and Skal (2.7Mt at 0.12% U<sub>3</sub>O<sub>8</sub>) uranium deposits.

At the Lochness Prospect the strong airborne radiometric anomaly was shown to devolve at ground prospect scale mapping into broad weakly radioactive, oxidised limonitic, fine grained mudstones, with several thinner (1-5m) stronger radioactive, bedding sub-parallel to acutely cross-cutting, intensely limonitised gossanous rock which displayed a discernable sheared and sometimes laminated fabric. A maximum assay of 233ppm U<sub>3</sub>O<sub>8</sub> was returned from several composite rock chip samples collected from this area.

Similar features, but over smaller stratigraphic width and strike, were displayed at the Lochness North Prospect located some 5.5km north of the main Lochness Prospect.

Previous drilling, by former tenement owners at both the above prospects around 30 years ago, is assessed as having not intercepted the more strongly radioactive structures. A new round of RC percussion drilling is planned by DYL to test these anomalies later in 2006, pending the availability of a drilling rig.

The **Miranda Prospect**, located some 40km southeast of Lochness, lies within the Central Succession of the Mt Isa Inlier, specifically within the Kalkadoon-Leichardt Block. The Mary Kathleen uranium mine (9.2Mt at 0.12%  $U_3O_8$ ) is located to the south of the Prospect at the eastern margin of this block.

Mapping by the Company located an intensely radioactive (+20,000 cps TC) anomaly hosted within a chloritic schist of the basal Leichardt Metamorphics and close to the intrusive contact of the Kalkadoon Granite. This was seen in the field to contain a platy, pale yellow, radioactive mineral thought to be uranophane. A rock chip sample from this location assayed 0.964% (9,640ppm)  $U_3O_8$ . This prospect will be drill tested at the same time as the Lochness prospects.

Previous drilling of the Miranda Prospect by CRA in 1982 returned a best result of 18 m at 0.081% (810ppm)  $U_3O_8$  from 30m depth. Pending rig availability, the Company is hopeful of drilling on the Project in 2006.

#### **DURONG (DYL 90%)**

The Company (90%) and Superior Resources Limited, a privately held company (10%) have applied for five Exploration Permits for Minerals (EPMs) over an area of 1,550km<sup>2</sup> in the Kingaroy - Chinchilla district South East Queensland. The four granted EPMs and one application cover approximately 50km strike of a southwest trending palaeochannel. The 'headwaters' of the palaeochannel comprise the outcropping Boondooma Granite which has a reasonably high uranium content as indicated by the airborne radiometric survey data.

The Durong Project is a greenfields conceptual target where the granite is seen as a potential source of uranium for the development of sandstone/roll front style uranium deposits in the organic rich Tertiary stream channels.



## SOUTH AUSTRALIA

### WESTERN GAWLER PROJECT

(DYL can earn 100% of uranium rights)

On 23 February 2006 the Company announced that it had reached agreement with Dominion Gold Operations Pty Ltd, a wholly owned subsidiary of Dominion Mining Limited (Dominion) to acquire the uranium rights (100%) to five exploration licences covering 3,295km<sup>2</sup> in the Western Gawler Province. (ASX 23 February 2006)

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 Yeelirrie deposit. DYL recognized the potential of the palaeochannels within Dominion's tenements and approached them for access.

DYL has selected 9,000 samples for uranium analysis with a plan of generating regional anomalies ahead of drilling programmes. Dominion's sample pulps are currently held by the Geological Survey of South Australia. Negotiations to access the pulps for uranium assay are well advanced.

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. To this end the Company flew a 2,840 line km airborne electromagnetic survey (AEM) over the tenements in late August 2006.

The results from the uranium analysis of Dominion samples together with interpretation of the AEM data should provide the Company with drill targets for 2007.

### SICCUS JOINT VENTURE (DYL 90%)

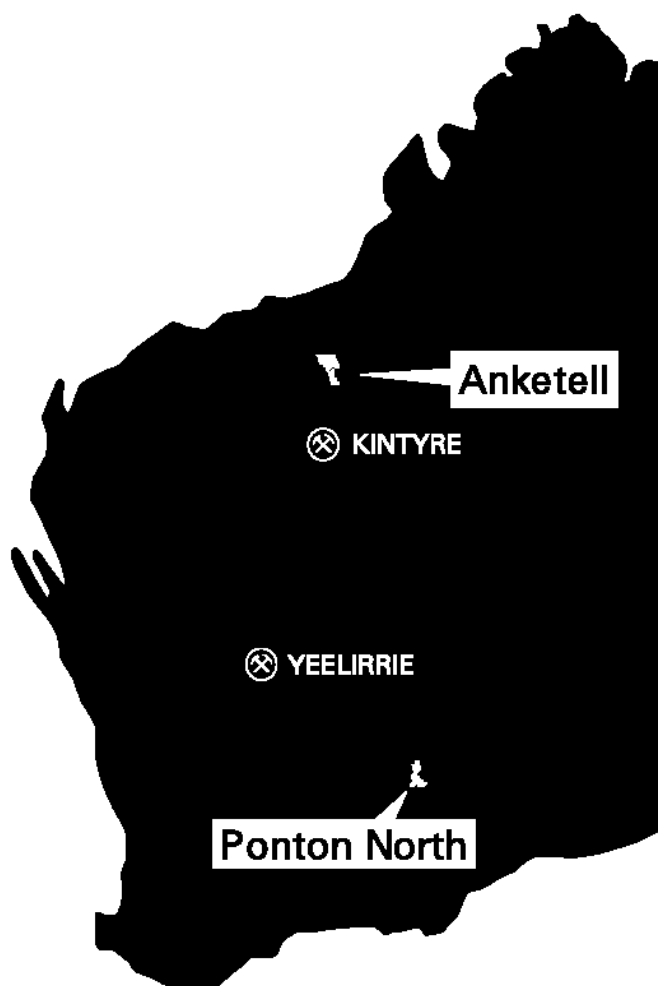
The Siccus Joint Venture tenement EL 3288 was acquired from Paladin Resources Ltd in July 2006. The tenement is located in the uranium producing Frome Basin approximately 500km north of Adelaide.

The Company and its 10% Joint Venture partner Signature Resources NL (a wholly owned subsidiary of Strategic Minerals Corporation NL) is exploring for rollfront uranium deposits within the tenement which covers approximately 45km of prospective channel sands (with three target zones for uranium rollfront mineralisation) and 10km of potential shoestring sands which hold significant potential for Beverley- type mineralisation in the Namba Formation.

Previous exploration has been very limited; sufficient to delineate the basic geology but insufficient to test for the presence of buried uranium mineralisation; in particular two anomalous holes on the edge of the channel system were not adequately followed up. Additionally the main channel, which drains uranium rich source rocks to the south, has only been tested by a single hole.

To better delineate channel development over the above mentioned 10km of shoestring sands, an airborne electromagnetic survey (AEM) will be flown over the entire tenement area in late September 2006.

The Joint Venture has also negotiated a Native Title Mining Agreement for exploration with the Adnyamanthanha No.1 Native Title Claim Group. Upon receipt of the AEM data DYL as manager of the joint venture will select target areas for drilling in 2007.



## WESTERN AUSTRALIA

### PONTON NORTH PROJECT (DYL 100%)

The Ponton North Project is located approximately 200km northeast of Kalgoorlie on the edge of the Great Victoria Desert. The five exploration licences covering 1,050km<sup>2</sup> were granted in August 2006 following the signing of a Heritage Agreement with the Traditional Owners.

The tenements are underlain by Tertiary palaeochannels which are considered highly prospective for uranium and which connect the Mulga Rocks Uranium Deposit discovered by PNC Exploration to the north with Paladin Resource's Ponton Project to the south.

To the northeast of the tenements, the Mulga Rock deposit (held by Eaglefield Holdings/Uranium Equities) comprises three separate zones of mineralisation - Shogun, Emperor and Ambassador prospects (total 15,330t of U<sub>3</sub>O<sub>8</sub> at grade of 0.14% U<sub>3</sub>O<sub>8</sub>). These deposits occur along the outer margin of a broad bend in the palaeochannels. The uranium mineralisation is hosted by peat and clayey peat, which are flat-lying and are from 20 to 50m below surface. The mineralised zones average about 2m in thickness.

The Company has developed a number of targets lying within the palaeochannel which connects the Mulga Rock area to Paladin's Ponton Creek Prospect. The targets are based in part on drilling carried out by PNC in the 1980's.

### ANKETELL (DYL 100%)

The Anketell Project is located 350km ESE of Port Hedland and comprises eleven exploration licence applications covering 2,985km<sup>2</sup>. The target is roll front uranium mineralisation hosted by Palaeozoic sandstones within the Waukarlycarly Embayment structure.

The Waukarlycarly Embayment is a fault bounded NNW trending trough of approximately 200km strike with its headwaters below the Proterozoic Kintyre uranium deposit. It is bounded to the east by the Anketell Gravity Ridge (Telfer Gold Mine) and to the west by the Pilbara Archean Craton and the Proterozoic Paterson Orogenic Belt (Nifty Mine area). The trough opens to the NNW into the North West Shelf oil and gas fields.

Proterozoic granitic bodies in the district contain anomalous levels of uranium which are interpreted to be the source of uranium for the calcrete-hosted Waukarlycarly uranium deposit to the southeast of the tenements. The tenements cover approximately 40km strike of Jurassic Callawa Formation rocks which comprise fluvial-fossiliferous sandstones - a preferred host for rollfront uranium mineralisation. The Callawa Formation outcrops within the southern tenements and dips gently to the north within the tenements. The Proterozoic granites are also interpreted as being a potential source for the leaching of uranium into the sediments of the embayment structure.

It is proposed to assess historic data especially well field borehole logs to the north of the tenements which may provide valuable information on the prospectivity of the target sandstones to host in situ leach uranium targets.

## INTRODUCTION

The Directors of the Company strongly support the establishment and ongoing development of good corporate governance for the Company.

The Company operates in accordance with the principles of good corporate governance as set out by the Corporate Governance Council and to the extent required by the ASX Listing Rules. The Directors have adopted a number of policies and practices which they believe will focus their attention and that of their senior executives on accountability, risk management and ethical conduct.

This Statement sets out the corporate governance practices in place as at the date of this report which comply with the recommendations of the Corporate Governance Council unless otherwise stated.

### CORPORATE GOVERNANCE COUNCIL RECOMMENDATION 1

#### Role of the Board of Directors

The role of the Board is to build long term sustainable value for its security holders whilst respecting the interests of its stakeholders.

In order to fulfil this role, the Board is responsible for the overall corporate governance of the Company including formulating its strategic direction, setting remuneration and monitoring the performance of Directors and executives. The Board relies on Senior Executives to assist it in approving and monitoring expenditure, ensuring the integrity of internal controls and management information systems and monitoring and approving financial and other reporting.

The Board has adopted a Board Charter which clarifies the respective roles of the Board and senior management and assists in decision making processes.

#### Board processes

The full Board currently holds 6 scheduled meetings each year, plus any extraordinary meetings at such other times as may arise.

An agenda for the meetings has been determined to ensure certain standing information is addressed and other items which are relevant to reporting deadlines and or regular review are scheduled when appropriate. The agenda is regularly reviewed by the Executive Chairman and the Company Secretary.

### CORPORATE GOVERNANCE COUNCIL RECOMMENDATION 2

#### Board Composition

The Constitution of the Company provides that the number of Directors shall not be less than three. There is no requirement for any share holding qualification.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include the quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the scope of activities of the

Company, intellectual ability to contribute to Board duties and physical ability to undertake Board duties and responsibilities.

Directors are initially appointed by the Board and are subject to re-election by shareholders at the next general meeting. In any event one third of the Directors are subject to re-election by shareholders at each general meeting.

The Board is presently comprised of three members, one non-executive and two executive.

Directors are expected to bring independent views and judgement to the Board's deliberations. The non-executive Director is considered by the Board to be independent. In considering whether or not a Director is independent the Board has regard to the independence criteria set out in the ASX Corporate Governance Council's Principles of Good Corporate Governance.

The skills, experience and expertise of all Directors is set out in the Directors' details section of the Directors' Report on page 15.

The Board does not have a separate Nomination Committee as the selection and appointment process for Directors is carried out by the full Board. The Company is not of a sufficient size to warrant a separate committee.

Only one of the three Directors is considered to satisfy the test of independence as set out in the best practice recommendations. However, the Board considers that both its structure and composition are appropriate given the size of the Company and that the interests of the Company and its shareholders are well met.

### CORPORATE GOVERNANCE COUNCIL RECOMMENDATION 3

#### Ethical and Responsible Decision Making

The Board actively promotes ethical and responsible decision making.

#### Code of Conduct

The Board has adopted a Code of Conduct that applies to Directors and key Executives of the Company. This Code addresses expectations for conduct in accordance with legal requirements and agreed ethical standards.

In addition the Board has adopted an Ethics and Conduct Policy which applies to all employees, consultants and Directors.

The Ethics and Conduct Policy addresses the following:

- Confidential Information;
- Rights of Security holders;
- Privacy;
- Security Trading;
- Communications;
- Conflicts of Interest;
- Responsibility to Suppliers and Customers;
- Laws and Regulations;
- Employment; and
- Adherence to Policies and Procedures.

#### Security Trading Policy

The Board is committed to ensuring that the Company, its Directors and senior executives comply with their legal

obligations as well as conducting their business in a transparent and ethical manner. Directors and senior executives (including their immediate family or any entity for which they control investment decisions), must ensure that any trading in securities issued by the Company is undertaken within the framework set out in the Security Trading Policy.

The Policy does not prevent Directors and senior executives (including their immediate family or any entity for which they control investment decisions) from participating in any share plan or share offers established or made by the Company, provided that at the time the individual is not in possession of any price sensitive information, not otherwise generally available to all security holders.

The Board has a policy which prohibits trading in the securities of the Company by Directors and senior executives and nominated employees unless notification has been provided to the Company Secretary and prior written consent is obtained from the Executive Chairman.

#### **CORPORATE GOVERNANCE COUNCIL RECOMMENDATION 4**

##### **Integrity in Financial Reporting**

###### **Executive Chairman**

The Board requires the Executive Chairman and the Company Secretary to provide a written statement that the financial statements of the Company present a true and fair view, in all material aspects, of the financial position and operational results. In addition, confirmation is provided that all relevant accounting standards have been appropriately applied.

###### **Audit Committee**

Until the appointment of Martin Kavanagh as an Executive Director, the Audit Committee comprised Martin Kavanagh and Gill Swaby. Following Mr Kavanagh's change of role, the full Board fills the role of an Audit Committee. The relevant experience of Board members is detailed in the Directors' details section of the Directors' Report.

The Board reviews the performance of the external auditors on an annual basis and meets with them during the year to review findings and assist with Board recommendations.

The Board no longer has a separate Audit Committee with a composition as suggested in the best practice recommendations. The full Board carries out the function of an audit committee. The Board believes that the Company is not of a sufficient size to warrant a separate committee and that the full Board is able to meet objectives of the best practice recommendations and discharge its duties in this area.

###### **Financial reporting**

The Board relies on senior executives to monitor the internal controls within the Company. Financial performance is monitored on a regular basis by the Executive Chairman who reports to the Board at the scheduled Board Meetings.

#### **CORPORATE GOVERNANCE COUNCIL RECOMMENDATION 5**

##### **Timely and Balanced Disclosure**

The Board is committed to the promotion of investor confidence by providing full and timely information to all security holders and market participants about the Company's activities and to comply with the continuous disclosure requirements contained in the Corporations Act 2001 and the Australian Stock Exchange Listing Rules. The Company has adopted a Continuous Disclosure Policy designed to ensure compliance with the ASX Listing Rule Requirements.

Continuous disclosure is discussed at all regular Board meetings and on an ongoing basis the Board ensures that all activities are reviewed with a view to the necessity for disclosure to security holders.

In accordance with ASX Listing Rules the Company Secretary has been appointed as the Company's disclosure officer.

#### **CORPORATE GOVERNANCE COUNCIL RECOMMENDATION 6**

##### **Rights of security holders**

###### **Communications**

The Board supports practices that provide effective and clear communications with security holders and allow security holder participation at general meetings. A formal Shareholder Communications Policy has been adopted.

In addition to electronic communication via the ASX web site, the Company publishes all significant announcements together with all quarterly reports. These documents are available in both hardcopy on request and on the Company web site at [www.deeptyellow.com.au](http://www.deeptyellow.com.au).

#### **CORPORATE GOVERNANCE COUNCIL RECOMMENDATION 7**

##### **Recognise and Manage Risk**

###### **Risk management**

Security holder value will be optimised where risk and opportunities are matched to financial resources. The Board and senior executives regularly review, where necessary in conjunction with external professional consultants, procedures in respect of compliance with and the maintenance of its statutory, legal, ethical and environmental obligations.

To assist in the management of risk the Board has adopted an Occupational Health and Safety Policy and an Environmental Policy.



**CORPORATE GOVERNANCE COUNCIL RECOMMENDATION 8****Encourage Enhanced Performance****Performance review**

The Board has not undertaken a formal review of its performance for the year ended 30 June 2006.

The Board believes that the competitive environment in which the Company operates will effectively provide a measure of the performance of senior executives and Directors. The Board is considering adopting procedures for the evaluation of the Directors and senior management on a more formal basis.

**Education**

All executives and Directors are encouraged to attend professional education courses relevant to their roles.

**Independent professional advice and access to information**

Each Director has the right to access all relevant information in respect to the Company and to make appropriate enquiries of senior management.

**CORPORATE GOVERNANCE COUNCIL RECOMMENDATION 9****Remunerate Fairly and Responsibly**

The executive Directors and senior executives receive salary packages which may include performance based components designed to reward and motivate. Non executive Directors receive fees agreed on an annual basis by the Board.

**Remuneration Committee**

The full Board determines all compensation arrangements for Directors. It is also responsible for setting performance criteria, performance monitors, share option schemes, incentive performance schemes, superannuation entitlements, retirement and termination entitlements and professional indemnity and liability insurance cover.

The Board has not created a separate Remuneration Committee. The Board considers that the Company is not currently of a size, nor is its affairs of such complexity to justify a separate Remuneration Committee.

The Board ensures that all matters of remuneration will continue to be in accordance with Corporations Act requirements, by ensuring that none of the Directors participates in any deliberations regarding their own remuneration or related issues.

**CORPORATE GOVERNANCE COUNCIL RECOMMENDATION 10****Recognise the Legitimate Interests of Stakeholders**

The Board acknowledges the rights of stakeholders and has adopted a Code of Conduct (refer Principle 3) in line with the recommendations of this Principle 10.

The Directors present their report on Deep Yellow Limited and the entity it controlled at the end of, or during the year ended 30 June 2006 (the Group).

## DIRECTORS

The names and details of the Directors of Deep Yellow Limited during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

### Leon Pretorius - Executive Chairman

Dr Pretorius is a Geochemist and brings to Deep Yellow 35 years experience and an intimate knowledge of the uranium industry in both Australia and Southern Africa. He has worked in Africa, Europe and the United States of America in a variety of roles. For the past 5 years he has been involved with Paladin Resources Limited's activities in Southern Africa during which time that company saw rapid growth. Although he resigned from his position as an executive Director of Paladin on 12 April 2005, he remains a non-executive Director of their Namibian operating company Langer Heinrich Uranium (Pty) Limited.

### Martin Kavanagh - Executive Director (appointed as non executive on 10 October 2005, accepted executive appointment from 1 July 2006)

Mr Kavanagh is an exploration geologist with considerable experience acquired through extensive fieldwork, research and management of Australia-wide and offshore programs. He has held several senior positions and worked widely within the exploration and mining industry throughout Australia and offshore in North America, Indonesia and the Southwest Pacific islands for the past 35 years.

Mr Kavanagh is also a non-executive director of Tanami Gold NL.

### Gillian Swaby - Non-Executive Director (appointed 10 October 2005)

Ms Swaby has been involved in financial and corporate administration, as both Director and Company Secretary covering a broad range of industry sectors, for over 25 years. Ms Swaby has extensive experience in the area of secretarial practice, corporate governance, management accounting and corporate and financial management and sits on a number of advisory committees.

Ms Swaby is the principal of a corporate consulting company and past Chair of the Western Australian Council of Chartered Secretaries of Australia and a former Director on their National Board.

Ms Swaby is a current non-executive director of Comet Ridge Limited having been appointed on 9 January 2004. She is currently the Company Secretary of Paladin Resources Limited and was a member of the Paladin Board for a period of 9 years, resigning on 1 February 2003.

## FORMER DIRECTORS

### Mr James Pratt - Executive Director (resigned 10 October 2005)

James Pratt holds a Bachelor of Science degree with Honours from the University of Western Australia as well as a Graduate Diploma in Finance and Investment with the Securities Institute of Australia. Mr Pratt has fourteen years experience in the mining industry incorporating both, open cut and underground mining environments as well as exploration and recoverable resource estimation. Mr Pratt was a director of Green Rock Energy Limited, a company listed on ASX, appointed 22 October 2004 and resigned on 25 February 2005.

### Gary Steinepreis - Non-Executive Director (resigned 10 October 2005)

Gary Steinepreis holds a Bachelor of Commerce degree from the University of Western Australia and is a Chartered Accountant. Mr Steinepreis provides corporate, management and accounting advice to a number of companies involved in the resource, technology and leisure industries. He is a Director of Ascent Capital Pty Ltd.

Mr Steinepreis has held the following directorships of listed public companies in the last three years:

Name of Entity	Appointed	Resigned
Fusia Limited	24/12/2003	15/12/2004
M Health Limited	16/04/2004	Current
OBJ Limited	13/02/2004	17/11/2004
Medivac Limited	15/09/2003	19/01/2004
Black Range Minerals Limited	08/01/2004	27/06/2005
Green Rock Energy Limited	22/10/2003	10/05/2005
Extract Resources Limited	09/01/2003	20/01/2004
Resonance Health Limited	18/10/2002	11/11/2003
Australian Development Capital Ltd	01/10/2003	30/09/2004
Salus Technologies Limited	18/08/2004	Current
View Resources Limited	14/03/2002	10/06/2003
Service Stream Limited	20/11/2003	12/01/2004
Bonaparte Diamond Mines NL	11/06/1997	15/05/2004
Peninsular Minerals Limited	29/09/2003	08/12/2003

## DIRECTORS' REPORT

### Hugh Warner - Executive Director (resigned 18 July 2005)

Hugh Warner holds a Bachelor of Economics Degree from the University of Western Australia. Mr Warner has been involved with a number of private and publicly listed companies in Australia, UK and Canada involved in the oil and gas, gold, diamonds and technology sectors. He contributes general corporate and company secretarial management skills along with a strong knowledge of both the Australian and UK Stock Exchange requirements. Mr Warner is a Director of Ascent Capital Pty Ltd.

Mr Warner has held the following directorships of listed public companies in the last three years:

Name of Company	Appointed	Resigned
Fusia Limited	24/12/2003	15/12/2004
Black Range Minerals Limited	08/01/2004	27/06/2005
M Health Limited	16/04/2004	Current
Green Rock Energy Limited	21/09/2000	Current
OBJ Limited	13/02/2004	Current
Salus Technologies Limited	18/08/2003	27/06/2005
Extract Resources Limited	09/01/2003	20/01/2004
Medivac Limited	15/09/2003	19/01/2004
Resonance Health Limited	18/10/2002	11/11/2003
View Resources Limited	14/03/2002	10/06/2003
IM Medical Limited	28/11/2003	16/09/2004
Service Stream Limited	20/11/2003	27/07/2004
Peninsular Minerals Limited	29/09/2003	08/12/2003

### COMPANY SECRETARY

#### Mark Pitts

Mr Pitts is a Chartered Accountant with over twenty years experience in statutory reporting and business administration. He has been directly involved with, and consulted to a number of public companies holding senior financial management positions.

Mr Pitts is a Partner in the corporate advisory firm Endeavour Corporate. Endeavour offers professional services focused on Company Secretarial support; corporate advice; supervision of ASIC and ASX reporting and compliance requirements; and commercial and financial support.

### DIRECTORS' INTERESTS

As at the date of this report the Directors' interests in shares and unlisted options of the Company are as follows:

Director	Directors' Interests in Ordinary Shares	Directors' Interests in Unlisted Options
Leon Pretorius	50,000,000	-
Martin Kavanagh	375,000	5,000,000
Gillian Swaby	25,700,000	5,000,000

Included in the Directors' interests in unlisted options are the following unlisted options, expiring 31 December 2008, that are vested and able to be exercised.

Director	Exercise Price	Number of Options
Martin Kavanagh	25 cents	3,000,000
	35 cents	2,000,000
Gillian Swaby	25 cents	3,000,000
	35 cents	2,000,000

### DIRECTORS' MEETINGS

The number of meetings of the Company's Directors held during the year ended 30 June 2006, whilst each director was in office, and the number of meetings attended by each Director were:

Director	Board of Directors' Meetings	
	Held	Attended
Leon Pretorius	11	10
Martin Kavanagh	7	7
Gillian Swaby	7	6
Gary Steinepreis	4	4
James Pratt	4	3
Hugh Warner	1	-

### PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year consisted of uranium mineral exploration and development in various states in Australia.

There were no significant changes in these activities during the financial year.

### RESULTS OF OPERATIONS

The consolidated net loss after income tax for the financial year was \$2,082,340 (2005: \$1,205,170).

### DIVIDENDS

No dividend has been paid since the end of the previous financial year and no dividend is recommended for the current year.

### REVIEW OF ACTIVITIES

#### Operations

After reviewing what were unexpected drilling results from the initial resource estimation work at the Napperby Project in late 2005, the Company applied its experience and smart geological solutions to not only solve the geological issues but in fact improve the potential of the resource estimate.

In addition, the Company has been diligently working through many opportunities over the past year and has positioned itself in key uranium provinces in Australia.

The heads of agreement entered into with Matrix Metals Limited and Dominion Gold Operation Pty Ltd were pivotal to the strategy devised by management for the Company in Australia and provide in both instances the acquisition of 100% of the uranium rights to extensive tenement holdings, for Matrix the land holding is in the Mt Isa - Cloncurry district of Queensland and for Dominion the landholding is in the Western Gawler district of South Australia.

Initial work has begun in each of these key areas. Within all its regional areas the Company is negotiating with traditional owners and conducting itself in a manner which is consistent with its Corporate Governance Policies.

A more detailed review of the Group's operations in each of its key regions and project areas is set out in the section titled "Review of Operations" in this Annual Report.

#### Financial Position

At the end of the financial year the Group had \$14,210,940 (2005: \$3,536,679) in cash and at call deposits. Capitalised mineral exploration and evaluation expenditure was \$7,525,157 (2005: \$1,050,000).

Expenditure on exploration and acquisition of tenements during the year was \$6,675,157 of which \$1,112,447 was exploration expenditure principally focused on the Northern Territory Projects, the balance of \$5,562,710 relates specifically to the cost of acquiring the Tanami Arunta Uranium Rights in the Northern Territory and the Ponton North Tenements in Western Australia.

#### Impact of Legislation and other External Requirements

Since 1 July 2005 the Group has been required to comply with Australian equivalents to International Financial Reporting Standards (AIFRS) issued by the Australian Accounting Standards Board. The impact of the resulting changes in accounting policies is disclosed in Note 31 of the Financial Report.

#### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Group during the financial year were as follows:

- 40,500,000 ordinary shares were issued in consideration for the acquisition of a number of exploration assets. The monetary equivalent was \$5,670,000.
- 157,728,383 ordinary shares were issued, raising \$11,829,629 in respect of a rights issue prospectus.
- 40,750,000 ordinary shares were issued in respect of options exercised, raising \$1,232,500.
- The company disposed of its 100% owned subsidiary Deep Yellow Tanzania Limited in exchange for a cash settlement and equity compensation amounting to \$578,371.

#### OPTIONS OVER UNISSUED CAPITAL

##### Unlisted Options

During the financial year the Company granted 37,500,000 unlisted options over unissued shares and issued 40,750,000 ordinary fully paid shares on the exercise of options. During the financial year 1,500,000 options lapsed unexercised.

As at the date of this report unissued ordinary shares of the Company under option are:

Number of Options Granted	Exercise Price	Expiry Date
160,000	35 cents	1 January 2007
25,000,000	1 cent	31 December 2007
12,500,000	12 cents	31 July 2008
6,000,000	25 cents	31 December 2008
4,000,000	35 cents	31 December 2008

Unlisted options vest upon grant.

These unlisted options do not entitle the holder to participate in any share issue of the Company or any other body corporate. The holders of unlisted options are not entitled to any voting rights until the options are exercised into ordinary shares.

#### MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect substantially the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

#### LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the Group are included elsewhere in this Annual Report. Disclosure of any further information has not been included in this report because, in the reasonable opinion of the Directors to do so would be likely to prejudice the business activities of the Group and is dependent upon the results of the future exploration and evaluation.

#### ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group holds various exploration licences to regulate its exploration activities in Australia. These licences include conditions and regulations with respect to the rehabilitation of areas disturbed during the course of its exploration activities.

So far as the Directors are aware, all exploration activities have been undertaken in compliance with all relevant environmental regulations.

## REMUNERATION REPORT

### Remuneration Policy

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced Directors and Senior Executives. The Board assesses the appropriateness of remuneration packages, given trends in comparative companies both locally and internationally. Remuneration packages comprise fixed remuneration and may include bonuses or equity based remuneration entirely at the discretion of the Board based on the performance of the Group.

At the date of this report the Company has not entered into any agreements with Directors or Senior Executives which include performance based components. Options issued to Directors during the financial year were approved by shareholders and were not the subject of an agreement or issued subject to the satisfaction of a performance condition. The options were issued to encourage the recipients and to provide an incentive to strive for the achievement of the Company's objectives and to link those objectives to those of the Shareholders. The exercise price of the options was set at a level which was at least 100% above the market price of the Company's shares at the time of issue. For this reason no performance conditions were attached.

Options were deliberately chosen by the Board because they can provide the appropriate level of incentive required in an otherwise competitive environment and are very cost effective given the Company's stage of development.

Refer also to the Corporate Governance Statement for the Board's policy in this area.

### Details of Remuneration for Directors and Executive Officers

The Company Secretary, Mr Mark Pitts has been included in remuneration disclosures in this report.

During the year there were no other Senior Executives which were employed by the Company for whom disclosure is required.

Details of the remuneration of each Director of the Group are as follows:

2006	Short Term		Post Employment Superannuation Contributions	Share Based Payments Value of Options	Total
Directors	Base Emolument \$	Other Benefits \$	\$	\$	\$
L Pretorius (i)(iv)	-	135,120	-	1,358,000	1,493,120
M Kavanagh (ii)(v)	30,000	45,000	-	272,000	347,000
G Swaby (iii)	30,000	-	-	272,000	302,000
G Steinepreis	-	15,000	-	-	15,000
J Pratt	30,000	-	2,700	-	32,700
H Warner	-	-	-	-	-
<b>Other</b>					
M Pitts	31,500	-	-	-	31,500
<b>Total</b>	<b>121,500</b>	<b>195,120</b>	<b>2,700</b>	<b>1,902,000</b>	<b>2,221,320</b>

(i) Options represent 91.0% of L Pretorius compensation for the year.

(ii) Options represent 78.4% of M Kavanagh compensation for the year.

(iii) Options represent 90.1% of G Swaby compensation for the year.

(iv) During the financial year the Group incurred expenses of \$135,120 (2005: \$5,000) with Opaline Pty Ltd in respect of the consulting services provided by Dr L Pretorius.

(v) During the financial year the Group incurred expenses of \$45,000 with KEM Resources Limited, a company associated with Mr M Kavanagh, in respect of consultancy services.

2005	Short Term		Post	Share Based	
	Base	Other	Employment	Payments	
Directors	Emolument	Benefits	Superannuation	Value of	Total
	\$	\$	Contributions	Options	\$
L Pretorius	-	5,000	-	-	5,000
J Pratt (i)	50,000	-	4,500	396,162	450,662
G Steinepreis	-	40,000	-	-	40,000
D Steinepreis	-	40,000	-	-	40,000
H Warner	36,697	-	3,303	-	40,000
R Crab	-	-	-	-	-
A Cowden	-	-	-	-	-
B Dickson	-	-	-	-	-
J Blue	-	-	-	-	-
<b>Total</b>	<b>86,697</b>	<b>85,000</b>	<b>7,803</b>	<b>396,162</b>	<b>575,662</b>

(i) Options represent 87.9% of J Pratt compensation for the year.

#### Service Agreement

There are no service or employment agreements detailing the terms of executive employment and compensation or non-executive compensation.

#### Unlisted Options

(i) The value of options set out in the remuneration table above relates to 25,000,000 unlisted options granted during the financial year. The options were independently valued using a binomial option valuation methodology.

Directors	Grant Date	Number of Options	Value of Options	Total Value of Options Granted (\$)	Expiry Date	Exercise Price	Value of Options Exercised (\$)	Total Value of Options Granted and Exercised in Year (\$)
L Pretorius	08/09/05	10,000,000	9.1 cents	908,000	31/12/07	5 cents	908,000	1,816,000
	08/09/05	5,000,000	9 cents	450,000	31/12/07	7.5 cents	450,000	900,000
M Kavanagh	22/12/05	3,000,000	5.6 cents	168,000	31/12/08	25 cents	-	168,000
	22/12/05	2,000,000	5.2 cents	104,000	31/12/08	35 cents	-	104,000
G Swaby	22/12/05	3,000,000	5.6 cents	168,000	31/12/08	25 cents	-	168,000
	22/12/05	2,000,000	5.2 cents	104,000	31/12/08	35 cents	-	104,000
<b>Total</b>		<b>25,000,000</b>		<b>1,902,000</b>			<b>1,358,000</b>	<b>3,260,000</b>

The fair value of the options has been allocated to the current reporting period as all options vest on grant date. The options were provided at no cost to the recipient. The value of options at grant date and at exercise date as shown above is the same, there was no material difference in the variables used in the calculation. No options granted as remuneration lapsed during the year.

## OFFICERS' INDEMNITIES AND INSURANCE

During the year the Company paid an insurance premium to insure certain officers of the Company. The officers of the Company covered by the insurance policy include the Directors named in this report.

The Directors and Officers Liability insurance provides cover against all costs and expenses that may be incurred in defending civil or criminal proceedings that fall within the scope of the indemnity and that may be brought against the officers in their capacity as officers of the Company. The insurance policy does not contain details of the premium paid in respect of individual officers of the Company. Disclosure of the nature of the liability cover and the amount of the premium is subject to a confidentiality clause under the insurance policy.

The Company has not provided any insurance for an auditor of the Company.

## PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

## CORPORATE GOVERNANCE

The Directors recognise the need for the highest standards of corporate behaviour and accountability, and the Company's corporate governance statement is contained in the annual report.

## NON-AUDIT SERVICES AND AUDITOR'S INDEPENDENCE DECLARATION

During the year Ernst & Young, the Company's auditor, has performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the board to ensure they do not impact the impartiality and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement F1 Professional independence, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

	Consolidated		Company	
	2006 \$	2005 \$	2006 \$	2005 \$
Audit and review of the Group's financial statements	41,660	39,550	41,660	39,550
Taxation and other services	8,260	-	8,260	-
	49,920	39,550	49,920	39,550

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act is set out on page 21.

This report is made in accordance with a resolution of the Directors.

DATED at Perth this 28th day of September 2006.



**Dr Leon Pretorius**  
Executive Chairman



■ The Ernst & Young Building  
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Australia

■ Tel 61 8 9429 2222  
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GPO Box M939  
Perth WA 6843

#### AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF DEEP YELLOW LIMITED

In relation to our audit of the financial report of Deep Yellow Limited for the year ended 30 June 2006, 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.

A handwritten signature in black ink, appearing to read 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Gavin A Buckingham'.

Gavin A Buckingham  
Partner

Perth  
28 September 2006



# INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

Continuing Operations	Note	Consolidated		Company	
		2006 \$	2005 \$	2006 \$	2005 \$
Revenue	5(a)	303,423	223,169	303,423	223,169
Other income	5(b)	581,007	50,000	581,007	50,000
Loss on restructure of company pursuant to Deed of Company Arrangement		-	(132,046)	-	(132,046)
Mining costs		-	(126,382)	-	(126,382)
Depreciation and amortisation expenses		(333,314)	-	(333,314)	-
Marketing expenses		(33,414)	(9,080)	(33,414)	(9,080)
Occupancy expenses		(61,705)	(45,236)	(61,705)	(45,236)
Administrative expenses		(273,317)	(172,838)	(273,317)	(172,838)
Employee expenses	6	(2,271,061)	(543,810)	(2,271,061)	(543,810)
Finance costs		-	-	-	-
Other expenses		(88,834)	(115,509)	(88,834)	(126,772)
Exploration costs written off and expensed		-	(103,274)	-	(103,274)
<b>Net loss before income tax</b>		<b>(2,177,215)</b>	<b>(975,006)</b>	<b>(2,177,215)</b>	<b>(986,269)</b>
Income tax benefit/(expense)	7(a)	94,875	(230,164)	94,875	(230,164)
<b>Loss attributable to members of the parent for the year</b>	18	<b>(2,082,340)</b>	<b>(1,205,170)</b>	<b>(2,082,340)</b>	<b>(1,216,433)</b>
Earnings per share for loss attributable to the ordinary equity holders of the company.		<b>Cents</b>	<b>Cents</b>		
Basic earnings/(loss) per share	30	(0.43)	(0.58)		
Diluted earnings/(loss) per share	30	(0.43)	(0.58)		

The above income statement should be read in conjunction with the accompanying notes.

		Consolidated		Company	
		2006	2005	2006	2005
		\$	\$	\$	\$
Current Assets	Note				
Cash and cash equivalents	8	14,210,940	3,536,679	14,210,940	3,536,679
Trade and other receivables	9(a)	30,756	-	30,756	-
Other financial assets	9(b)	203,545	79,000	203,545	79,000
Total current assets		14,445,241	3,615,679	14,445,241	3,615,679
Non-current assets					
Available-for-sale investments	10	365,943	-	365,943	-
Investments in controlled entities at cost	11	-	-	-	-
Property, plant and equipment	12	230,140	1,367	230,140	1,367
Capitalised mineral exploration and evaluation expenditure	13	7,525,157	1,050,000	7,525,157	1,050,000
Intangible assets	14	1,636,366	-	1,636,366	-
Total non-current assets		9,757,606	1,051,367	9,757,606	1,051,367
Total assets		24,202,847	4,667,046	24,202,847	4,667,046
Current liabilities					
Trade and other payables	15	262,373	45,968	262,373	45,968
Total current liabilities		262,373	45,968	262,373	45,968
Non-Current liabilities					
Deferred tax liabilities	7(c)	135,289	230,164	135,289	230,164
Total non-current liabilities		135,289	230,164	135,289	230,164
Total liabilities		397,662	276,132	397,662	276,132
Net assets		23,805,185	4,390,914	23,805,185	4,390,914
Equity					
Contributed equity	16	56,493,400	36,047,812	56,493,400	36,047,812
Accumulated losses	18	(34,444,548)	(32,362,208)	(34,444,548)	(32,362,208)
Equity compensation reserve	18	1,850,250	705,310	1,850,250	705,310
Asset fair value adjustment reserve	18	(93,917)	-	(93,917)	-
Total equity		23,805,185	4,390,914	23,805,185	4,390,914

The above balance sheet should be read in conjunction with the accompanying notes.

**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED  
30 JUNE 2006**

	Note	Consolidated		Company	
		2006 \$	2005 \$	2006 \$	2005 \$
<b>Total equity at the beginning of the financial year</b>		<b>4,390,914</b>	<b>(321,918)</b>	<b>4,390,914</b>	<b>(310,655)</b>
Fair value adjustment on investment recognised in equity	10	(93,917)	-	(93,917)	-
<b>Net income/(expense) recognised directly in equity</b>		<b>(93,917)</b>	<b>-</b>	<b>(93,917)</b>	<b>-</b>
Loss for the year	18	(2,082,340)	(1,205,170)	(2,082,340)	(1,216,433)
<b>Total recognised income and expense for the year</b>		<b>(2,082,340)</b>	<b>(1,205,170)</b>	<b>(2,082,340)</b>	<b>(1,216,433)</b>
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity	16(b)	18,732,128	5,342,500	18,732,128	5,342,500
Transaction costs of equity issued	16(b)	(28,541)	(129,808)	(28,541)	(129,808)
Movement in equity compensation reserve	18	2,886,941	705,310	2,886,941	705,310
<b>Total equity at the end of the financial year</b>		<b>23,805,185</b>	<b>4,390,914</b>	<b>23,805,185</b>	<b>4,390,914</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes

**CASH FLOW STATEMENT  
FOR THE FINANCIAL YEAR  
ENDED 30 JUNE 2006**

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	Note	Consolidated		Company	
		2006 \$	2005 \$	2006 \$	2005 \$
<b>Cash flows from operating activities</b>					
Receipts from customers		-	170,780	-	170,780
Interest received		303,423	52,389	303,423	52,389
Payments to suppliers and employees		(658,657)	(446,816)	(658,657)	(446,816)
Exploration expenditure		(842,471)	(133,258)	(842,471)	(133,258)
Payment to administrator and deed administrator		-	(193,494)	-	(193,494)
Cash paid to creditor trust		-	(110,247)	-	(110,247)
Payment for deed of company arrangement		-	(500,000)	-	(500,000)
<b>Net cash used in operating activities</b>	29	<b>(1,197,705)</b>	<b>(1,160,646)</b>	<b>(1,197,705)</b>	<b>(1,160,646)</b>
<b>Cash flows from investing activities</b>					
Proceeds from sale of mineral properties		-	50,000	-	50,000
Proceeds from sale of investments		120,966	-	120,966	-
Payments for property, plant and equipment		(251,042)	(1,367)	(251,042)	(1,367)
Payments to acquire tenements		(917,000)	(100,000)	(917,000)	(100,000)
Payments for security deposits		(114,545)	(5,000)	(114,545)	(5,000)
<b>Net cash used in investing activities</b>		<b>(1,161,621)</b>	<b>(56,367)</b>	<b>(1,161,621)</b>	<b>(56,367)</b>
<b>Cash flows from financing activities</b>					
Proceeds from the issue of shares		13,062,129	4,883,500	13,062,129	4,883,500
Payments for transaction costs relating to share issues		(28,541)	(129,808)	(28,541)	(129,808)
<b>Net cash from financing activities</b>		<b>13,033,588</b>	<b>4,753,692</b>	<b>13,033,588</b>	<b>4,753,692</b>
<b>Net increase in cash and cash equivalents</b>		<b>10,674,261</b>	<b>3,536,679</b>	<b>10,674,261</b>	<b>3,536,679</b>
Cash transferred to Administrator		-	(177,507)	-	(177,507)
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>3,536,679</b>	<b>177,507</b>	<b>3,536,679</b>	<b>177,507</b>
<b>Cash and cash equivalents at the end of the financial year</b>	8(a)	<b>14,210,940</b>	<b>3,536,679</b>	<b>14,210,940</b>	<b>3,536,679</b>

The above cash flow statement should be read in conjunction with the accompanying notes.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

## NOTE 1 CORPORATION INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Deep Yellow Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange.

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Deep Yellow Limited as an individual entity and the consolidated entity consisting of Deep Yellow Limited and its subsidiaries ("Group").

The financial report of Deep Yellow Limited (the Company) and of the Group were authorised for issue in accordance with a resolution of Directors on 26 September 2006.

### (a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporation Act 2001.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar.

### Statement of Compliance

Australian Accounting Standards include AIFRS. Compliance with AIFRS ensures that the consolidated financial statements and notes of Deep Yellow comply with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes also comply with IFRS.

### Application of AASB1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

These financial statements are the first Deep Yellow Limited financial statements to be prepared in accordance with AIFRS. AASB1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements.

Financial statements of Deep Yellow Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain aspects from AIFRS. When preparing Deep Yellow Limited 2006 financial statements, management has amended certain accounting, valuation and consolidation methods applied in the AGAAP financial statements to comply with AIFRS. The comparative figures in respect of 2005 were restated to reflect these adjustments.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRS on the Group's equity and its net income are given in note 31.

### Early adoption of standards

The group has not elected to adopt any standards early. See note 32 for those Australian Accounting Standards that have recently been issued or amended but are not yet effective and have not been adopted for the annual reporting period ending 30 June 2006.

### Historical cost convention

These financial statements have been prepared on a historical cost basis, except for the revaluation of available for sale financial assets and of financial assets and liabilities (including derivative instruments) at fair value through profit and loss.

### Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

### (b) Principles of consolidation

The financial statements of the subsidiary company are included in the consolidated financial statements from the date control commences until the date control ceases.

The financial statements of the subsidiary company are prepared for the same reporting period as the parent company, using consistent accounting policies.

Inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation. Investments in subsidiaries are accounted for at cost in the individual financial statements of Deep Yellow Limited.

### (c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

### (d) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

### Interest income

Interest income is recognised as it accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

### (e) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets

are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to those timing differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss. In addition, no deferred tax is recognised in respect of goodwill.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying value of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be realised.

Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax amounts attributable to amounts recognised directly in equity are also recognised directly in equity.

#### (f) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets, and the arrangement conveys the right to use the asset.

#### Group as a lessee

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, at the inception of the lease are transferred to entities in the economic entity are classified as finance leases.

Finance leases are capitalised at inception of the lease at the fair value of the leased property or, if lower, the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are apportioned between this reduction in the lease liability and the finance charge, so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the profit and loss.

Capitalised leased assets are depreciated on a straight-line basis over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership of the asset by the end of the term.

Leases are classified as operating leases where substantially all the risks and benefits remain with the lessor. Payments in relation to operating leases are recognised as expenses in the income statement on a straight line basis over the lease term.

Lease incentives under operating leases are recognised in the income statement as an integral part of the total lease expense.

#### (g) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognized in the expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### (h) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

### (i) Fair value estimation

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

### (j) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the written down value method to allocate their cost, net of residual values, over their estimated useful lives, as follows:

Office equipment and fittings	12.5 - 33% written down value
Motor vehicles	25% written down value
Site equipment	25% written down value

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(g)).

An item of property, plant and equipment is derecognised on disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of an asset (calculated as the difference between net disposal proceeds and the carrying amount of the asset) is included in profit and loss in the year the asset is derecognised.

### (k) Intangible assets

Specific policies applied to the Group's intangible assets are disclosed at note 14.

### Impairment

Intangible assets other than goodwill are tested for impairment when an objective indicator of impairment is present and, for intangible assets with indefinite lives, either individually or at the cash generating unit level. Useful lives are reviewed annually and any adjustments made on a prospective basis.

### (l) Mineral exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that the Group's rights of tenure to that area of interest are current and that the costs are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Typically the obligation arises when the asset is installed at the production location. When the liability is initially recorded, the estimated cost is capitalized by increasing the carrying amount of the related mining assets. Over time, the liability is increased for the change in the present value based on the discount rates that reflect the current market assessments and the risks specific to the liability. Additional disturbances or changes in rehabilitation costs will be recognized as additions or changes to the corresponding asset and rehabilitation liability when incurred.

The unwinding of the effect of discounting on the provision is recorded as a finance cost in the income statement. The carrying amount capitalized in mining equipment is depreciated over the life of the related asset.

Costs incurred that relate to an existing condition caused by past operations, and do not have a future economic benefit are expenses as incurred.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

The Group has adopted AASB6 Exploration of and Evaluation on Mineral Resources, being the Australian equivalent to IFRS 6, in preparing its financial statements.

### (m) Joint ventures

Interests in joint venture operations have been brought to account by including the appropriate share of the relevant assets, liabilities and costs of the joint ventures in their relevant categories in the financial statements. Details of these interests are shown in note 27.

#### (n) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

The amounts are unsecured and usually paid within 30 days of recognition.

#### (o) Employee benefits

##### Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

##### Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future salaries, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

##### Share based payments

Share based compensation payments are made available to directors and employees.

##### Shares and options granted before 7 November 2002 and /or vested before 1 January 2005

No expense is recognised in respect of the options or shares issued to employees or directors for nil consideration. Shares issued following the exercise of options are recognised at that time and the proceeds received allocated to share capital.

##### Shares and options granted after 7 November 2002 and vested after 1 January 2005

The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of

options that are expected to become exercisable.

The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share based payments reserve relating to those options is transferred to share capital and the proceeds received, net of any directly attributable transaction costs, are credited to share capital.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

#### (p) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### (q) Earnings per share

##### (i) Basic earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to equity holders of the Company, excluding any costs of servicing equity other than dividends, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

##### (ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

#### (r) Goods and service tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as a part of the expense.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

### (s) Trade and other receivables

Trade and other receivables are recognised and carried at original invoice amount less any allowance for any uncollectible amounts. An allowance for a doubtful debt is made when there is objective evidence that the Company will not be able to collect the debt. Bad debts are written off when identified.

### (t) Investments and other financial assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

#### (i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading. Gains or losses on investments held for trading are recognised in profit or loss.

#### (ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments included to be held for an undefined period are not included in this classification.

Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part

of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

### (iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

### (iv) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

### (u) Foreign currency translation

Both the functional and presentation currency of Deep Yellow Limited and its Australian subsidiaries is Australian dollars (\$).

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All exchange differences are taken to profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

### (v) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation and that a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

### (w) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables in the Balance Sheet are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables in the Balance Sheet. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are included in the Cash Flow Statement on a gross basis, and the GST component of cash flows arising from investing and financing activities, which is recoverable from or payable to the Australian Taxation Office, are disclosed as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the Australian Tax Office.

#### (x) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

#### (y) Impairment of financial assets

##### (i) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because of its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

##### (ii) Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair-value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

## NOTE 2 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks; market risk, credit risk, liquidity risk and cash flow interest risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

#### (a) Market risk

Currently the Group is not exposed to any significant market risk.

#### (b) Credit risk

The Group's banker is Westpac Banking Corporation, currently all operating accounts and funds held on deposit are with this bank. The Directors believe any risk associated with the use of only one bank is mitigated by their size and reputation. Except for this matter the Group currently has no significant concentrations of credit risk.

#### (c) Liquidity risk

The Group manages its liquidity risk by monitoring its cash reserves and forecast spending. Management is cognisant of the future demands for liquid finance resources to finance the Group's current and future operations.

#### (d) Cash flow and fair value interest rate risk

As the Group has significant interest bearing assets, the Group's income and operating cash flows are materially exposed to changes in market interest rates. The assets are short term interest bearing deposits, and no financial instruments are employed to mitigate risk. (Note 19 - Financial Instruments).

## NOTE 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

#### Accounting for capitalised exploration and evaluation expenditure

The Group's accounting policy is stated at 1(l). A regular review is undertaken of each area of interest to determine the reasonableness of the continuing carrying forward of costs in relation to that area of interest.

#### Share based payments

The Group uses independent advisors to assist in valuing share based payments. Refer note 17 for details of estimates and assumptions used.

#### Amortisation of intangible assets

The Group's accounting policy is stated at note 1(k). An impairment review is undertaken annually. Refer note 14.

## NOTE 4 SEGMENT INFORMATION

#### Business segments

The Group is involved in the mineral exploration and resource development sector.

#### Geographical segments

The Group is organised on a national basis with exploration and development interests within various states within Australia.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

## NOTE 5 REVENUE AND OTHER INCOME

	Consolidated		Company	
	2006 \$	2005 \$	2006 \$	2005 \$
<b>a) Revenue</b>				
Interest receivable	303,423	52,389	303,423	52,389
Gold sales	-	170,780	-	170,780
	<b>303,423</b>	<b>223,169</b>	<b>303,423</b>	<b>223,169</b>
<b>b) Other income</b>				
Gain on sale of shares in unlisted subsidiary	578,371	-	578,371	-
Gain on sale of plant, property and equipment	2,455	50,000	2,455	50,000
Other income	181	-	181	-
	<b>581,007</b>	<b>50,000</b>	<b>581,007</b>	<b>50,000</b>

## NOTE 6 EXPENSES

	Consolidated		Company	
	2006 \$	2005 \$	2006 \$	2005 \$
<b>Loss before income tax includes the following specific expenses:</b>				
Depreciation				
Plant and equipment	12,329	-	12,329	-
Motor vehicles	7,972	-	7,972	-
Mining equipment	1,968	-	1,968	-
Amortisation of intangible asset	311,045	-	311,045	-
Employee expenses:				
Wages and salaries	286,757	225,000	286,757	225,000
Superannuation	13,614	4,500	13,614	4,500
Share based payments	1,970,690	314,310	1,970,690	314,310
	<b>2,271,061</b>	<b>543,810</b>	<b>2,271,061</b>	<b>543,810</b>
Rental expenses on operating leases	26,226	-	26,226	-
Mining costs	-	126,382	-	126,382
Net impact of restructure of company pursuant to Deed of Company Arrangement	-	132,046	-	132,046

**NOTE 7 INCOME TAX**

	Consolidated		Company	
	2006 \$	2005 \$	2006 \$	2005 \$
<b>a) Income tax expense</b>				
Current income tax				
Current income tax charge (benefit)	(2,542,827)	(381,937)	(2,542,827)	(381,937)
Current income tax not recognised	2,542,827	381,937	2,542,827	381,937
Deferred income tax:				
Relating to origination and reversal of timing differences	(94,875)	(254,650)	(94,875)	(254,650)
Deferred income tax benefit not recognised	-	484,814	-	484,814
Income tax expense reported in the income statement	(94,875)	230,164	(94,875)	230,164
<b>b) Reconciliation of income tax expense to prima facie tax payable</b>				
Loss from continuing operations before income tax expense	(2,177,215)	(975,006)	(2,177,215)	(986,269)
Tax at the Australian rate of 30% (2005 - 30%)	(653,164)	(292,502)	(653,164)	(295,881)
Tax effect of permanent differences:				
Non-deductible share based payment	591,207	94,293	591,207	94,293
Loss on restructure of company pursuant to deed of company arrangement	-	39,614	-	39,614
Deduction for equity raising costs not in income statement	9,501	7,840	9,501	7,840
Net deferred tax asset benefit not brought to account	(42,419)	380,919	(42,419)	384,298
Tax (benefit)/expense	(94,875)	230,164	(94,875)	230,164
<b>c) Deferred tax - Balance Sheet</b>				
Liabilities				
Intangible assets	490,910	-	490,910	-
Capitalised exploration and evaluation expenditure	2,257,547	315,000	2,257,547	315,000
	2,748,457	315,000	2,748,457	315,000
Assets				
Revenue losses available to offset against future taxable income	2,542,827	-	2,542,827	-
Capital losses available to offset against future capital gains	-	-	-	-
Accrued expenses	13,500	-	13,500	-
Deductible equity raising costs	56,841	84,836	56,841	84,836
	2,613,168	84,836	2,613,168	84,836
Net deferred tax liability	135,289	230,164	135,289	230,164
<b>d) Deferred tax - Income Statement</b>				
Liabilities				
Intangible asset	490,910	-	490,910	-
Capitalised exploration expenses	1,942,457	255,000	1,942,457	255,000
Assets				
Accruals	(13,500)	-	(13,500)	-
Deductible equity raising costs	18,494	18,442	18,494	18,442
Employee leave provisions	-	1,688	-	1,688
Increase in tax losses carried forward	(2,542,827)	-	(2,542,827)	-
Other	9,591	(44,966)	9,591	(44,966)
Deferred tax expense	(94,875)	230,164	(94,875)	230,164

All unused tax losses were incurred by Australian entities.

The Company and the Group may have estimated future income tax benefits arising from tax losses incurred for years ending up to and including 30 June 2005 not brought to account at reporting date. At this stage the Company has not quantified the taxation impact of the Company restructure on the future availability of these losses. The Company is seeking independent expert advice in this regard.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

## NOTE 8 CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Consolidated		Company	
	2006 \$	2005 \$	2006 \$	2005 \$
Cash at bank and in hand	287,087	3,536,679	287,087	3,536,679
Deposits at call	13,923,853	-	13,923,853	-
	14,210,940	3,536,679	14,210,940	3,536,679

### (a) Reconciliation to cash and cash equivalents at the end of the year

The above figures reconciled to cash and cash equivalents at the end of the financial year as shown in the cash flow statement.				
Balances as above	14,210,940	3,536,679	14,210,940	3,536,679
Bank overdrafts	-	-	-	-
Balance per cash flow statement	14,210,940	3,536,679	14,210,940	3,536,679

Cash at bank and in hand and deposits at call earn interest at floating rates based on daily bank deposit rates.

## NOTE 9 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	Consolidated		Company	
	2006 \$	2005 \$	2006 \$	2005 \$
<b>a) Receivables</b>				
GST recoverable	18,889	-	18,889	-
Other receivables	11,867	-	11,867	-
	30,756	-	30,756	-
<b>b) Other financial assets</b>				
Environmental and tenement bonds	203,545	79,000	203,545	79,000

Other financial assets relate to bonds, which are funds held on deposit, that act as security for environmental bonds over tenements on which the Company has worked or is currently working. Of the above amount, \$178,229 has been received by the Company subsequent to balance date. See note 19 for details of the fair value, interest rate risk exposure and expected maturity dates of trade and other receivables

## NOTE 10 NON-CURRENT ASSETS - AVAILABLE FOR SALE INVESTMENTS

	Consolidated		Company	
	2006 \$	2005 \$	2006 \$	2005 \$
Shares in Uranium Resources plc at cost	459,860	-	459,860	-
Less: fair value decrement	(93,917)	-	(93,917)	-
	365,943	-	365,943	-

## NOTE 11 NON-CURRENT ASSETS - INVESTMENTS IN SUBSIDIARY AT COST

	Consolidated		Company	
	2006 \$	2005 \$	2006 \$	2005 \$
Interest in share capital of 100% owned subsidiary (i)	-	-	-	-

(i) The Company owned 100% of the share capital of Deep Yellow Tanzania Limited prior to the sale of its investment in the share capital. See note 26 for details of controlled entities.

**NOTE 12 NON-CURRENT ASSETS**  
**- PROPERTY, PLANT AND EQUIPMENT**  
**Office equipment and fittings**

	Consolidated		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
At cost	101,852	1,367	101,852	1,367
Accumulated depreciation	(12,329)	-	(12,329)	-
	89,523	1,367	89,523	1,367

**Motor vehicles**

At cost	138,655	-	138,655	-
Accumulated depreciation	(7,972)	-	(7,972)	-
	130,683	-	130,683	-

**Site equipment**

At cost	11,902	-	11,902	-
Accumulated depreciation	(1,968)	-	(1,968)	-
	9,934	-	9,934	-
	230,140	1,367	230,140	1,367

**Reconciliation**

**Office equipment and fittings**

Net book value at start of the year	1,367	15,414	1,367	15,414
Additions	100,485	1,367	100,485	1,367
Carrying value of disposals	-	(15,414)	-	(15,414)
Depreciation	(12,329)	-	(12,329)	-
Net book value at end of the year	89,523	1,367	89,523	1,367

**Motor vehicles**

Net book value at start of the year	-	-	-	-
Additions	138,655	-	138,655	-
Depreciation	(7,972)	-	(7,972)	-
Net book value at end of the year	130,683	-	130,683	-

**Site equipment**

Net book value at start of the year	-	-	-	-
Additions	11,902	-	11,902	-
Depreciation	(1,968)	-	(1,968)	-
Net book value at end of the year	9,934	-	9,934	-

No items of property, plant and equipment have been pledged as security by the Group.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

<b>NOTE 13 NON-CURRENT ASSETS - CAPITALISED MINERAL EXPLORATION AND EVALUATION EXPENDITURE In the exploration and evaluation phase</b>	<b>Consolidated</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cost brought forward	1,050,000	400,000	1,050,000	400,000
Exploration and acquisition expenditure incurred during the year at cost	6,675,157	850,000	6,675,157	850,000
Exploration costs on tenements disposed of during the period	(200,000)	(200,000)	(200,000)	(200,000)
Exploration expenditure written off	-	-	-	-
Cost carried forward	7,525,157	1,050,000	7,525,157	1,050,000

<b>NOTE 14 NON-CURRENT ASSETS - INTANGIBLE ASSETS</b>	<b>Consolidated</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at beginning of the year	-	-	-	-
Asset acquired : Geological database licence	1,947,411	-	1,947,411	-
Less: Accumulated amortisation	(311,045)	-	(311,045)	-
Balance at end of the financial year	1,636,366	-	1,636,366	-

The intangible asset relates to the Frome Database Licence Agreement with Paladin Energy Minerals NL entered into on 15 July 2005, and is amortised over six years, being the term of the agreement.

The above acquired intangible asset is amortised on a straight line basis over the above period, and is subject to an impairment review annually and when an indicator of impairment exists. No impairment losses have been recognised during the financial year.

<b>NOTE 15 CURRENT LIABILITIES - TRADE AND OTHER PAYABLES</b>	<b>Consolidated</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Trade payables and accruals	244,844	45,968	244,844	45,968
Other payables	17,529	-	17,529	-
	262,373	45,968	262,373	45,968

Trade payables and accruals are non interest bearing and normally settled on 30 day terms.

Details of the Group's exposure to Interest rate risk and fair value in respect of its liabilities are set out in note 19. There are no secured liabilities as at 30 June 2006.

**NOTE 16 CONTRIBUTED EQUITY**

NOTE 16 CONTRIBUTED EQUITY		Company		Company	
		2006 No.	2005 No.	2006 \$	2005 \$
<b>a) Share Capital</b>					
Issued share capital		627,045,966	388,067,583	56,493,400	36,047,812
<b>b) Share movements during the year</b>					
	Issue price				
At the beginning of the year		388,067,583	258,173,629	36,047,812	30,835,120
Consolidation	-	-	(232,356,046)	-	-
Share issue	\$0.0025	-	60,000,000	-	150,000
Share issue	\$0.005	-	60,000,000	-	300,000
Share issue	\$0.01	-	130,000,000	-	1,300,000
Issued to trustee for the benefit of creditors	\$0.01	-	10,000,000	-	100,000
Issued to acquire tenements from Paladin Energy Minerals NL	\$0.024	-	15,000,000	-	360,000
Share issue	\$0.03	-	33,000,000	-	990,000
Issued under prospectus dated 15 May 2005	\$0.05	-	40,000,000	-	2,000,000
Issued on exercise of options	\$0.01	-	14,250,000	-	142,500
Issued on exercise of options	\$0.01	15,750,000	-	157,500	-
Issued in part consideration for Tanami–Arunta tenements	\$0.14	30,000,000	-	4,200,000	-
Issued in part consideration for Ponton North tenements	\$0.14	3,000,000	-	420,000	-
Issued in part consideration for Siccus tenements and Frome database	\$0.14	7,500,000	-	1,050,000	-
Issued on exercise of options	\$0.05	10,000,000	-	500,000	-
Issued on exercise of options	\$0.02	5,000,000	-	100,000	-
Issued under rights issue prospectus	\$0.075	157,728,383	-	11,829,629	-
Issued on exercise of options	\$0.075	5,000,000	-	375,000	-
Issued on exercise of options	\$0.02	5,000,000	-	100,000	-
Add: transfer from equity remuneration reserve in respect of options exercised (note 18)	-	-	-	1,742,000	-
Less: costs related to shares issued	-	-	-	(28,541)	(129,808)
At the end of the year		627,045,966	388,067,583	56,493,400	36,047,812

**c) Ordinary shares**

The Company is a public company limited by shares. The Company was incorporated in Perth, Western Australia.

The Company's shares are limited whereby the liability of its members is limited to the amount (if any) unpaid on the shares respectively held by them. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

**d) Option plan**

Information relating to options issued by Deep Yellow Limited are set out in note 17.

The Company does not have a formal option plan. Options over unissued shares are issued at the discretion of the board.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

## NOTE 17 OPTIONS

The options are granted free of charge and are exercisable at a fixed price in accordance with the terms of the grant.

Options issued vest upon grant.

### a) Options issued, granted and lapsed during the year

During the financial year the company granted 37,500,000 unlisted options over unissued shares as follows:

Number of Options Granted	Exercise Price	Expiry Date
10,000,000	5 cents	31 December 2007
5,000,000	7.5 cents	31 December 2007
12,500,000	12 cents	31 July 2008
6,000,000	25 cents	31 December 2008
4,000,000	35 cents	31 December 2008

During the year 40,750,000 unlisted options over unissued shares were exercised as follows:

Number of Options Exercised	Exercise Price	Exercised Date
15,750,000	1 cent	5 September 2005
10,000,000	5 cents	8 March 2006
5,000,000	2 cents	23 March 2006
5,000,000	7.5 cents	7 April 2006
5,000,000	2 cents	5 May 2006

During the year 1,500,000 unlisted options over unissued shares lapsed unexercised. The expiry date for the options was 31 December 2005 and they were exercisable at 50 cents.

The weighted average share price for options exercised during the year was 11.35 cents (2005: 4.74 cents).

### b) Options on issue at the balance date

The number of options outstanding over unissued ordinary shares at 30 June 2006 is 47,660,000 (2005: 52,410,000). The terms of these options are as follows:

Number of Options Outstanding	Exercise Price	Expiry Date
160,000	35 cents	1 January 2007
25,000,000	1 cent	31 December 2007
12,500,000	12 cents	31 July 2008
6,000,000	25 cents	31 December 2008
4,000,000	35 cents	31 December 2008

### c) Subsequent to the balance date

No options have been granted or exercised subsequent to the balance date and prior to the date of signing this report.

**NOTE 17 OPTIONS (CONTINUED)**

**Reconciliation of movement of options over unissued shares during the period including weighted average exercise price (WAEP)**

	2006		2005	
	No.	WAEP (cents)	No.	WAEP (cents)
Options outstanding at the start of the year	52,410,000	2.70	17,825,000	7.11
Options granted during the year	37,500,000	14.07	65,000,000	1.15
Options exercised during the year	(40,750,000)	3.02	(14,250,000)	1.00
Options expiring unexercised during the year	(1,500,000)	50.00	(122,500)	245.10
Consolidation of options	-	-	(16,042,500)	-
Options outstanding at the end of the year	47,660,000	9.87	52,410,000	2.70

**Basis and assumptions used in the valuation of options.**

The following options were independently valued using the binomial option valuation methodology. All options vest upon grant.

Date Granted	Number of Options Granted	Exercise Price (cents)	Expiry Date	Risk Free Interest Rate Used	Volatility Applied	Option Valuation (cents)
10 December 2004	25,000,000	1.00	31 December 2007	5.715%	25%	1.56
14 March 2005	10,000,000	2.00	31 December 2007	5.440%	100%	3.83
8 September 2005	10,000,000	5.00	31 December 2007	5.105%	50%	9.08
8 September 2005	5,000,000	7.50	31 December 2007	5.090%	50%	9.00
8 September 2005	12,500,000	12.00	31 July 2008	5.090%	50%	7.33
22 December 2005	6,000,000	25.00	31 December 2008	5.285%	150%	5.60
22 December 2005	4,000,000	35.00	31 December 2008	5.285%	150%	5.20

The expected life of the options is based upon historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects an assumption that the historical volatility is indicative of future trends, which may also not be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

## NOTE 18 RESERVES AND ACCUMULATED LOSSES

	Consolidated			Company		
	Accumulated Losses	Equity Compensation Reserve (i)	Asset Fair Value Adjustment Reserve (ii)	Accumulated Losses	Equity Compensation Reserve	Asset Fair Value Adjustment Reserve (ii)
2006	\$	\$	\$	\$	\$	\$
Balance brought forward at 1 July 2005	(32,362,208)	705,310	-	(32,362,208)	705,310	-
Loss for year	(2,082,340)	-	-	(2,082,340)	-	-
Recognition of options issued	-	2,886,940	-	-	2,886,940	-
Transfer to issued capital in respect of options exercised (i)	-	(1,742,000)	-	-	(1,742,000)	-
Adjustment to fair value of available for sale assets	-	-	(93,917)	-	-	(93,917)
Balance carried forward at 30 June 2006	(34,444,548)	1,850,250	(93,917)	(34,444,548)	1,850,250	(93,917)

2005	\$	\$	\$	\$	\$	\$
Balance brought forward at 1 July 2004	(31,157,038)	-	-	(31,145,775)	-	-
Loss for year	(1,205,170)	-	-	(1,216,433)	-	-
Recognition of options issued	-	705,310	-	-	705,310	-
Balance carried forward at 30 June 2005	(32,362,208)	705,310	-	(32,362,208)	705,310	-

### (i) Equity compensation reserve

The equity compensation reserve is used to recognise the fair value of options issued but not exercised. Included in the amount of \$2,886,940 recognised for the year is an amount of \$916,250 in respect of options issued as a part consideration for the acquisition of tenements. The balance relates to options issued to directors (refer note 21). Options exercised during the year have been previously recognised as an expense and as such a transfer is required from the Equity remuneration reserve to contributed equity (note 16).

### (ii) Asset fair value adjustment reserve

The asset fair value adjustment reserve is used to recognise adjustments to the fair values of available for sale investment assets not recognised through the income statement for the current or prior reporting periods, see note 1(i) for detail of the accounting policy.

## NOTE 19 FINANCIAL INSTRUMENTS

The Group and Company's exposure to interest rate risk (note 2(d)) is as follows:

	Weighted Average Effective Interest %	Funds Available at Fixed Interest Rate < 1 Year \$	Funds Available at Floating Interest Rate \$	Assets / (Liabilities) Non Interest Bearing \$	Total \$
<b>2006</b>					
<b>Financial assets</b>					
Cash assets	5.65%	-	14,210,940	-	14,210,940
Receivables and secured deposits	4.39%	192,545	-	41,756	234,301
Available for sale investments	-	-	-	365,943	365,943
Total financial assets		192,545	14,210,940	407,699	14,811,184
<b>Financial liabilities</b>					
Payables	-	-	-	(262,373)	(262,373)
Total financial liabilities	-	-	-	(262,373)	(262,373)
Net financial assets/(liabilities)		192,545	14,210,940	145,326	14,548,811
<b>2005</b>					
<b>Financial assets</b>					
Cash assets	4.80%	-	3,536,679	-	3,536,679
Receivables and secured deposits	5.51%	79,000	-	-	79,000
Total financial assets		79,000	3,536,679	-	3,615,679
<b>Financial liabilities</b>					
Payables	-	-	-	(45,968)	(45,968)
Total financial liabilities		-	-	(45,968)	(45,968)
Net financial assets/(liabilities)		79,000	3,536,679	(45,968)	3,569,711

Carrying value of financial assets and liabilities equates to fair value.

Fixed interest rate assets mature within between 30 and 90 days.

## NOTE 20 DIVIDENDS

No dividends were paid or proposed during the financial year.

The Company has no franking credits available as at 30 June 2006.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

### NOTE 21 KEY MANAGEMENT PERSONNEL DISCLOSURES

#### (a) Directors

The following persons were directors of Deep Yellow Limited during the financial year:

##### (i) Executive Chairman

Dr Leon Pretorius

##### (ii) Executive Directors

Mr Martin Kavanagh (appointed as non executive on 10 October 2005, accepted executive appointment from 1 July 2006)

Mr Hugh Warner (resigned 18 July 2005)

Mr James Pratt (resigned 10 October 2005)

##### (iii) Non-Executive Directors

Ms Gillian Swaby (appointed 10 October 2005)

Mr Gary Steinepreis (resigned 10 October 2005)

#### (b) Other key management personnel

##### (i) Company Secretary

Mr Mark Pitts (appointed 10 October 2005)

There were no other persons having the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year.

#### (c) Key management personnel compensation

##### Compensation Policy

Compensation levels are competitively set to attract and retain appropriately qualified and experienced Directors and Senior Executives. The Board assesses the appropriateness of compensation packages, given trends in comparative companies both locally and internationally. Compensation packages comprise fixed compensation and may include bonuses or equity based compensation entirely at the discretion of the Board based on the performance of the Group.

At the date of this report the Company has not entered into any agreements with Directors or Senior Executives which include performance based components. Options issued to Directors during the financial year were approved by shareholders and were not the subject of an agreement or satisfaction of a performance condition. The options were issued to encourage the recipients in their involvement in the achievement of the Company's objectives and to provide an incentive to strive to that end, by participation in the future growth and prosperity of the Company. It is thought that this means of providing this incentive is cost effective and efficient given the Company's stage of development.

Refer also to the Corporate Governance Statement for the Board's policy in this area.

In accordance with best practice corporate governance, the structure of Non-Executive Director's and Executive compensation is separate and distinct.

The board acts as the Remuneration Committee and assess the nature and amount of compensation of key management personnel.

## NOTE 21 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

### Details of Compensation for Directors and Executive Officers

Details of the compensation of each of the key management personnel of the Group and Company are as follows:

2006	Short Term		Post Employment Superannuation Contributions	Share Based Payments Value of Options	Total
Directors	Base Emolument \$	Other Benefits \$	\$	\$	\$
L Pretorius (i) (iv)	-	135,120	-	1,358,000	1,493,120
M Kavanagh (ii) (v)	30,000	45,000	-	272,000	347,000
G Swaby (iii)	30,000	-	-	272,000	302,000
G Steinepreis	-	15,000	-	-	15,000
J Pratt	30,000	-	2,700	-	32,700
H Warner	-	-	-	-	-
Other					
M Pitts	31,500	-	-	-	31,500
<b>Total</b>	<b>121,500</b>	<b>195,120</b>	<b>2,700</b>	<b>1,902,000</b>	<b>2,221,320</b>

(i) Options represent 91.0% of L Pretorius compensation for the year.

(ii) Options represent 78.4% of M Kavanagh compensation for the year.

(iii) Options represent 90.1% of G Swaby compensation for the year.

(iv) During the financial year the Group incurred expenses of \$135,120 (2005: \$5,000) with Opaline Pty Ltd in respect of consulting services provided by Dr L Pretorius.

(v) During the financial year the Group incurred expenses of \$45,000 with KEM Resources Limited, a company associated with Mr M Kavanagh, in respect of consultancy services.

### Service Agreement

There are no service or employment agreements detailing the terms of executive employment and compensation or non-executive compensation.

### d) Equity instrument disclosures relating to key management personnel

Unlisted Options provided as remuneration and shares issued on exercise of such options

The value of options set out in the remuneration table above relates to 25,000,000 unlisted options granted during the financial year. The options were independently valued using a binomial option valuation methodology.

2005	Short Term		Post Employment Superannuation Contributions	Share Based Payments Value of Options	Total
Directors	Base Emolument \$	Other Benefits \$	\$	\$	\$
L Pretorius	-	5,000	-	-	5,000
J Pratt (i)	50,000	-	4,500	396,162	450,662
G Steinepreis	-	40,000	-	-	40,000
D Steinepreis	-	40,000	-	-	40,000
H Warner	36,697	-	3,303	-	40,000
R Crabb	-	-	-	-	-
A Cowden	-	-	-	-	-
B Dickson	-	-	-	-	-
J Blue	-	-	-	-	-
<b>Total</b>	<b>86,697</b>	<b>85,000</b>	<b>7,803</b>	<b>396,162</b>	<b>575,662</b>

(i) Options represent 87.9% of J Pratt compensation for the year.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

## NOTE 21 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

	Grant Date	Number of Options	Value of Options	Total Value of Options granted (\$)	Expiry Date	Exercise Price
<b>Directors</b>						
L Pretorius	08/09/05	10,000,000	9.1 cents	908,000	31/12/07	5 cents
	08/09/05	5,000,000	9 cents	450,000	31/12/07	7.5 cents
M Kavanagh	22/12/05	3,000,000	5.6 cents	168,000	31/12/08	25 cents
	22/12/05	2,000,000	5.2 cents	104,000	31/12/08	35 cents
G Swaby	22/12/05	3,000,000	5.6 cents	168,000	31/12/08	25 cents
	22/12/05	2,000,000	5.2 cents	104,000	31/12/08	35 cents
<b>Total</b>		<b>25,000,000</b>		<b>1,902,000</b>		

The fair value of the options has been allocated to the current reporting period as all options vest on grant date. The options were provided at no cost to the recipient.

15,000,000 options were exercised by Key Management Personnel being Dr L Pretorius during the financial year resulting in the issue of 15,000,000 ordinary shares. The amount paid per share is equivalent to the exercise price in the above table.

### Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each director of Deep Yellow Limited and other key management personnel of the Group, are set out below:

2006 Name	Balance at Start of the Year	Granted as Remuneration During the Year	Exercised During the Year	Other Changes During the Year	Balance at the End of the Year	Vested and Exercisable at the End of the year
<b>Directors</b>						
L Pretorius	-	15,000,000	(15,000,000)	-	-	-
M Kavanagh	-	5,000,000	-	-	5,000,000	5,000,000
G Swaby	-	5,000,000	-	-	5,000,000	5,000,000
J Pratt	10,000,000	-	(10,000,000)	-	-	-
H Warner	9,000,000	-	(9,000,000)	-	-	-
G Steinepreis	9,000,000	-	(9,000,000)	-	-	-
<b>Other</b>						
M Pitts	-	-	-	-	-	-

2005 Name	Balance at Start of the Year	Granted as Remuneration During the Year	Exercised During the Year	Other Changes During the Year (i)	Balance at the End of the Year	Vested and Exercisable at the End of the year
<b>Directors</b>						
L Pretorius	-	-	-	-	-	-
J Pratt	-	10,000,000	-	-	10,000,000	5,000,000
G Steinepreis	-	-	-	9,000,000	9,000,000	9,000,000
D Steinepreis	-	-	(3,000,000)	9,000,000	6,000,000	6,000,000
H Warner	-	-	-	9,000,000	9,000,000	9,000,000

(i) These options granted to former Directors were not issued as part of a remuneration package but as part of recapitalisation of the Company.

## NOTE 21 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

### Share holdings

The number of shares in the Company held during the financial year by each director of Deep Yellow Limited and other key management personnel of the Group, including their personally related parties are set out below. There were no shares granted during the reporting period as compensation.

2006 Name Directors	Balance at Start of the Year	Received During the Year on Exercise of Options	Other Changes During the Year	Balance at End of the Year
L Pretorius	15,000,000	15,000,000	20,000,000	50,000,000
M Kavanagh	-	-	375,000	375,000
G Swaby	-	-	25,700,000	25,700,000
J Pratt	3,125,000	10,000,000	(10,125,000)	3,000,000
H Warner	34,579,166	9,000,000	(43,579,166)	-
G Steinepreis	36,579,166	9,000,000	(45,579,166)	-
Other				
M Pitts	-	-	250,000	250,000

Other changes during the year occurred at an arms length basis.

2005 Name Directors	Balance at Start of the Year	Received During the Year on Exercise of Options	Other Changes During the Year	Balance at End of the Year
L Pretorius	-	-	15,000,000	15,000,000
J Pratt	-	-	3,125,000	3,125,000
G Steinepreis	-	-	36,579,166	36,579,166
D Steinepreis	-	-	23,079,166	23,079,166
H Warner	-	-	34,579,166	34,579,166

Other changes during the year occurred at an arms length basis, other than the following shareholdings that were allotted to Key Management Personnel in respect of the recapitalisation process for SNIL consideration.

### e) Loans made to key management personnel

No loans were made to a director of Deep Yellow Limited or any other key personnel, including personally related entities during the reporting period.

### f) Other transactions with key management personnel

During the financial year the Group paid \$15,597 (2005: \$26,400) to Ord Street Services, an entity associated with Mr D Steinepreis in respect of office rent.

During the financial year the Group paid \$15,000 (2005: \$50,000) to Ascent Capital Pty Limited for corporate services provided. Ascent Capital Pty Ltd is a company associated with Mr D Steinepreis, Mr G Steinepreis and Mr H Warner.

## NOTE 22 REMUNERATION OF AUDITORS

	Consolidated		Company	
	2006 \$	2005 \$	2006 \$	2005 \$
Audit and review of the Group's financial statements	41,660	39,550	41,660	39,550
Taxation and other services	8,260	-	8,260	-
	49,920	39,550	49,920	39,550



# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

## NOTE 23 CONTINGENCIES

### (i) Contingent liabilities

There were no material contingent liabilities not provided for in the financial statements of the Company or Group as at 30 June 2006 other than:

#### Native Title and Aboriginal Heritage

Native title claims have been made with respect to areas which include tenements in which the Company has an interest. The Company is unable to determine the prospects for success or otherwise of the claims and, in any event, whether or not and to what extent the claims may significantly affect the Company or its projects. Agreement is being or has been reached with various native title claimants in relation to Aboriginal Heritage issues regarding certain areas in which the Company has an interest.

## NOTE 24 COMMITMENTS

### (i) Contingent assets

In the prior year, the Company's previous management entered into an arrangement to settle outstanding debts. Part of this arrangement involved setting up a Creditor's Trust to hold assets to be used in the settlement process. The Company has been advised by the Trustees of the Creditor's Trust that all outstanding debts have been repaid in full and that an excess of assets exists.

The Company considers that it is probable that an amount may be received as a distribution from the Trust, however the quantum is unlikely to be material and cannot be reasonably estimated at this time.

### (a) Exploration

The Group has certain obligations to perform minimum exploration work on mineral leases held. These obligations may vary over time, depending on the Group's exploration programmes and priorities. As at balance date, total exploration expenditure commitments on tenements held by the Group have not been provided for in the financial statements and which cover the following twelve month period amount to \$1,290,000 (2005: \$150,500) respectively. These obligations are also subject to variations by farm-out arrangements or sale of the relevant tenements. This commitment does not include the expenditure commitments which are the responsibility of the joint venture partners.

### (b) Operating Lease Commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases are as follows:

	Consolidated		Company	
	2006 \$	2005 \$	2006 \$	2005 \$
Within one year	34,816	-	34,816	-
Later than one year but not later than five years	48,001	-	48,001	-
	82,817	-	82,817	-

### (c) Contractual Commitments

There are no contracted commitments other than those disclosed above.

## NOTE 25 RELATED PARTY TRANSACTIONS

The only related party to the entity not covered by the disclosures relating to key management personnel at note 21 is the wholly owned subsidiary Deep Yellow Tanzania Limited (note 11). The Company disposed of its subsidiary which held its Tanzanian prospecting licences on 18 July 2005.

There were no other related party transactions during the year.

#### NOTE 26 CONTROLLED ENTITIES

Controlled Entity	2006		2005	
	Proportion of Share Capital Owned %	Carrying Value of Investment \$	Proportion of Share Capital Owned %	Carrying Value of Investment \$
Deep Yellow Tanzania Limited	-	-	100%	Nil

During the year the Company owned 100% of the share capital of Deep Yellow Tanzania Limited.

The completion of the sale of the investment in the share capital of Deep Yellow Tanzania Limited occurred in October 2005, after the Company had agreed to sell the interest to Uranium Resources plc, a company listed on the London Stock Exchange's AIM market. Consideration for the sale was £50,000 and 6,000,000 Uranium Resources plc shares. The value of the consideration at the date of settlement of the transaction was \$578,371.

Deep Yellow Tanzania Limited did not trade and the disposal of the entity has not affected the loss of the group, other than by the consideration received.

#### NOTE 27 INTERESTS IN JOINT VENTURES

Joint venture agreements have been entered into with third parties, whereby the third parties can earn an interest in exploration areas by expending specified amounts in the exploration areas.

There are no assets employed by these joint ventures and the Group's expenditure in respect of them is brought to account initially as capitalised exploration and evaluation expenditure (Refer note 13).

#### NOTE 28 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect substantially the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

NOTE 29 RECONCILIATION OF LOSS AFTER TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES	Consolidated		Company	
	2006 \$	2005 \$	2006 \$	2005 \$
Loss after income tax	(2,082,340)	(1,205,170)	(2,082,340)	(1,216,433)
Depreciation and amortisation	333,314	-	333,314	-
Non-cash element of compensation on sale of shares in subsidiary	(459,860)	-	(459,860)	-
Share based payments expense	1,970,690	314,310	1,970,690	314,310
Issue of shares as part settlement of Deed of Company Arrangement	-	100,000	-	100,000
Non-cash effect of restructure as a result of Deed of Company Arrangement	-	(645,918)	-	(634,655)
Non-cash effect of shares / options issued in consideration for the acquisition of exploration assets	(1,052,151)	-	(1,052,151)	-
<b>Change in operating assets and liabilities:</b>				
Increase in receivables	(18,889)	-	(18,889)	-
Increase/(decrease) in deferred tax liability	(94,875)	230,164	(94,875)	230,164
Increase in payables	206,406	45,968	206,406	45,968
<b>Net cash outflow from operating activities</b>	<b>(1,197,705)</b>	<b>(1,160,646)</b>	<b>(1,197,705)</b>	<b>(1,160,646)</b>

During the financial year the Group entered into a number of transactions which had material non cash components. At a shareholder meeting held on 30 August 2005 approval was received for the issue of the following shares (refer note 16):

- 30,000,000 ordinary shares in the Company in part consideration for the acquisition of Tanami Gold NL and Tanami Exploration NL's entire interest in any uranium minerals in their tenements;
- 3,000,000 ordinary shares in the Company in part consideration for the acquisition of A1 Minerals Limited's tenements in the Ponton Region of Western Australia;
- 7,500,000 ordinary shares and 12,500,000 options in the Company in part consideration for the acquisition of Paladín Resources Ltd's 90% interest in the Siccus Joint Venture in South Australia.

NOTE 30 EARNINGS PER SHARE	Consolidated	
	2006 cents	2005 cents
<b>a) Basic earnings per share</b>		
Loss attributable to ordinary equity holders of the Company	(0.43)	(0.58)
<b>b) Diluted earnings per share</b>		
Loss attributable to ordinary equity holders of the Company	(0.43)	(0.58)
<b>c) Loss used in calculation of basic and diluted loss per share</b>		
Loss after tax from continuing operations	(2,082,340)	(1,205,170)
<b>d) Weighted average number of shares used as the denominator</b>		
Weighted average number of shares used as the denominator in calculating basic and diluted earnings per share	480,768,984	207,856,624

There are on issue 47,660,000 options at 30 June 2006 (2005: 52,410,000) which are not considered to be dilutive.

## e) Information concerning the classification of securities

### Options

Options to acquire ordinary shares granted by the Company and not exercised at the reporting date are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share.

**NOTE 31 EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS**

(1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRS (AIFRS)

(a) At the date of transition to AIFRS: 1 July 2004

	Note	Previous AGAAP \$	Consolidated Effect of Transition \$	AIFRS \$	Previous AGAAP \$	Parent Effect of Transition \$	AIFRS \$
<b>Current Assets</b>							
Cash assets		177,507	-	177,507	177,507	-	177,507
Receivables		379,588	-	379,588	281,850	-	281,850
Other financial assets		948,500	-	948,500	948,500	-	948,500
Inventories		280,069	-	280,069	280,069	-	280,069
Total current assets		1,785,664	-	1,785,664	1,687,926	-	1,687,926
<b>Non-current assets</b>							
Property, plant and equipment		15,414	-	15,414	15,414	-	15,414
Capitalised mineral exploration and evaluation expenditure		400,000	-	400,000	400,000	-	400,000
Total non-current assets		415,414	-	415,414	415,414	-	415,414
Total assets		2,201,078	-	2,201,078	2,103,340	-	2,103,340
<b>Current liabilities</b>							
Payables		2,408,368	-	2,408,368	2,408,367	-	2,408,367
Provisions		114,628	-	114,628	5,628	-	5,628
Total current liabilities		2,522,996	-	2,522,996	2,413,995	-	2,413,995
Total liabilities		2,522,996	-	2,522,996	2,413,995	-	2,413,995
<b>NET ASSETS</b>		(321,918)	-	(321,918)	(310,655)	-	(310,655)
<b>Equity</b>							
Contributed equity		30,835,120	-	30,835,120	30,835,120	-	30,835,120
Accumulated losses		(31,157,038)	-	(31,157,038)	(31,145,775)	-	(31,145,775)
<b>TOTAL EQUITY</b>		(321,918)	-	(321,918)	(310,655)	-	(310,655)

**Transitional exemptions**

The Company has made its election in relation to the transitional exemptions allowed by AASB1 as follows:

**Designation of previously recognised financial instruments**

Financial instruments were designated as financial assets or liabilities at fair value through the income statement or as available-for-sale as at the date of transition to IFRS.

**Share based payment transactions**

AASB2 is applied only to equity instruments granted after 7 November 2002 that had not vested on or before 1 January 2005.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

## NOTE 31 EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS (CONTINUED)

(b) At the last reporting date under AGAAP: 30 June 2005

	Note	Previous AGAAP \$	Consolidated Effect of Transition \$	AIFRS \$	Previous AGAAP \$	Parent Effect of Transition \$	AIFRS \$
<b>Current Assets</b>							
Cash assets		3,536,679	-	3,536,679	3,536,679	-	3,536,679
Receivables		79,000	-	79,000	79,000	-	79,000
Total current assets		3,615,679	-	3,615,679	3,615,679	-	3,615,679
<b>Non-current assets</b>							
Property, plant and equipment		1,367	-	1,367	1,367	-	1,367
Capitalised mineral exploration and evaluation expenditure		1,050,000	-	1,050,000	1,050,000	-	1,050,000
Total non-current assets		1,051,367	-	1,051,367	1,051,367	-	1,051,367
Total assets		4,667,046	-	4,667,046	4,667,046	-	4,667,046
<b>Current liabilities</b>							
Payables		45,968	-	45,968	45,968	-	45,968
Provisions		-	-	-	-	-	-
Total current liabilities		45,968	-	45,968	45,968	-	45,968
<b>Non current liabilities</b>							
Deferred tax liabilities	(b)	-	230,164	230,164	-	230,164	230,164
Total non-current liabilities		-	230,164	230,164	-	230,164	230,164
Total liabilities		45,968	230,164	276,132	45,968	230,164	276,132
NET ASSETS		4,621,078	(230,164)	4,390,914	4,621,078	(230,164)	4,390,914
<b>Equity</b>							
Contributed equity		36,047,812	-	36,047,812	36,047,812	-	36,047,812
Accumulated losses	(a)(b)	(31,817,734)	(544,474)	(32,362,208)	(31,817,734)	(544,474)	(32,362,208)
Equity remuneration reserve	(a)	391,000	314,310	705,310	391,000	314,310	705,310
TOTAL EQUITY		4,621,078	(230,164)	4,621,078	4,621,078	(230,164)	4,390,914

**NOTE 31 EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS (CONTINUED)**

**(2) Reconciliation of loss for the year ended 30 June 2005 reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to loss under Australian equivalents to IFRS (AIFRS)**

Note	Previous AGAAP \$	Consolidated Effect of Transition \$	AIFRS \$	Previous AGAAP \$	Parent Effect of Transition \$	AIFRS \$
Sales revenue	170,780	-	170,780	170,780	-	170,780
Cost of sales	(126,382)	-	(126,382)	(126,382)	-	(126,382)
Gross profit	44,398	-	44,398	44,398	-	44,398
Other revenues from ordinary activities	102,389	-	102,389	102,389	-	102,389
Loss on restructure of company	(132,046)	-	(132,046)	(132,046)	-	(132,046)
Marketing expenses	(9,080)	-	(9,080)	(9,080)	-	(9,080)
Occupancy expenses	(45,236)	-	(45,236)	(45,236)	-	(45,236)
Administrative expenses (a)	(172,838)	(314,310)	(487,148)	(172,838)	(314,310)	(487,148)
Other expenses	(448,283)	-	(448,283)	(459,546)	-	(459,546)
Loss from continuing operations before income tax	(660,696)	(314,310)	(975,006)	(671,959)	(314,310)	(986,269)
Income tax (b)	-	(230,164)	(230,164)	-	(230,164)	(230,164)
Loss for the year attributable to members	(660,696)	(544,474)	(1,205,170)	(671,959)	(544,474)	(1,216,433)

**(a) Equity based remuneration**

Under AIFRS, options that are granted after 7 November 2002 and/or vested after 1 January 2005 and issued as remuneration, is recognised as an employee benefit expense with a corresponding increase in equity. See note 1(o) for accounting policy details.

**(b) Deferred tax liabilities**

The tax adjustment reflects the change in the method of taxation calculation required under AIFRS versus AGAAP.

Previously the liability method of tax effect accounting was used which involved tax effecting only those items that impacted profit and loss. AASB 112 Income Taxes, requires that the balance sheet method be used which recognises deferred tax on differences between the carrying values of assets and liabilities and their tax base.

The Company is currently assessing whether losses incurred prior to June 2005 may be able to be recouped and thus be brought to account as a reduction to the deferred income tax liability.

**(3) Reconciliation of cash flow statement for the year ended 30 June 2005 reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to cash flow statement under Australian equivalents to IFRS (AIFRS)**

The adoption of AIFRS has not resulted in any material adjustments to the cash flow statement.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

## NOTE 32 AUSTRALIAN ACCOUNTING STANDARDS THAT HAVE RECENTLY BEEN ISSUED OR AMENDED BUT ARE NOT YET EFFECTIVE HAVE NOT BEEN ADOPTED FOR THE ANNUAL REPORTING PERIOD ENDING 30 JUNE 2006

AASB Amendment	New or Revised Standard/ UIG/Affected Standard(s)	Nature of Change to Accounting Policy	Application Date of Standard	Application Date for Group
2004-3	AASB 1 First-time adoption of AIFRS AASB 101 Presentation of Financial Statements AASB 124 Related Party Disclosures	No change to accounting Policy Required. Therefore no impact.	1 January 2006	1 July 2006
2005-1	AASB 139 Financial Instruments: Recognition and Measurement	No change to accounting Policy Required. Therefore no impact.	1 January 2006	1 July 2006
2005-5	AASB 1 First-time adoption of AIFRS and AASB 139 Financial Instruments: Recognition and Measurement	No change to accounting Policy Required. Therefore no impact.	1 January 2006	1 July 2006
2005-6	AASB 3 Business Combinations	No change to accounting Policy Required. Therefore no impact.	1 January 2006	1 July 2006
2005-10	AASB 132 Financial Instruments: Disclosure and Presentation, AASB 101 Presentation of Financial Statements, AASB 114 Segment Reporting, AASB 117 Leases, AASB 133 Earnings per Share, AASB 139 Financial Instruments: Recognition and Measurement, AASB 1 First-time adoption of AIFRS, AASB 4 Insurance Contracts, AASB 1023 General insurance Contracts and AASB 1038 Life Insurance Contracts	No change to accounting Policy Required. Therefore no impact.	1 January 2007	1 July 2007
	AASB 119 Employee Benefits	No change to accounting Policy Required. Therefore no impact.	1 January 2006	1 July 2006
	AASB 7 Financial Instruments: Disclosures	No change to accounting Policy Required. Therefore no impact.	1 January 2007	1 July 2007
	UIG 4 Determining whether an Arrangement contains a Lease	No change to accounting Policy Required. Therefore no impact.	1 January 2006	1 July 2006
	UIG 5 Rights to Interests in Decommissioning, Restoration and Environmental Rehabilitation Funds	No change to accounting Policy Required. Therefore no impact.	1 January 2006	1 July 2006
	UIG 8 Scope of AASB 2	No change to accounting Policy Required. Therefore no impact.	1 May 2006	1 July 2006

The following amendments and new Standards are not applicable to the Group and therefore have no impact:

**2005-4** AASB 139 Financial Instruments: Recognition and Measurement, AASB 132 Financial Instruments: Disclosure and Presentation, AASB 1 First-time adoption of AIFRS, AASB 1023 General insurance Contracts and AASB 1038 Life Insurance Contracts

**2005-9** AASB 4 Insurance Contracts, AASB 1023 General insurance Contracts, AASB 139 Financial Instruments: Recognition and Measurement and AASB 132 Financial Instruments: Disclosure and Presentation

**2006-1** AASB 121 The Effects of Change in Foreign Currency Rates  
UIG 6 Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment  
UIG 7 Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies  
UIG 9 Reassessment of Embedded Derivatives

In the opinion of the Directors of Deep Yellow Limited ("the Company")

(a) the financial statements and notes set out on pages 22 to 52 are in accordance with the Corporations Act 2001, including:

- (i) complying with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (ii) giving a true and fair view of the financial position of the Company and Consolidated Entity as at 30 June 2006 and of their performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date.

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Executive Chairman and Company Secretary for the financial year ended 30 June 2006.

This declaration is made in accordance with a resolution of the Directors.

On behalf of the Board

Signed at Perth this 28th day of September 2006.



**Dr Leon Pretorius**  
Executive Chairman





■ **The Ernst & Young Building**  
11 Mounts Bay Road  
Perth WA 6000  
Australia

■ Tel 61 8 9429 2222  
Fax 61 8 9429 2436

GPO Box M939  
Perth WA 6843

## INDEPENDENT AUDIT REPORT TO MEMBERS OF DEEP YELLOW LIMITED

### Scope

#### The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Deep Yellow Limited ("the Company") and the consolidated entity, for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

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 company and the consolidated entity, and that complies with Accounting Standards in Australia, 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.

#### Audit approach

We conducted an independent audit of the financial report in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

**Independence**

We are independent of the company and the consolidated entity 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 Directors' Report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

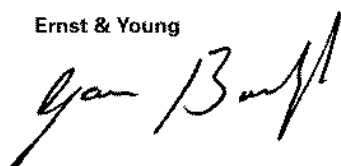
**Audit opinion**

In our opinion the financial report of Deep Yellow Limited is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the financial position of Deep Yellow Limited and the consolidated entity at 30 June 2006 and of their performance for the year ended on that date; and
- (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (iii) other mandatory financial reporting requirements in Australia.



Ernst & Young



Gavin A Buckingham  
Partner

Perth  
28 September 2006

## ADDITIONAL INFORMATION

Pursuant to the Listing Requirements of the Australian Stock Exchange Limited, the shareholder information set out below was applicable as at 20 September 2006.

### A. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of shareholders by size of holding:

Distribution	Number of shareholders
1 - 1,000	662
1,001 - 5,000	1,121
5,001 - 10,000	967
10,001 - 100,000	2,962
More than 100,000	642
<b>Totals</b>	<b>6,354</b>

There were 1,365 shareholders holding less than a marketable parcel of ordinary shares.

### B. SUBSTANTIAL SHAREHOLDERS

An extract of the Company's Register of Substantial Shareholders (who hold 5% or more of the issued capital) is set out below:

Shareholder Name	Issued Ordinary Shares	
	Number of shares	Percentage of shares
RA & HM Healy	60,000,000	9.40%
Dr Leon Eugene Pretorius	50,000,000	7.97%

**C. TWENTY LARGEST SHAREHOLDERS**

The names of the twenty largest holders of quoted shares are listed below:

Shareholder Name	Listed Ordinary Shares	
	Number	Percentage Quoted
Dr Leon Eugene Pretorius	50,000,000	7.97
Robert Anthony Healy	48,557,856	7.74
Mr Zac Rossi Mrs Thelma Rossi	28,443,585	4.54
Paladin Energy Minerals NL	21,950,000	3.50
Tanami Gold NL	20,900,000	3.33
Gillian Swaby	20,600,000	3.29
ANZ Nominees Limited Cash Income A/C	15,541,269	2.48
Manotel Pty Ltd	13,750,000	2.19
Citicorp Nominees Pty Limited	12,027,187	1.92
Net Nominees Limited	10,492,144	1.67
Mrs Rita Coppa The Empire A/C	7,543,860	1.20
Paladin Resources Ltd	7,500,000	1.20
Mrs Heather Joy Buchanan	6,968,706	1.11
Strategic Consultants Pty Ltd	5,100,000	0.81
Challenger Trading Corporation Limited	5,000,000	0.80
Mr Sean Reveille Llewelyn	4,500,000	0.72
Mr Robert Healy Mrs Helen Healy	4,000,000	0.64
National Nominees Limited	3,281,432	0.52
Mr James Douglas Ryston Pratt	3,000,000	0.48
Mr Jorgen Secher-Jorgensen		
Mrs Cecilia Marcella June Secher-Jorgensen		
Secher-Jorgensen Super A/C	2,943,767	0.47
<b>Top 20 Total</b>	<b>292,099,806</b>	<b>46.58</b>

**D. VOTING RIGHTS**

In accordance with the Company's Constitution, voting rights in respect of ordinary shares are on a show of hands whereby each member present in person or by proxy shall have one vote and upon a poll, each share will have one vote.

**E. RESTRICTED SECURITIES**

There are 15,000,000 ordinary fully paid shares on issue which are subject to a voluntary escrow agreement. The escrow period ends on 15th March 2007.

## SCHEDULE OF MINERAL TENEMENTS

### NORTHERN TERRITORY

Tenement No.	Tenement Name	Interest	Granted From	Expiry Date	Blocks	Approx Area (km <sup>2</sup> )	Expenditure
EL 9890	NE Arunta	100%	21.05.02	20.05.08	11	35	49,000
EL 24246	Napperby	100%	11.10.04	10.10.10	245	775	246,500
EL 24547	Nonouba	100%	Application		200	606	38,000
EL 24606	Lake Lewis	100%	28.12.05	27.12.11	201	628	50,000
EL 25097	Billabong North	100%	Application		72	232	75,000
EL 25101	Mordor West	100%	Application		59	186	75,000
EL 25146	Mt Morris West	100%	Application		218	698	50,000
EL 52147	Mt Morris	100%	Application		499	1,597	75,000
EL 25155	Mongrel Downs	100%	Application		111	355	25,000
EL 25156	Abbotts Bore	100%	Application		35	112	25,000
EL 25177	Fiddlers Lake	100%	Application		209	670	55,000
EL 25212	Mt Davidson	100%	Application		96	307	50,000
EL 25601	Nancy Hill	100%	Application		295	938	45,000
<b>Sub-Total</b>						<b>7,139</b>	

### QUEENSLAND

Tenement No.	Tenement Name	Interest	Granted From	Expiry Date	Blocks	Approx Area (km <sup>2</sup> )	Expenditure
EPM 15615	Durong 5	90%	02.08.06	01.08.11	100	310	20,000
EPM 15620	Durong 4	90%	02.08.06	01.08.11	100	310	20,000
EPM 15621	Durong 3	90%	02.08.06	01.08.11	100	310	20,000
EPM 15622	Durong 2	90%	02.08.06	01.08.11	100	310	20,000
EPM 15624	Durong 1	90%	Application		100	310	20,000
<b>Sub-Total</b>						<b>1550</b>	

### SOUTH AUSTRALIA

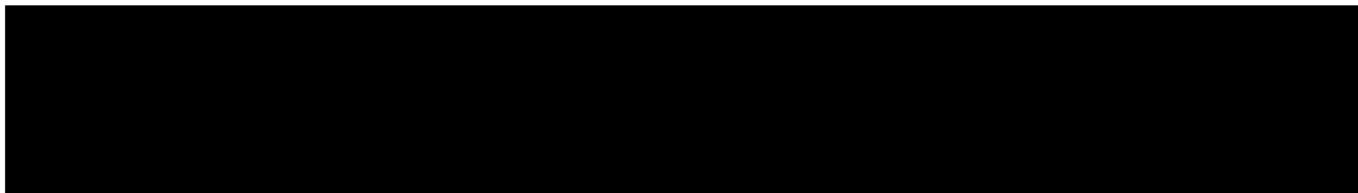
Tenement No.	Tenement Name	Interest	Granted From	Expiry Date	Blocks	Approx Area (km <sup>2</sup> )	Expenditure
EL 3288	Siccus	90%	02.12.04	01.12.06	218	672	190,000
<b>Sub-Total</b>						<b>672</b>	

## WESTERN AUSTRALIA

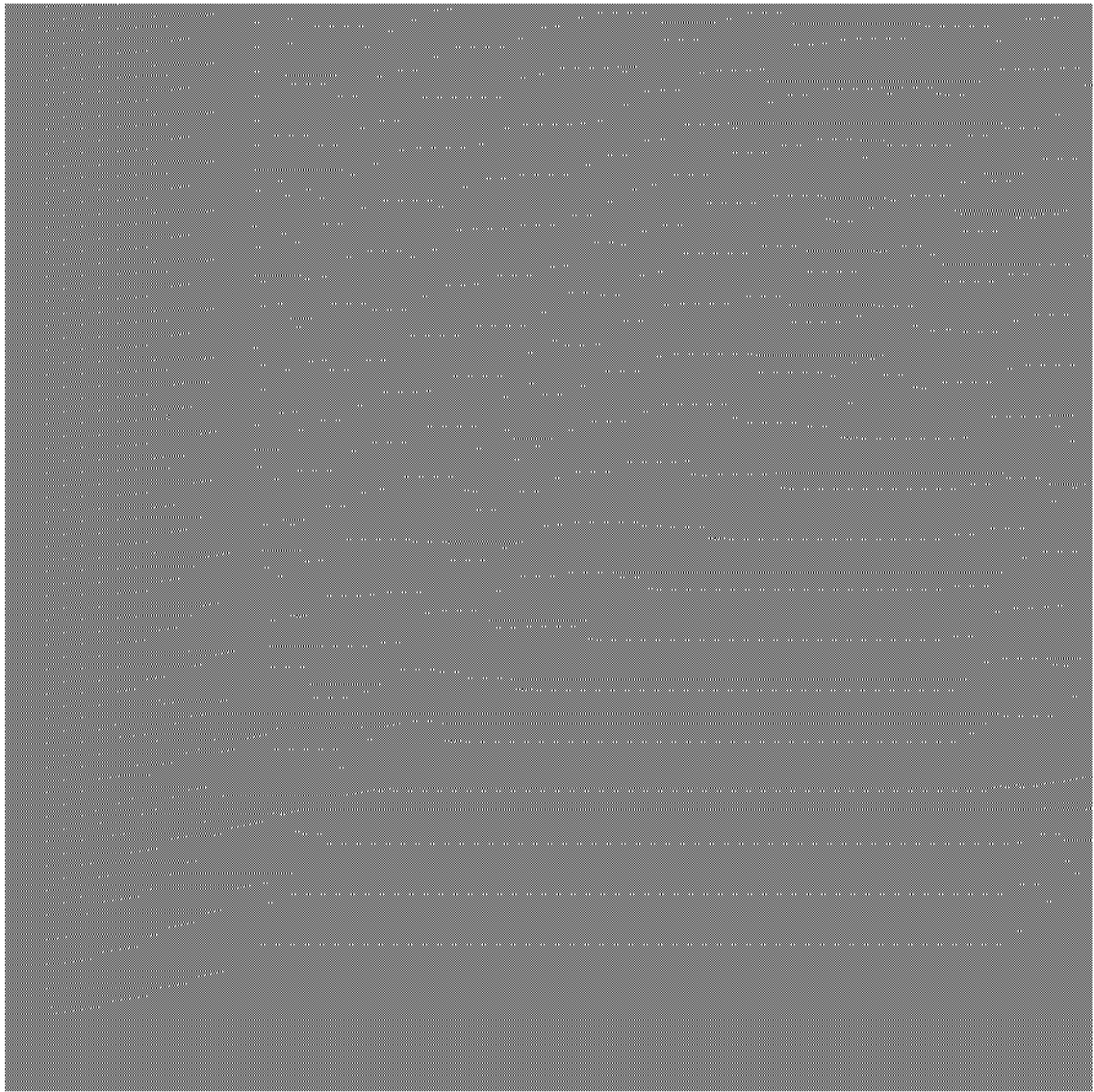
Tenement No.	Tenement Name	Interest	Granted From	Expiry Date	Blocks	Approx Area (km <sup>2</sup> )	Expenditure
EL 45/2887	Anketell 1	100%	Application		70	230	63,000
EL 45/2888	Anketell 2	100%	Application		70	230	63,000
EL 45/2889	Anketell 3	100%	Application		70	230	63,000
EL 45/2890	Anketell 4	100%	Application		70	230	63,000
EL 45/2891	Anketell 5	100%	Application		70	230	63,000
EL 45/2892	Anketell 6	100%	Application		70	230	63,000
EL 45/2893	Anketell 7	100%	Application		70	230	63,000
EL 45/2894	Anketell 8	100%	Application		70	230	63,000
EL 45/2895	Anketell 9	100%	Application		70	230	63,000
EL 45/2896	Anketell 10	100%	Application		70	230	63,000
EL 45/2897	Anketell 11	100%	Application		18	60	16,200
EL 39/1140	Ponton North 1	100%	24.08.06	23.08.11	70	210	63,000
EL 39/1141	Ponton North 2	100%	24.08.06	23.08.11	70	210	63,000
EL 39/1142	Ponton North 3	100%	24.08.06	23.08.11	70	210	63,000
EL 39/1143	Ponton North 4	100%	24.08.06	23.08.11	70	210	63,000
EL 39/1144	Ponton North 5	100%	24.08.06	23.08.11	70	210	63,000
<b>Sub-Total</b>						<b>3,410</b>	

## AGREEMENTS

	Approx Area (km <sup>2</sup> )
Dominion Gold Operations - South Australia	3,295
Matrix Metals Ltd - Queensland	4,436
Tanami Gold NL - Northern Territory and Western Australia	42,730
<b>Sub-Total</b>	<b>50,461</b>
<b>Total Area (km<sup>2</sup>)</b>	<b>63,232</b>



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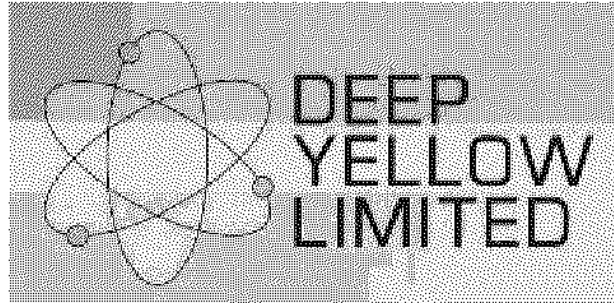
BACK COVER: 3D IMAGE - NAPPERBY URANIUM MINERALISATION



## DEEP YELLOW LIMITED

Level 1, 329 Hay Street  
Subiaco WA 6008  
Telephone: 61 8 9286 6999  
Facsimile: 61 8 9286 6969

[www.deepyellow.com.au](http://www.deepyellow.com.au)



ACN 006 391 948

## ***NOTICE OF ANNUAL GENERAL MEETING***

### ***PROXY FORM***

### ***AND***

### ***EXPLANATORY MEMORANDUM***

**Date of Meeting**

30 November 2006

**Time of Meeting**

2:30pm

**Place of Meeting**

The University Club  
35 Stirling Highway  
Crawley, Western Australia

Deep Yellow Limited  
Level 1  
329 Hay Street  
Subiaco WA 6008  
Tel: + 61 8 9286 6999  
Fax: + 61 8 9286 6969

## **NOTICE OF ANNUAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of the members of Deep Yellow Limited ("**Company**") will be held at The University Club, 35 Stirling Highway, Western Australia on 30 November 2006 at 2:30 pm for the purpose of transacting the following business.

### **AGENDA**

#### **BUSINESS**

An Explanatory Memorandum containing information in relation to each of the resolutions set out accompanies this Notice of Meeting.

#### **ORDINARY BUSINESS**

**1. FINANCIAL REPORT**

To receive the financial report for the year ended 30 June 2006, and the Directors' and Auditors' Reports thereon.

**2. RESOLUTION 1 RE-ELECTION OF DR LEON PRETORIUS**

To consider and, if thought fit, to approve the following resolution as an **ordinary resolution**:

*"That Dr Leon Pretorius retires in accordance with clause 3.6 of the Company's Constitution and being eligible offers himself for re-election."*

**3. RESOLUTION 2 ELECTION OF MR MERVYN GREENE**

To consider and, if thought fit, to approve the following resolution as an **ordinary resolution**:

*"That Mr Mervyn Greene be appointed as a director of the Company."*

**4. RESOLUTION 3 REMUNERATION REPORT**

To consider and, if thought fit, to approve the following resolution as an **ordinary resolution**:

*"To adopt the Remuneration Report for the year ended 30 June 2006."*

**Note:** The vote on this resolution is advisory only and does not bind the Directors of the Company.

**SPECIAL BUSINESS**

**5. RESOLUTION 4 GRANT OF OPTIONS TO MS GILLIAN SWABY**

To consider and, if thought fit, to approve the following resolution as an **ordinary resolution**:

*"That pursuant to section 208 of the Corporations Act and Listing Rule 10.11, and for all other purposes, the Directors be and are hereby authorised to grant and issue up to 3,000,000 options for no consideration, exercisable on or before 30 November 2009 at an exercise price equating to 150% of the volume weighted average price of the Company's ordinary shares on the Australian Stock Exchange for the 10 trading days prior to the date of this Annual General Meeting, but in any event not less than \$0.40, to Ms Gillian Swaby or her nominee, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting (including Annexure A to the Explanatory Memorandum)".*

**6. RESOLUTION 5 GRANT OF OPTIONS TO MR MARTIN KAVANAGH**

To consider and, if thought fit, to approve the following resolution as an **ordinary resolution**:

*"That pursuant to section 208 of the Corporations Act and Listing Rule 10.11, and for all other purposes, the Directors be and are hereby authorised to grant and issue up to 5,000,000 options for no consideration, exercisable on or before 30 November 2009 at an exercise price equating to 150% of the volume weighted average price of the Company's ordinary shares on the Australian Stock Exchange for the 10 trading days prior to the date of this Annual General Meeting, but in any event not less than \$0.40, to Mr Martin Kavanagh or his nominee, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting (including Annexure A to the Explanatory Memorandum)".*

**7. RESOLUTION 6 GRANT OF OPTIONS TO DR LEON PRETORIUS**

To consider and, if thought fit, to approve the following resolution as an **ordinary resolution**:

*"That pursuant to section 208 of the Corporations Act and Listing Rule 10.11, and for all other purposes, the Directors be and are hereby authorised to grant and issue up to 5,000,000 options for no consideration, exercisable on or before 30 November 2009 at an exercise price equating to 150% of the volume weighted average price of the Company's ordinary shares on the Australian Stock Exchange for the 10 trading days prior to the date of this Annual General Meeting, but in any event not less than \$0.40, to Dr Leon Pretorius or his nominee, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting (including Annexure A to the Explanatory Memorandum)".*

**8. RESOLUTION 7 GRANT OF OPTIONS TO MR MERVYN GREENE**

To consider and, if thought fit, to approve the following resolution as an **ordinary resolution**:

*"That subject to and conditional upon resolution 2 in this notice of meeting being passed, pursuant to section 208 of the Corporations Act and Listing Rule 10.11, and for all other purposes, the Directors be and are hereby authorised to grant and issue up to 3,000,000 options for no consideration, exercisable on or before 30 November 2009 at an exercise price equating to 150% of the volume weighted average price of the Company's ordinary shares on the Australian Stock Exchange for the 10 trading days prior to the date of this Annual General Meeting, but in any event not less than \$0.40, to Mr Mervyn Greene or his nominee, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting (including Annexure A to the Explanatory Memorandum)".*

**DEEP YELLOW LIMITED**  
**ACN 006 391 948**

**9. RESOLUTION 8 DIRECTORS, EMPLOYEES AND OTHER PERMITTED PERSONS  
OPTION PLAN**

To consider and, if thought fit, to approve the following resolution as an **ordinary resolution**:

*"That for the purposes of Exception 9 in ASX Listing Rule 7.2 and for all other purposes, the adoption and administration of the Deep Yellow Limited Directors, Employees and Other Permitted Persons Option Plan, described in the Explanatory Statement, a signed copy of which is available to the Meeting, and the issue of securities under that plan as an exception to ASX Listing Rule 7.1, be approved."*

**10. RESOLUTION 9 RATIFICATION OF ISSUE OF DYL SHARES TO MAITLAND  
TRUSTEES LIMITED (AS TRUSTEE OF THE MGR TRUST) AND  
THESEUS LIMITED (AS TRUSTEE OF THE OYSTER TRUST)**

To consider and, if thought fit, to approve the following resolution as an **ordinary resolution**:

*"That subject to the terms and conditions of the Share Sale Agreement, for the purposes of Listing Rule 7.4 and for all other purposes, the issue of 92 million ordinary shares in the Company to Maitland Trustees Limited (as trustee of the MGR Trust) and Theseus Limited (as trustee for the Oyster Trust) on or about 27 November 2006, and otherwise on the terms and conditions set out in the Explanatory Memorandum, be ratified and approved."*

**11. RESOLUTION 10 APPROVAL TO ISSUE DYL SHARES TO MAITLAND TRUSTEES  
LIMITED (AS TRUSTEE OF THE MGR TRUST) AND THESEUS  
LIMITED (AS TRUSTEE OF THE OYSTER TRUST)**

To consider and, if thought fit, to approve the following resolution as an **ordinary resolution**:

*"That subject to the terms and conditions of the Share Sale Agreement for the purposes of Listing Rule 7.1 and for all other purposes, the issue of up to 82 million ordinary shares in the Company to Maitland Trustees Limited (as trustee of the MGR Trust) and Theseus Limited (as trustee of the Oyster Trust, on the Second Tranche Completion Date (as defined in the Share Sale Agreement), and otherwise on the terms and conditions set out in the Explanatory Memorandum, be approved."*

**12. RESOLUTION 11 APPROVAL OF TERMINATION BENEFITS – OPALINE GOLD PTY  
LTD**

To consider and, if thought fit, to approve the following resolution as an **ordinary resolution**:

*"That for the purposes section 208 and 200E of the Corporations Act and for all other purposes, the Company is authorised to enter into an Executive Services Contract with Opaline Gold Pty Ltd or its nominee and to provide the termination benefits thereunder as described in the Explanatory Memorandum accompanying this Notice of Meeting."*

**13. RESOLUTION 12 APPROVAL OF TERMINATION BENEFITS – MR MARTIN KAVANAGH**

To consider and, if thought fit, to approve the following resolution as an ordinary resolution:

*"That for the purposes section 208 and 200E of the Corporations Act and for all other purposes, the Company is authorised to enter into an Executive Services Contract with Mr Martin Kavanagh and to provide the termination benefits thereunder described in the Explanatory Memorandum accompanying this Notice of Meeting."*

**GENERAL NOTES**

***EXPLANATORY MEMORANDUM***

Shareholders are referred to the explanatory memorandum (including the defined terms therein) accompanying and forming part of this notice of meeting.

**ENTITLEMENT TO VOTE**

**1. Snapshot date**

It has been determined that under the Corporations Regulations 2001 (Cth) regulation 7.11.37, for the purposes of the annual general meeting, shares will be taken to be held by the persons who are the registered holders at 4:00pm (WST) on 28 November 2006. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

**2. Voting exclusions**

The company will disregard any votes cast on resolution 4 by Ms Gillian Swaby and any of her associates.

The company will disregard any votes cast on resolution 5 by Mr Martin Kavanagh and any of his associates.

The company will disregard any votes cast on resolution 6 by Dr Leon Pretorius and any of his associates.

The company will disregard any votes cast on resolution 7 by Mr Mervyn Greene and any of his associates.

The company will disregard any votes cast on resolution 8 by any person who may participate in the proposed issue or who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed or any associate of the person or entity.

The company will disregard any votes cast on resolutions 9 and 10 by Maitland Trustees Limited (as trustee of the MGR Trust) and Theseus Limited (as trustee of the Oyster Trust) and their associates.

The company will disregard any votes cast on resolutions 11 by Opaline Gold Pty Ltd, Dr Leon Pretorius and any of their associates.

The company will disregard any votes cast on resolutions 12 by Mr Martin Kavanagh and any of his associates.

Notwithstanding the above, the company will not disregard a vote is cast in the following circumstances:

- by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form;
- by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides; or
- by the nominee of a beneficial owner who has directed the nominee to vote for or against the resolution and the beneficial owner has confirmed to the nominee in writing that the beneficial owner is neither the (named) person (or a member of the class of persons) excluded from voting or an associate of the (named) person (or a member of the class of persons) excluded from voting.

**DEEP YELLOW LIMITED**  
**ACN 006 391 948**

**PROXIES**

A shareholder entitled to attend and vote has a right to appoint a proxy to attend and vote instead of the shareholder. A proxy need not be a shareholder and can be either an individual or a body corporate. If a shareholder appoints a body corporate as a proxy, that body corporate will need to ensure that it:

- appoints an individual as its corporate representative to exercise its powers at the meeting, in accordance with section 250D of the Corporations Act 2001 (Cth); and
- provides satisfactory evidence of the appointment of its corporate representative.

If such evidence is not received, then the body corporate (through its representative) will not be permitted to act as a proxy.

A shareholder that is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the shareholder's votes.

A Proxy Form accompanies this Notice of Meeting and to be effective must be received at the company's corporate registry/registered office:

Deep Yellow Limited  
Level 1 329 Hay Street  
Subiaco Western Australia, 6008

OR

by facsimile: +61 8 9286 6969

by no later than 2.30pm on 28 November 2006.

**OTHER BUSINESS**

To deal with any other business which may be brought forward in accordance with the Company's Constitution and the Corporations Act 2001 (Cth).

By order of the Board



**Mark Pitts**  
Company Secretary  
Dated: 17 October 2006

## **EXPLANATORY MEMORANDUM**

This Explanatory Memorandum is intended to provide shareholders with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of Meeting of the Company.

The Directors of the Company (**Directors**) recommend shareholders read this Explanatory Memorandum in full before making any decision in relation to the resolutions.

The following information should be noted in respect of the various matters contained in the accompanying Notice of Meeting.

## **ORDINARY BUSINESS**

### **Annual Accounts**

Appropriate time will be devoted to the consideration of the Financial Statements and Reports of the Company for the year ended 30 June 2006.

### **Resolution 1 Re-election of Director**

Dr Leon Pretorius retires from office in accordance with the Constitution. Being eligible he now submits himself for re-election.

The directors recommend that shareholders vote **in favour** of the appointment of Dr Pretorius.

### **Resolution 2 Election of Director**

As announced on 13 October 2006, in connection with the Company's acquisition of RML, RPL is entitled to nominate one member to the Company's Board subject to the Company's constitution, the requirements of the Corporations Act and the Listing Rules. RPL has nominated Mr Mervyn Greene to be appointed to the Company's Board.

Mr Greene (aged 46) has a masters degree in Mathematics and bachelor degree in Engineering from Trinity College in Dublin. Mr Greene also has an MBA from London Business School. Between 1997 and 2005 Mr Greene was a partner of Irwin Jacobs Greene, one of Namibia's premier stockbroking, money market, private equity and corporate finance advisory firms, which has been involved in a number of capital raisings for Namibian State enterprises. Mr Greene has had broad experience in a range of corporate transactions both in Namibia and abroad.

Between 1984 and 1993, Mr Greene worked for Morgan Stanley in New York and London including in management roles in UK/European Equity Research and International Equities (Sales and Trading).

The directors recommend that shareholders vote **in favour** of the appointment of Mr Greene.

### **Resolution 3 Remuneration Report**

The Board is submitting its Remuneration Report to shareholders for consideration and adoption by way of a non-binding resolution.

The Remuneration Report forms part of the Directors' Report, included in the 2006 Annual Report, which Remuneration Report is incorporated by reference herein. The Report:

- Explains the Board's policy for determining the nature and amount of remuneration of executive directors and senior executives of the Company;



**DEEP YELLOW LIMITED**  
**ACN 006 391 948**

- Explains the relationship between the Board's remuneration policy and the Company's performance;
- Sets out remuneration details for each Director and the most highly remunerated senior executives of the Company; and
- Details and explains any performance conditions applicable to the remuneration of executive directors and senior executives of the Company.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

***SPECIAL BUSINESS***

**Resolutions 4, 5, 6 and 7      Grant of Options to Directors**

Shareholder approval is being sought in Resolutions 4, 5, 6 and 7 to grant a total of 16,000,000 Options to the Directors of the Company (Ms Gillian Swaby, Mr Martin Kavanagh and Dr Leon Pretorius) and to Mr Mervyn Greene (subject and conditional to shareholders passing resolution 2).

The grant of Options is designed to encourage the recipients to have a greater involvement in the achievement of the Company's objectives and to provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through share ownership.

Under the Company's current circumstances each of the Directors consider (in respect of the Options to be granted to each other Director) that the incentives to the parties noted above, represented by the issue of these Options, are a cost effective and efficient reward and incentive for the Company, as opposed to alternative forms of incentive, such as the payment of additional cash compensation.

The number of Options to be granted to each of the Directors has been determined in light of the following considerations:

- The Directors wish to ensure that the remuneration offered is competitive with market standards and where appropriate, based upon share price performance hurdles.
- The exercise price of the Options has been set at 150% of the volume weighted average price of the Company's ordinary shares on the Australian Stock Exchange for the 10 trading days prior to this Annual General Meeting, but in any event not less than \$0.40.
- The Directors believe it is appropriate to provide equity incentives in order to attract and ensure continuity of service of Directors who have appropriate knowledge and expertise in the industry in which the Company operates.
- The Directors consider the proposed number and terms of Options to be issued will ensure that the Directors' overall remuneration is in line with market standards.

In the 12 month period before the date of this Notice of Meeting, the highest price at which the Company's shares traded on the ASX was \$0.23 on 29 March 2006 and the lowest price was \$0.057 on 30 November 2005. The volume weighted average price of the Company's shares on the ASX over the 10 trading days prior to the date of this Notice of Meeting was \$0.16. The closing price on the trading day prior to the date of the Notice of Meeting was \$0.19.

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In the event the Options are exercised, and the minimum price of \$0.40 is applied, the following amounts will need to be paid to the Company by the Directors.

<b>Director</b>	<b>To be paid</b>
Ms Gillian Swaby	\$1,200,000
Mr Martin Kavanagh	\$2,000,000
Dr Leon Pretorius	\$2,000,000
Mr Mervyn Greene (subject to the passing of resolution 2)	\$1,200,000

***Related Party Transactions Generally***

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a *related party* of the public company *unless* either:

- the giving of the financial benefit falls within one of the nominated exceptions to the provision; or
- prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, each of the Directors (including Mr Mervyn Greene as a proposed Director) is considered to be a related party of the Company.

Resolutions 4, 5, 6 and 7 provide for the grant of Options to Directors of the Company, which is a financial benefit requiring shareholder approval.

***Current Holdings***

Set out below are details of each of the Directors' relevant interest in the securities of the Company as at the date of this Notice of Meeting:

<b>Directors</b>	<b>Direct Holdings and those of Associates</b>	
	<b>Shares</b>	<b>Options</b>
Mr Martin Kavanagh <sup>(1)</sup>	375,000	5,000,000 <sup>(3)</sup>
Ms Gillian Swaby <sup>(2)</sup>	25,800,000	5,000,000 <sup>(3)</sup>
Dr Leon Pretorius	50,000,000	nil
Mr Mervyn Greene <sup>(4)</sup>	nil	nil

***Notes:***

1. 375,000 shares are held by Conway Bay Pty Ltd as trustee for Kavanagh Family Trust of which Mr Kavanagh is a beneficiary.
2. 20,700,000 shares are held in the name of Gillian Swaby and 5,100,000 shares are held in the name of Strategic Consultants Pty Ltd of which Ms Swaby is a director and 100% beneficial shareholder.
3. Options shown were issued to Directors following approval at the 2005 Annual General Meeting. Both parcels consist of 3,000,000 options exercisable at \$0.25 and 2,000,000 exercisable at \$0.35.
4. Mervyn Greene is the person nominated by Maitland Trustees Limited (as trustee of the MGR Trust) and Theseus Limited (as trustee of the Oyster Trust), which may collectively hold up to 174 million shares issued in connection with the Company's acquisition of RML, as a proposed Director of the Company, under the terms of the Share Sale Agreement (see below).

**INFORMATION REQUIREMENTS – SECTION 219 AND LISTING RULE 10.13**

For the purposes of Chapter 2E of the Corporations Act and Listing Rule 10.13 the following information is provided.

***The related party to whom the proposed resolution would permit the financial benefit to be given:***

Subject to shareholder approval the following maximum number of Options will be granted to the following related parties or their respective nominees:

<b>Name of Related Party</b>	<b>Number of Options</b>
Mr Martin Kavanagh	5,000,000
Ms Gillian Swaby	3,000,000
Dr Leon Pretorius	5,000,000
Mr Mervyn Greene	3,000,000
<b>Total</b>	<b>16,000,000</b>

In respect of the 16,000,000 Options to be granted to the Directors, the exercise price is to be calculated based on a 150% of the volume weighted average price of the Company's ordinary shares on the Australian Stock Exchange for the 10 trading days prior to this Annual General Meeting, but in any event not less than \$0.40.

It should be noted that although the Option Terms (Appendix A) provide for an exercise price adjustment in the event of a pro rata issue, the entitlement issue announced by the Company on 13 October 2006 will not result in such an adjustment.

Each of the Directors is a related party of the Company.

***The nature of the financial benefit***

The proposed financial benefit to be given is the grant of Options for no consideration to the Directors as noted above. The terms and conditions of the Options to be granted to the Directors are set out in Annexure A to this Explanatory Memorandum.

***Directors' recommendation and interest in outcome of resolutions 4, 5, 6 and 7***

For the reasons noted above:

- Mr Martin Kavanagh, Dr Leon Pretorius and Mr Mervyn Greene (who have no interest in the outcome of the resolution 4 but do have an interest in resolutions 5, 6 and 7 respectively) recommend that shareholders vote in favour of Resolution 4. Ms Gillian Swaby declines to make a recommendation about resolution 4 as she has a material personal interest in the outcome of that particular resolution as it relates to the proposed issue of Options to her individually.
- Dr Leon Pretorius, Ms Gillian Swaby and Mr Mervyn Greene (who have no interest in the outcome of resolution 5 but do have an interest in resolutions 4, 6 and 7 respectively) recommend that shareholders vote in favour of resolution 5. Mr Martin Kavanagh declines to make a recommendation about resolution 5 as he has a material personal interest in the outcome of that particular resolution as it relates to the proposed issue of Options to him individually.

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- Ms Gillian Swaby, Mr Martin Kavanagh and Mr Mervyn Greene (who have no interest in the outcome of resolution 6 but do have an interest in resolutions 4, 5 and 7 respectively) recommend that shareholders vote in favour of resolution 6. Dr Leon Pretorius declines to make a recommendation about resolution 6 as he has a material personal interest in the outcome of that particular resolution as it relates to the proposed issue of Options to him individually.
- Dr Leon Pretorius, Ms Gillian Swaby and Mr Martin Kavanagh (who have no interest in the outcome of resolution 7 but do have an interest in resolutions 6, 4 and 5 respectively) recommend that shareholders vote in favour of resolution 7. Mr Mervyn Greene declines to make a recommendation about resolution 7 as he has a material personal interest in the outcome of that particular resolution as it relates to the proposed issue of Options to him individually.

***Other information that is reasonably required by members to make a decision and that is known to the Company or any of its Directors***

The proposed ordinary resolutions 4, 5, 6 and 7 would have the effect of giving power to the Directors to grant up to 16,000,000 Options on the terms and conditions as set out in Annexure A to this Explanatory Memorandum and as otherwise mentioned above. The Company presently has 627,045,966 issued shares and 47,660,000 unlisted Options.

If all Options granted as proposed above are exercised, together with the existing unlisted options on issue, the effect would be to dilute the shareholding of existing shareholders by 10.15%. The market price of the Company's shares during the period of the Options will normally determine whether or not Option holders exercise the Options. At the time any Options are exercised and shares are issued pursuant to the exercise of the Options, the Company's ordinary shares may be trading at a price which is higher than the exercise price of the Options.

The Directors' base salaries per annum and the total financial benefit to be received by them in this current period as a result of the grant of Options the subject of resolutions 3, 4 and 5 are as follows:

<b>Director</b>	<b>Base salary p.a. (\$)</b>	<b>Superannuation p.a. (\$)</b>	<b>Value of options to be issued (\$)</b>	<b>Total Financial Benefit (\$)</b>
Ms Gillian Swaby	40,000	3,600	129,000	172,600
Mr Martin Kavanagh	180,000	16,200	215,000	411,200
Dr Leon Pretorius	196,200	-	215,000	411,200
Mr Mervyn Greene	40,000	-	129,000	169,000

***Valuation of Options***

The Company with the assistance of its advisors have valued the Options to be granted to the Directors using the Cox, Ross and Rubinstein Binomial Tree Pricing Model (**Model**). The acceptance of this model is due to its derivation being grounded in economic theory. The value of an option calculated by the Model is a function of a number of variables. Their assessment of the value of the Options has been prepared using the following assumptions:

<b>Variable</b>	<b>Input (exercise price estimate \$0.40)</b>
Share price	\$0.19
Exercise price	\$0.40
Risk Free Interest Rate	5.80%
Volatility	75%
Time (years) to expiry	3 years

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For the purposes of this valuation, the Company has assumed that the issue date of the Options will be on or around 30 November 2006. For the share price, the closing price for the Company's shares on ASX on the day prior to the date of this notice was used, being \$0.19, as this represents the recent highest price for Deep Yellow's shares at the time of preparation of this valuation. The minimum exercise price of \$0.40 cents per Option was used together with an assumed volatility level of 75% given the industry in which the Company operates, the Company's financial position and the volatility of listed shares of other companies comparable to Deep Yellow. Based on these assumptions and advice from the Company's advisors, the Company has estimated the value of Options to be issued to the Directors to be 4.30 cents per Option.

Under AASB 2 Share Based Payments, pursuant to the adoption of the Australian International Financial Reporting Standards, the Company is required to recognise the fair value of Options granted to Directors, employees, consultants and other advisors as an expense on a pro-rata basis over the vesting period in the income statement with a corresponding adjustment to equity.

This will result in an amount of \$688,000 being booked to the Company's income statements based on the Cox, Ross and Rubinstein Binomial Tree Pricing Model calculated at the date of this notice.

It should be noted that these figures will change based on the parameters applying at the date of grant of these Options.

***Timing of Issue***

The Company will issue the Options as soon as practicable after the date of the meeting, but in any event no later than 1 month after the date of the meeting.

***Listing Rule 7.1***

Shareholder approval is sought under Listing Rule 10.11 in connection with resolutions 4, 5, 6 and 7. If such approval is given, separate approval is not required under Listing Rule 7.1. This means that the issue of the Options, if approved, and the issue of ordinary shares on exercise of the Options, will not erode the Company's capacity to issue additional equity securities under Listing Rule 7.1.

**Resolution 8      Directors, Employees and Other Permitted Persons Option Plan**

The Directors seek authorisation to issue securities under the Directors, Employees and Other Permitted Persons Option Plan (**Plan**) in accordance with Listing Rule 7.2, Exception 9. The plan has been formulated to comply with ASIC Policy Statement 49 in relation to employee share schemes. This Policy Statement gives disclosure relief from the need to prepare a prospectus for offers of shares and options under compliant employee share and option schemes.

Under Listing Rule 7.1, companies are generally restricted from issuing more than 15% of their issued share capital in any 12 month period without shareholder approval. There are a number of exceptions to this restriction, including Exception 9 in Listing Rule 7.2, which applies where there is an issue of securities under an employee incentive scheme if, within three years before the date of issue, holders of ordinary securities have approved the issue of securities under the scheme as an exception to Listing Rule 7.1.

***Reasons for Plan***

Success for the Company and its shareholders depends greatly on the people employed by the Company. To maintain and improve performance the Company has an on going need both to motivate and retain an excellent and dedicated team, and to attract new and high quality employees.

The Board believes that the Plan will provide an effective means to achieve these ends, in that the implementation of the Plan will:

- encourage management to focus on creating shareholder value;
- link employee reward with the achievement of the long term performance of the Company;

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- encourage valued employees to remain with the Company by giving them the opportunity to participate in the creation of a valuable personal asset – ie a financial stake in the Company; and
- enable the Company to attract, as required, individuals of high calibre to bring expertise to the organisation.

***Description of the Plan***

This section gives a brief outline of the Rules of the Plan.

- ***Participation***  
Persons eligible to participate in the Plan are Officers, Employees and other permitted persons of the Company or a related body corporate. The Board may from time to time determine that any Eligible Person is entitled to participate in the Plan and the extent of that participation. In making that determination the Directors must consider, where appropriate, matters including record of employment, length of service and seniority.

- ***Offer of Options***  
Each offer made by the Board must specify:-
  - (1) the number and the exercise price of the Options;
  - (2) that the Eligible Person may accept the whole or any lesser number of Options offered;
  - (3) the period within which the offer may be accepted.

The offer document must also include a copy of the plan and an undertaking that the Company will provide current share information within two business days of a request by an Eligible Person. The offer document must also be provided to ASIC within 7 days after provision of this material to an Eligible Person.

- ***Number of Options that may be issued under the Plan***  
Under ASIC Policy Statement 49, the Company cannot issue Options over in excess of 5% of the total number of issued ordinary shares at the time of the offer. For the purposes of this 5% limit ASIC includes (subject to certain exceptions):
  - (1) all shares which might be issued pursuant to the exercise of an Option under the offer in question;
  - (2) the number of ordinary shares that would be issued if Options over them issued under the Plan were exercised; and
  - (3) the number of shares in the same class issued during the previous five years pursuant to an employee share scheme.

The Directors have resolved that the maximum number of Options to be issued under the Plan at this time is 10,000,000.

- ***Price***  
Options issued under the Plan are issued for no consideration. The exercise price of the Employee Options is not less than 80% of the weighted average price of the Company's shares on ASX over the five trading days immediately proceeding the day on which the Board resolves to offer or issues an Option as the case may be.
- ***Acceptance***  
An Eligible Person must, within the period specified in the offer either:-
  - (1) accept the whole or any lesser number of Options offered by notice in writing; or
  - (2) nominate a nominee in whose favour the Eligible Person wishes to renounce the offer by notice in writing.

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- *Restrictions*

Any Options issued pursuant to the Plan will automatically lapse and be forfeited if the Eligible Person to which they were issued is dismissed from employment with the Company for a number of reasons including wilful misconduct bringing disrepute on the Company, incompetence in the performance of duties after prior written warning or fraud or dishonesty.

If at any time prior to the latter of a vesting date (if any) or the first anniversary of the date of issue an Eligible Person voluntarily resigns from employment with the Company otherwise than to take up employment with an associate company, or ceases to be an Eligible Person on account of retirement, permanent disability, redundancy or death the whole of the Options issued to that Eligible Person automatically lapse and are forfeited. If at any time after the latter of the vesting date (if any) or the first anniversary date of the issue and prior to the expiry date of any Options an Eligible Person to which they were issued voluntarily resigns from employment with the Company otherwise than to take up employment with an associate company, or cease to be an Eligible Person on account of retirement, permanent disability, redundancy or death the whole of the Options issued to that Eligible Person automatically lapse and are forfeited if that Eligible Person or if appropriate, his Permitted Nominee fails to exercise any or all of those Options within a period of three (3) months from the date provided in the certificate issued by the Company in accordance with the Plan.

The options are not transferable.

- *Administration*

The Board in its absolute discretion will administer the Plan in accordance with terms and conditions set out in the Plan rules.

***Number of securities issued under the Plan since the date of last approval***

The Company has not issued any options under the Plan.

**Resolution 9      Ratification of Issue of DYL Shares to Maitland Trustees Limited (as trustee of the MGR Trust) and Theseus Limited (as trustee of the Oyster Trust)**

On 13 October 2006 the Company announced that it had entered into an agreement with RPL, Maitland Trustees Limited (as trustee of the MGR Trust) and Theseus Limited (as trustee of the Oyster Trust) (together the **Trusts**) to purchase all of the issued share capital in RML in two tranches (**Share Sale Agreement**). A wholly owned subsidiary of RML, Reptile Investments (Four) Pty Limited is the registered titleholder of three Exclusive Prospecting Licences (**EPL**) and also has an additional application for a fourth EPL located to the west and southwest of Paladin Resources Limited's Langer Heinrich uranium mine.

The Share Sale Agreement provides for the Company's acquisition of the first tranche of RML, consisting of 51% of RML's issued share capital (the **First Tranche RML Shares**). The consideration for the First Tranche RML Shares includes the issue of 92 million DYL Shares at an issue price of \$0.135 per share (**First Tranche DYL Shares**) to RPL.

Under the Share Sale Agreement, the parties have agreed that the First Tranche DYL Shares are to be issued to the Trusts prior to the Annual General Meeting on 27 November 2006.

The First Tranche DYL Shares are fully paid ordinary shares in the capital of the Company and rank equally with all other ordinary shares.

No funds will be raised by the issue of the First Tranche DYL Shares as they will be issued as part of the consideration for the acquisition of the First Tranche RML Shares.

Under Listing Rule 7.1, the prior approval of shareholders is not required to issue the First Tranche DYL Shares because those securities, when aggregated with securities issued by DYL during the previous 12 months (other than those securities issued with shareholder approval), do not exceed 15% of the number of securities on issue at the commencement of that 12 month period.

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However, ratification is now sought for the issue of the First Tranche DYL Shares to enable the Board to consider additional funding initiatives over the next 12 months consistent with the provisions of Listing Rule 7.1 and the Corporations Act.

The Directors unanimously recommend the ratification of the issue of these First Tranche DYL Shares and recommend that Shareholders vote in favour of resolution 9.

**Resolution 10      Issue of DYL Shares to Maitland Trustees Limited (as trustee of the MGR Trust) and Theseus Limited (as trustee of the Oyster Trust)**

The Share Sale Agreement also provides for the Company's acquisition of the second tranche of RML consisting of the remaining 49% of RML's issued share capital (the **Second Tranche RML Shares**). The consideration for the Second Tranche RML Shares includes the issue of up to 82 million DYL Shares at an issue price of \$0.135 per share (**Second Tranche DYL Shares**) to RPL.

Under the Share Sale Agreement the Second Tranche DYL Shares will be issued 7 business days after the satisfaction of the conditions for the sale and purchase of the Second Tranche RML Shares. It is anticipated that the issue of the Second Tranche RML Shares will occur no later than 3 months after the date of the Annual General Meeting.

The Second Tranche DYL Shares are fully paid ordinary shares in the capital of the Company and rank equally with all other ordinary shares.

No funds will be raised by the issue of the Second Tranche DYL Shares as they will be issued as part of the consideration for the acquisition of the Second Tranche RML Shares.

Under the Share Sale Agreement, completion of the Second Tranche RML Shares is conditional upon DYL approving the issue of the Second Tranche DYL Shares for the purposes of Listing Rule 7.1. Listing Rule 7.1 provides that a listed company may not issue securities in any 12 month period where the total number of securities to be issued exceeds 15% of the number of fully paid ordinary securities on issue 12 months before the date of issue, except with the prior approval of members of the company in general meeting of the terms and conditions of the proposed issue or where the issue is pro-rata to all shareholders in accordance with their existing shareholdings.

The Directors unanimously recommend that shareholders vote in favour of resolution 10.

**Resolution 11      Approval of Termination Benefits – Opaline Gold Pty Ltd**

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a *related party* of the public company *unless* either:

- the giving of the financial benefit falls within one of the nominated exceptions to the provision; or
- prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, Opaline Gold Pty Ltd (**Opaline Gold**), in which Dr Leon Pretorius is the sole shareholder, or its nominee, is considered to be related party of the Company.

Section 200B of the Corporations Act requires that subject to certain exceptions, the Company must obtain shareholder approval for the giving of a benefit to a person (or their associate) in connection with that person's retirement from a board or managerial office in the Company or a related body corporate. An exception is provided in some circumstances where the benefit is given as consideration or part consideration for agreement to hold office and the amount of the termination payment is limited to the amount determined in accordance with the formula in section 200F of the Corporations Act which states: (Total Remuneration x Relevant Period)/3 where the 'Relevant Period' is defined as the number of years in the relevant period or 7, whichever is the lesser number; and 'Total Remuneration' is defined as the amount of the total remuneration of the person from the company and related bodies corporate during the last 3 years of the relevant period.



**INFORMATION REQUIREMENTS – SECTION 200E AND SECTION 219**

In accordance with sections 200E and 219 of the Corporations Act, the following information is provided to shareholders to allow them to assess whether or not it is within the Company's interest to pass this resolution.

***The related party to whom the proposed resolution would permit the financial benefit to be given***

Dr Leon Pretorius is a related party by virtue of being a Director.

***The nature of the financial benefits - Termination Benefits***

Section 200E of the Corporations Act requires that where shareholders are being asked to approve a payment or other benefit given in connection with a director's retirement that would otherwise be prohibited by section 200B, shareholders must be given details of the amount of the payment, or, if the amount cannot be ascertained at the time of the disclosure, the manner in which the amount is to be calculated and any matter, event or circumstance that will, or is likely to affect the calculation of the amount.

The amount of any payment or other benefit that may be made to Opaline Gold (an associate of Dr Leon Pretorius) in connection with Dr Pretorius' retirement or removal from office depends on his remuneration at the time he ceases to hold office. Shareholder approval is being sought because, even if it is assumed that the benefit is given in connection with an agreement to hold the relevant office, its amount may, in some circumstances, exceed the amount determined under section 200F of the Corporations Act.

The Company proposes to enter into an Executive Services Agreement with Opaline Gold. The agreement provides for the services of Dr Pretorius to be contracted to the Company and for Dr Pretorius to act as the Company's Executive Chairman, in which role he will be required to serve the Company or any related corporation with such duties functions and responsibilities as the Board may from time to time determine.

The nature of the financial benefits and terms listed under the Executive Services Agreement are of a normal commercial nature for agreements of this type. In addition the Company has agreed to a termination clause which requires, in normal circumstances, the giving of 24 months notice of termination by the Company.

Consulting fees payable to Opaline Gold consist of:

- an annual amount of \$196,200 per annum payable in equal monthly instalments;
- other benefits which can lawfully be provided by the Company pursuant to any guidelines issued by the Company to Opaline Gold from time to time. The payments to Opaline Gold shall be reviewed by the Board from time to time and increased or decreased having regard to its performance under the Executive Services Agreement and that of the Company as assessed by the Board.

The Company reserves the right at all times to pay out this agreement for the 24 month notice period in cash. Based on the present arrangement with Opaline Gold this would necessitate a payment of \$392,400, which would exceed the amount determined in accordance with the formula in section 200F of the Corporations Act, assuming the exception provided by that provision is available.

***Directors' recommendation and interest in outcome of resolution***

Mr Martin Kavanagh and Ms Gillian Swaby (who have no interest in the outcome of resolution 11) recommend that shareholders vote in favour of resolution 11. Dr Leon Pretorius declines to make a recommendation about resolution 11 as he has an interest in the outcome of the resolution as it relates to benefits payable to Opaline Gold.

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**Resolution 12      Approval of Termination Benefits – Martin Kavanagh**

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a *related party* of the public company *unless* either:

- the giving of the financial benefit falls within one of the nominated exceptions to the provision; or
- prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, Mr Martin Kavanagh, a Director of the Company is considered to be related party of the Company.

Section 200B of the Corporations Act requires that subject to certain exceptions, the Company must obtain shareholder approval for the giving of a benefit to a person in connection with that person's retirement from a board or managerial office in the Company or a related body corporate. An exception is provided in some circumstances where the benefit is given as consideration or part consideration for agreement to hold office and the amount of the termination payment is limited to the amount determined in accordance with the formula in section 200F of the Corporations Act which states:  $(\text{Total Remuneration} \times \text{Relevant Period})/3$  where the 'Relevant Period' is defined as the number of years in the relevant period or 7, whichever is the lesser number; and 'Total Remuneration' is defined as the amount of the total remuneration of the person from the company and related bodies corporate during the last 3 years of the relevant period.

**INFORMATION REQUIREMENTS – SECTION 200E AND SECTION 219**

In accordance with sections 200E and 219 of the Corporations Act, the following information is provided to shareholders to allow them to assess whether or not it is within the Company's interest to pass this resolution.

***The related party to whom the proposed resolution would permit the financial benefit to be given***

Mr Martin Kavanagh is a related party by virtue of being a Director.

***The nature of the financial benefits - Termination Benefits***

Section 200E of the Corporations Act requires that where shareholders are being asked to approve a payment or other benefit to a director that would otherwise be prohibited by section 200B, shareholders must be given details of the amount of the payment, or, if the amount cannot be ascertained at the time of the disclosure, the manner in which the amount is to be calculated and any matter, event or circumstance that will, or is likely to affect the calculation of the amount. The amount of any payment or other benefit that may be made to Mr Kavanagh in connection with his retirement or removal from office depends on his remuneration at the time he ceases to hold office. Shareholder approval is being sought because, even if it is assumed that the benefit is given in connection with an agreement to hold the relevant office, its amount may, in some circumstances, exceed the amount determined under section 200F of the Corporations Act.

The Company proposes to enter into an Executive Services Agreement with Mr Kavanagh under which the Company will employ Mr Kavanagh as an Executive Director who shall serve the Company or any related corporation with such duties functions and responsibilities as the Board may from time to time determine. Mr Kavanagh has up until recently been acting in a non executive capacity and providing consulting services.

The nature of the financial benefits and terms listed under the Executive Services Agreement are of a normal commercial nature for agreements of this type. In addition the Company has agreed to a termination clause which requires in normal circumstances the giving of 24 months notice by the Company in order to terminate Mr Kavanagh.

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Mr Kavanagh's remuneration package consists of:

- an annual amount of \$180,000 per annum payable in equal monthly instalments;
- superannuation contributions for the benefit of Mr Kavanagh to a complying superannuation fund as required under any applicable laws; and
- other benefits which can lawfully be provided by the Company pursuant to any guidelines issued by the Company to Mr Kavanagh from time to time.

Mr Kavanagh's remuneration package shall be reviewed by the Board from time to time and increased or decreased having regard to his performance and that of the Company, in each case as assessed by the Board.

The Company reserves the right at all times to pay out this remuneration package for the 24 month notice period in cash. Based on Mr Kavanagh's present arrangement this would necessitate a payment of \$360,000, which would exceed the amount determined in accordance with the formula in section 200F of the Corporations Act, assuming the exception provided by that provision is available.

***Directors' recommendation and interest in outcome of resolution***

Dr Leon Pretorius and Ms Gillian Swaby (who have no interest in the outcome of resolution 12) recommend that shareholders vote in favour of resolution 12. Mr Martin Kavanagh declines to make a recommendation about resolution 12 as he has an interest in the outcome of the resolution as it relates to benefits payable to him.

**GLOSSARY**

"**ASIC**" means the Australian Securities and Investments Commission;

"**ASX**" means the Australian Stock Exchange Limited;

"**Company**" or "**Deep Yellow**" or "**DYL**" means Deep Yellow Limited (ACN 006 391 948);

"**Corporations Act**" means Corporations Act 2001 (Cth);

"**Board**" means the board of Directors of the Company from time to time;

"**Director**" means a director of the Company and, where the context required, Mr Mervyn Greene as a proposed director of the Company;

"**DYL Share**" means an ordinary share in the capital of DYL;

"**Explanatory Memorandum**" means the Explanatory Memorandum accompanying this Notice of Meeting;

"**Listing Rules**" means the Listing Rules of ASX;

"**Notice of Meeting**" means the Notice of Annual General Meeting accompanying this Explanatory Memorandum;

"**Options**" means options to acquire DYL Shares on the terms and conditions set out in Annexure A to this Explanatory Memorandum;

"**RML**" means Raptor Minerals Limited; and

"**RPL**" means Raptor Partners Limited.

**ANNEXURE A**

**TERMS AND CONDITIONS OF OPTIONS TO BE ISSUED**

- 1.1 No monies will be payable for the issue of the Options.
- 1.2 No certificate will be issued for the Options.
- 1.3 The Options shall expire on 30 November 2009.
- 1.4 Each Option shall carry the right in favour of an Eligible Person to subscribe for one DYL Share.
- 1.5 Options may be exercised in whole or in part. An exercise of only some Options shall not affect the rights of the Option Holder to the balance of the Options held by him.
- 1.6 The issue price of DYL Shares the subject of the Options shall be payable in full on exercise of the Options – and will be 150% of the volume weighted average price of the shares for the 10 trading days preceding the AGM.
- 1.7 Options shall be exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the Option Holder to exercise all or a specified number of Options held by him accompanied by an Option certificate and a cheque made payable to the Company for the subscription monies for the DYL Shares.
- 1.8 The Company shall allot the resultant DYL Shares and deliver the share certificates within five (5) business days of the exercise of the Option.
- 1.9 Options shall not be listed for Official Quotation on ASX.
- 1.10 An Option Holder may not, except with the approval of the Board of Directors (in its sole and absolute discretion), sell, transfer, assign, give or otherwise dispose of, in equity or in law, the benefit of the Options. The approval of the Board of Directors may be given subject to satisfaction of certain conditions in which event such approval will be deemed not to occur until any such conditions have been satisfied. In particular the Board of Directors may require the proposed new holder of Options to enter into a covenant with the Company pursuant to which the proposed new holder acknowledges and agrees to be bound by the termination provisions contained in this Plan. Nothing in this clause enables the Board of Directors to refuse to register a proper transfer of Options.
- 1.11 DYL Shares allotted pursuant to an exercise of Options shall rank, from the date of allotment, equally with existing DYL Shares of the Company in all respects.
- 1.12 The Company shall, in accordance with Listing Rule 2.8, make application to have DYL Shares allotted pursuant to an exercise of Options listed for Official Quotation.
- 1.13 If the Options are exercised before the record date of an entitlement, the Option Holder can participate in a pro rata issue to the holders of the underlying securities in the Company. The Company must notify the Option Holder of the proposed issue at least nine (9) business days before the record date. Option Holders do not have a right to participate in new issues without exercising their options in accordance with Listing Rule 6.19.
- 1.14 In the event of any reorganisation of capital of the Company, all rights of the Option Holder will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the re-organisation in accordance with the Listing Rules.
- 1.15 The Options will not give any right to participate in dividends until DYL Shares are allotted pursuant to the exercise of the relevant Options.

**DEEP YELLOW LIMITED**  
**ACN 006 391 948**

- 1.16 In the event that a pro rata issue (except a bonus issue or the entitlement issue announced by the Company on 13 October 2006) is made to the holders of the underlying securities in the Company, the exercise price of the Options may be reduced according to the following formula:

$$O' = O - \frac{E[P - (S + D)]}{N + 1}$$

Where:

- O'** = the new exercise price of the Option.
  - O** = the old exercise price of the Option.
  - E** = the number of underlying securities in the Company into which one option is exercisable.
  - P** = the average market price per security (weighted by reference to volume) of the underlying securities in the Company during the five (5) trading days ending on the day before the ex rights date or ex entitlements date.
  - S** = the Subscription price for a security under the pro rata issue.
  - D** = the Dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue).
  - N** = the Number of securities with rights or entitlements that must be held to receive a right to one new security in the Company.
- 1.17 The number of DYL Shares to be issued pursuant to the exercise of Options will be adjusted for bonus issues made prior to exercise of Options. The effect will be that upon exercise of the Options the number of DYL Shares received by the Option Holder will include the number of bonus DYL Shares that would have been issued if the Options had been exercised prior to the record date for bonus issues. The exercise price of the Options shall not change as result of any such bonus issue.
- 1.18 The Company shall notify each Option Holder and ASX within one (1) month after the record date for a pro-rata bonus or cash issue of the adjustment to the number of DYL Shares over which the Option exists and/or the adjustment to the exercise price.

To: Deep Yellow Limited (ACN 006 391 948)  
Level 1 329 Hay Street  
Subiaco WA 6008

Fax No.: 61 8 9286 6969

Mark this box with an 'X' if you have made any changes to your address details (see reverse)

☐

Name:

(PLEASE PRINT)

Address:

**Appointment of Proxy:**

I/We being a member/s of Deep Yellow Limited and entitled to attend and vote hereby appoint

☐

the Chairman of the Meeting  
(mark with an 'X')

OR

☐

Write here the name of the person you  
are appointing if this person is **someone**  
**other than** the Chairman of the Meeting

or failing the person named, or if no person is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Deep Yellow Limited to be held at The University Club, on Thursday, 30 November 2006 at 2.30 pm and at any adjournment of that meeting.

**Voting directions to your proxy - please mark**

☒

**to indicate your directions**

**Ordinary Business**

For Against \*Abstain

Resolution 1	Re-election of Dr Leon Pretorius	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Election of Mervyn Greene	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Grant of Options to Ms Gillian Swaby	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Grant of Options to Martin Kavanagh	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Grant of Options to Dr Leon Pretorius	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Grant of Options to Mervyn Greene	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Directors, Employees and Other Permitted Persons Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9	Ratification of Issue of DYL Shares to Maitland Trustees Limited (as trustee of the MGR Trust) and Theseus Limited (as trustee of the Oyster Trust)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10	Approval to Issue DYL Shares to Maitland Trustees Limited (as trustee of the MGR Trust) and Theseus Limited (as trustee of the Oyster Trust)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 11	Approval of Termination Benefits – Opaline Gold Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 12	Approval of Termination Benefits – Martin Kavanagh	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

\* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If you do not wish to direct your proxy how to vote, please place a mark in this box.

☐

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the above resolutions and votes cast by him other than as proxy holder will be disregarded because of that interest.

☐

**PLEASE SIGN HERE**

This section **must** be signed in accordance with the instructions overleaf to enable your directions to be implemented.

**Individual or Securityholder 1**

Sole Director and  
Sole Company Secretary

**Securityholder 2**

Director

**Securityholder 3**

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date

## HOW TO COMPLETE THE PROXY FORM

### 1 Your Name and Address

*This is your name and address as it appears on the company's share register. If this information is incorrect, please mark the box and make the correction on the form. Securityholders sponsored by a broker should advise their broker of any changes. Please note, you cannot change ownership of your securities using this form.*

### 2 Appointment of a Proxy

*If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of the company. The Chairman intends to vote in favour of resolutions for which no voting indication has been given.*

### 3 Votes on Items of Business

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### 4 Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

### 5 Signing Instructions

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** to sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's share registry.

### 6. Lodgement of a Proxy and Deadline for Receipt of Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below not later than 28th November 2006 at 2:30pm. Any Proxy Form received after that time will not be valid for the scheduled meeting.

**Documents may be lodged by post, delivery or facsimile to the Registered Office of Deep Yellow Limited being:**

**Level 1 329 Hay Street, Subiaco, Western Australia, 6008  
or by facsimile to fax number +61 8 9286 6969**