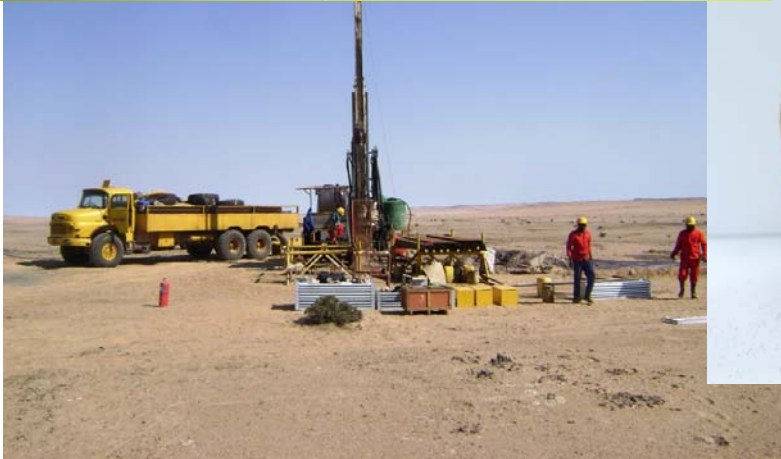
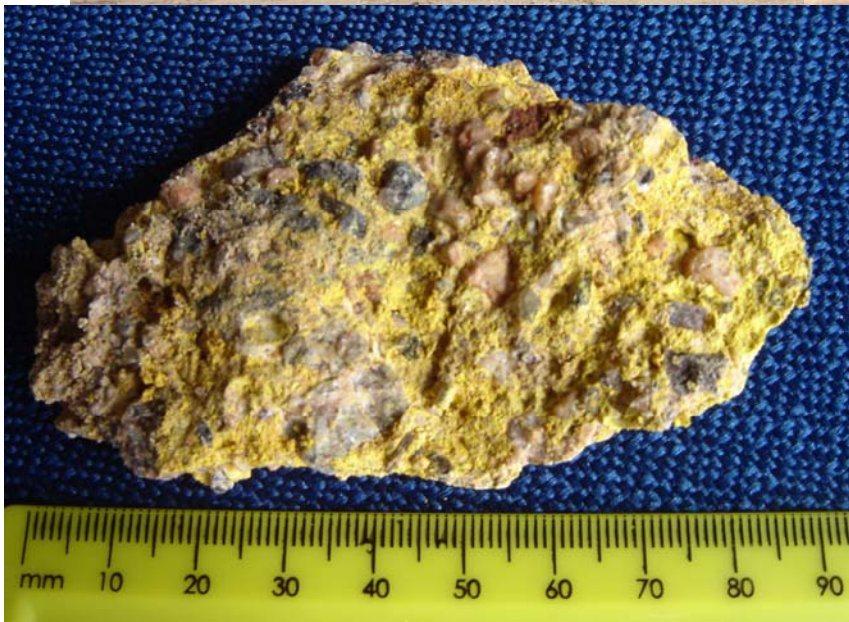


# DEEP YELLOW LIMITED

ABN 97 006 391 948

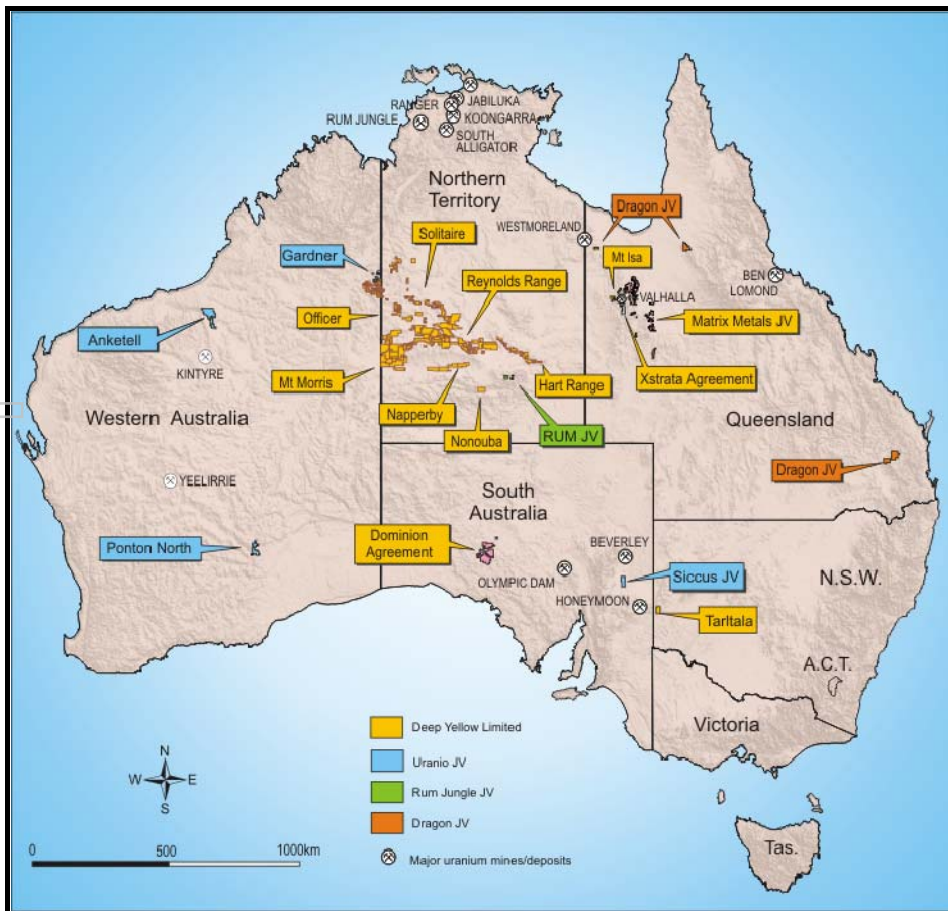
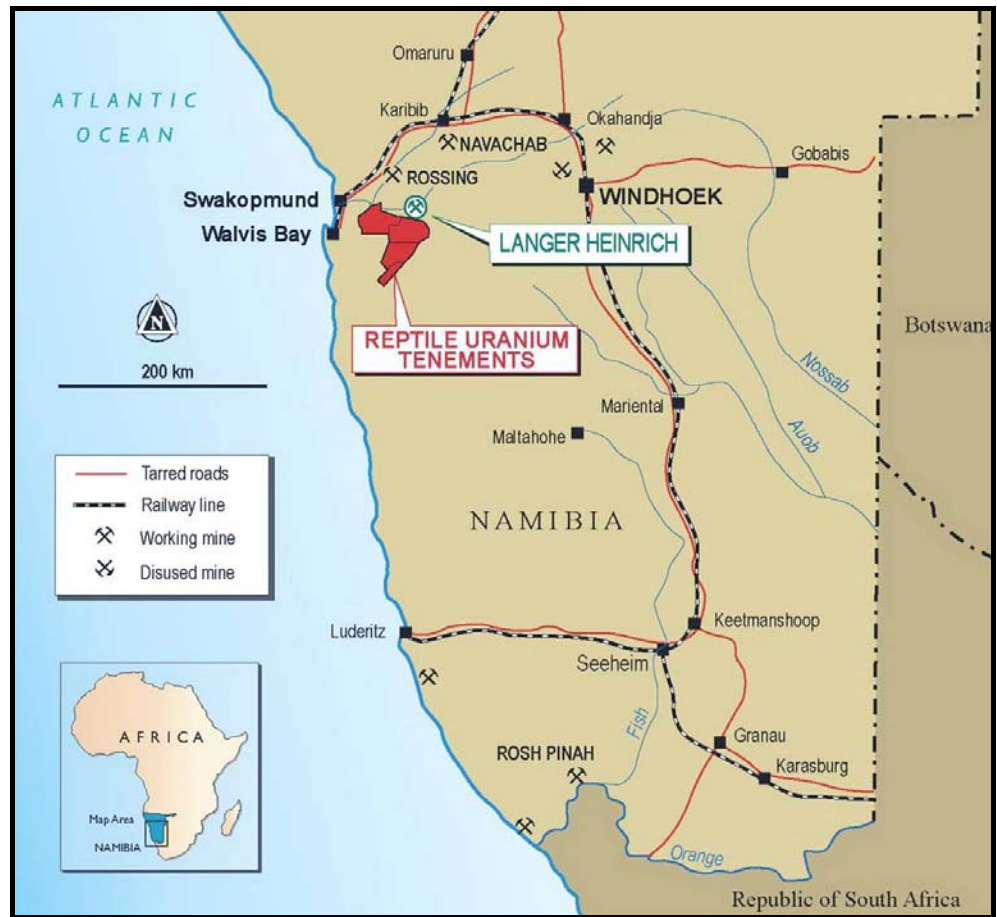
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ANNUAL REPORT 2008

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# NAMIBIA



# AUSTRALIA

**DEEP YELLOW LIMITED**  
**ABN 97 006 391 948**

**Board of Directors**

Mr Mervyn Greene	Chairman (Non-Executive)
Dr Leon Pretorius	Managing Director
Mr Martin Kavanagh	Executive Director
Ms Gillian Swaby	Non-Executive Director
Mr Rudolf Brunovs	Non-Executive Director
Mr Tony McDonald	Non-Executive Director

**Company Secretary**

Mr Mark Pitts

**Registered Office**

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 Subiaco Western Australia 6008  
 Telephone: + 61 8 9286 6999  
 Facsimile: +61 8 9286 6969

**Postal Address**

PO Box 1770  
 Subiaco Western Australia 6904

**Auditors**

Ernst & Young  
 11 Mounts Bay Road  
 Perth Western Australia 6000

**Share Registry**

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 Level 2, Reserve Bank Building  
 45 St George's Terrace  
 Perth Western Australia 6000  
 Telephone: 1300 557 010  
 Facsimile: +61 8 9323 2033

**Stock Exchange Listing**

Australian Stock Exchange (ASX)  
 Perth, Western Australia  
 Namibian Stock Exchange (NSX)  
 Windhoek, Namibia

**Website Address**

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

**ASX and NSX Code**

DYL

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## CHAIRMAN'S REVIEW

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Dear Shareholders

During the past year Deep Yellow Limited (DYL) has strengthened its position as one of the leading members of the international uranium industry by virtue of being a well-funded, well resourced explorer with significant and highly prospective operations in Namibia and Australia.

Even in these turbulent markets amid looming economic downturn the steadily improving fundamentals of the uranium industry have continued to gather pace. Nuclear energy (and uranium as fuel) is gaining ground as an alternate base load source of electricity as the effects of fossil fuel burning and its contribution to global warming is being recognised. The massive price rises that we have seen for carbon based fuels has further improved the basic competitive position for nuclear power and the significant changes in both political and public opinion seen in all areas of the world have combined to add impetus to the nuclear power renaissance. This realisation and looming shortages of uranium led to a remarkable correction in its price in 2007. DYL believes that the present long term price of US\$80 is sustainable in the medium term and expects the short term price to stabilise around these levels or rise slightly through the remainder of 2008 and into 2009. DYL is setting itself up to be a supplier of this strategic metal through continuing aggressive and successful exploration that is expected to be allied with project development and acquisition programmes well into the future.

In Namibia DYL's wholly owned subsidiary Reptile Uranium Namibia (Pty) Ltd manages exploration on four Exclusive Prospecting Licences (EPLs) covering 2,681 km<sup>2</sup>. In Australia exploration is based out of DYL's Perth Head Office and regional offices in Mt Isa and Alice Springs on exploration licences totalling 57,521 km<sup>2</sup> held 100% or in joint ventures.

Our Executive Directors, Dr. Leon Pretorius and Martin Kavanagh, have summarised the very significant exploration results that they and their exploration teams have achieved in the past year in the Review of Operations (pages 3 to 25) and I will therefore focus my narrative on our achievements and milestones in other areas during the period.

The decision to raise new capital amounting to more than \$42 million through the entitlement issue of July 2007 has proved, in the present financial climate, to be a very wise move indeed. Your Managing Director, Dr. Pretorius, had realised the magnitude of the exploration task facing him and his teams and proposed a five year programme that needed to have funding in place from day one. The Board supported this strategy and the end result is that the company is incredibly well funded into the foreseeable future and this will allow both the necessary continuing exploration and future development activity to take place.

DYL put in place during the year a successful divestment strategy to allow an in-house focus on projects that were near our bases or in close geographic proximity to each other. In July 2007 the first of these divestments, the Napperby project in the Northern Territory was optioned to Toro Energy Limited (Toro). Toro have made significant progress in developing the project and DYL has high hopes that Toro will exercise its option in due course. Apart from allowing management to focus staff and financial resources on our strategic exploration projects, success in Napperby and potential success in our other existing or potential joint ventures or divestments with Rum Jungle Uranium Ltd, Uranio Ltd and Dragon Energy Ltd have been designed to generate exploration or development capital for DYL immediately and also in the future without causing a dilutive effect for our shareholders.

As DYL expanded in scale and scope during the first half of 2007 it was clear that the Board needed to be expanded and strengthened with the addition of Independent Directors and also, given the extensive workload shouldered by Dr. Pretorius, that it was time to split the role of the Chairman and CEO. Accordingly both Tony McDonald and Rudolf Brunovs joined us in August 2007 and have been able to contribute in a very significant and constructive manner. Dr. Pretorius continues to run the business day-to-day as Managing Director and I took on the job of chairing the Board. The creation of an Audit committee under Rudolf's chairmanship and the work of the Remuneration committee led by Tony, has contributed significantly to the development of very necessary corporate structures. In addition the efforts of all Board members, especially Gillian Swaby working in tandem with our Company Secretary, Mark Pitts, allowed us to continually refine and develop our corporate governance framework.

November 2007 saw the announcement of our initial JORC Code inferred resource in Namibia, focusing on only one prospect within our extensive areas known as Tubas. The relatively quick announcement was achieved because much of the detailed drilling and exploration data from historical work done by Anglo American in the 1970s and 80s was available and was robust enough under the JORC code to require a minimum of additional drilling and related work by DYL. This initial result of 38.8 million pounds U<sub>3</sub>O<sub>8</sub> was significant in moving DYL into the bigger leagues and also very satisfying in terms of justifying the unwavering belief that your Board has in its Namibian assets. Unfortunately very little of the other historical data from other areas explored in the past has survived in sufficient detail. This has meant that all other areas have had to be re-drilled in order to generate JORC Code compatible data for our continuing resource definition efforts. Anecdotally Dr. Pretorius has commented that in his estimation there is more than a decade of potential drilling by six rigs to be done - just to explore the areas drilled historically and the more than 80 km of prospective palaeochannel indicated by our series of extensive airborne surveys. It is worth noting that less than a third of the highly prospective areas in the Namibia tenements have had any drilling at all and that our drilling to date in the Tumas palaeochannel has indicated that the mineralisation is both more extensive and also present at greater depth than previously thought.

## CHAIRMAN'S REVIEW

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In order to create some manageable short term targets for our exploration and resource definition activities in Namibia we announced (ASX 26 November 2007) an overall provisional JORC inferred target to be achieved around the end of calendar year 2008. This effort has been focused on the historical areas, previously explored by a number of other entities but will include data from some of the very exciting areas that have been discovered by the parallel programme of greenfields exploration. Perhaps the most exciting of these is the recently renamed Inca uraniferous magnetite prospect (was M1 previously) within the Tubas EPL which we believe will prove to be the first of many new style uranium, iron and magnetite associations which may have significant combined economic potential. There is more on these developments on pages 3 to 25 of the Review of Operations.

In January 2008 a very significant achievement was announced in Australia, specifically the opportunity to earn in to the uranium rights on several Mount Isa tenements held by Mt Isa Mines, part of Xstrata plc. This significantly expanded the portfolio of tenements available for exploration in the highly prospective Mt Isa district, DYL's largest exploration base in Australia. Given our status in the industry and the extensive funds available for exploration we expect to be able to analyse a number of opportunities in the future. Your Directors, led by Dr. Pretorius, will look to 'bolt on' some of these acquisition opportunities provided they meet our overall strategic goals.

I was particularly pleased to be involved with our secondary listing on the Namibian Stock Exchange, achieved during January 2008. Our primary goal was to allow Namibian and South African investors plus our Namibian staff to participate in the success of DYL by buying locally listed shares. I am pleased to report that our lead was followed by a number of other multi-national uranium exploration companies during the year and that at the time of writing approximately 2.2% (25m+) of our shares are held by investors from that part of the world. Particular thanks go to Dr. Pretorius and our advisors, Mark Spath of IJG Securities in Windhoek and Mert Black of Deutsche Securities in Cape Town, for their efforts in this important initiative.

In Australia we continue to achieve exceptional results achieved by the efforts of our Perth based Executive Director, Martin Kavanagh and our Australian Exploration Manager, Sandy Moyle. A number of our prospects in and around Mt Isa produced spectacular results in the year gone by and our drilling intersections from Queens Gift, Miranda, Conquest and Slance have produced assay results that are, in our opinion, among the most impressive released in Australia in the period in question. Our teams continue to add prospective areas to our ever growing portfolio of potentially commercially attractive areas and the Board have resolved to continue to explore on a regional basis in Queensland under the expectation that the political obstacles to mining of uranium will be lifted there in due course.

The overall message that I wish to convey to all our shareholders is that you are involved with a company with a very significant number of very exciting projects in both Australia and in Namibia. Many of these projects have proved, through the work of Dr. Pretorius and his team, to be highly prospective for uranium. We have incredible levels of exploration and technical expertise within our leadership and an excellent complement of staff world-wide, built up within the company over the past three years. Together with our exploration portfolio and the people resources required we have sufficient funding to ensure that the targets and objectives we set for the company over the next few years will be achieved. I am convinced that we will prove to have projects that are commercially viable given the excellent prospects for our industry over the next ten to twenty years and I can commit that we will do everything that we are able to realise those prospects and deliver sustained improvements in shareholder value.



Mervyn Greene  
Chairman

### Competent Person Statement:

*The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Dr Leon Pretorius a Fellow of The Australasian Institute of Mining and Metallurgy. Dr Pretorius has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Pretorius consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

*Where eU<sub>3</sub>O<sub>8</sub> is reported it relates to values attained from radiometrically logging boreholes with Auslog equipment using an A675 – slimline gamma ray tool. The probe has been calibrated at the Pelindaba Calibration facility in South Africa with calibration certification provided by Geotron Systems (Pty) Ltd a geophysical consultancy based in South Africa. All eU<sub>3</sub>O<sub>8</sub> results reported are affected by issues pertaining to possible disequilibrium and uranium mobility which should be taken into account when interpreting those pending confirmatory chemical analyses.*

# REVIEW OF OPERATIONS

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## EXPLORATION OVERVIEW

The Directors are pleased to report that the 2007-2008 year has seen the Company successfully and rapidly expand its exploration activities in Namibia and Australia with significant results being returned from its drilling programmes.

In **Namibia**, Reptile Uranium Namibia (Pty) Ltd (Reptile) has drilled a total of 7,512 holes for 106,808 metre from July 2007 through to August 2008. Reptile announced an initial JORC Inferred Mineral Resource of 77.3 Mt at 0.023% (228 ppm)  $U_3O_8$  at a cut-off grade of 100 ppm  $U_3O_8$  for 17,600 tonne or 38.8 million pounds  $U_3O_8$  for the Tubas Prospect and is now finalising data for a JORC compliant resource estimate for the Tumas Prospect.

The discovery of the Inca Prospect, a granite hosted uraniferous-magnetite deposit in the north of the tenement area is very exciting. The mineralisation is being drilled out on 100 x 100 metre centres to a nominal 100 metre depth and presently covers a 1,300 x 400 metre area that is variously mineralised from surface to the 100 metre drilled depth. The mineralisation is open at depth and to the north and east and appears to be associated with a basement airborne electromagnetic (AEM) anomaly which is continuous over 10 km in an east-north-easterly direction from the Inca Prospect. A number of similar basement AEM responses have yet to be drilled so offering significant upside potential for this style of mineralisation.

The AEM survey data has also highlighted extensive shallow channel systems within the project area providing a continuous channel over 80 km between the Tubas mineralised block and the Tumas area of which only 35 km has been drill tested by previous explorers and Reptile.

In **Australia**, Deep Yellow Ltd (DYL) drill programmes in the Mt Isa district have provided numerous wide high grade uranium intersections on several prospects with some notable intersections on the 100% owned Queens Gift prospect and on North West Queensland JV Ewen EPM prospects.

Another significant event at Mt Isa was reaching agreement with the Xstrata plc subsidiary Mt Isa Mines Ltd to explore for uranium on very prospective ground immediately west of the Mt Isa townsite. Initial surface sampling returned encouraging results and drilling commenced in mid-September.

In the Northern Territory, Toro Energy Ltd (Toro) has continued drilling on the optioned Napperby Project tenements adding additional JORC Inferred Resources to those outlined by DYL. The Toro Option Agreement over the Napperby Project allows Toro to purchase 100% of the project at a capped price per pound basis at any stage over a three year period to July 2010.

Elsewhere in the Northern Territory DYL has gained access to prospective tenement areas through negotiations with Traditional Owners and the Central Land Council.

The Company has \$57 million in cash and liquid assets which will underpin ongoing JORC resource drilling programmes in Namibia and greenfields and advanced exploration projects and prospects in Australia.

## EXPLORATION ACTIVITIES

### NAMIBIA

Exploration in Namibia is carried out by Reptile, a wholly owned subsidiary of DYL.

### KEY POINTS

- Reptile holds 100% of four contiguous Exclusive Prospecting Licences (EPLs) covering 2,681 km<sup>2</sup> that contains historical discoveries of gypcrete, calcrete and sand hosted secondary uranium mineralisation.
- Areas within the EPLs were prospected by major companies such as Anglo American, Falconbridge, Elf-Aquitaine and General Mining in the 1970/80's. Extensive shallow secondary uranium mineralisation was delineated and three feasibility studies were completed including bulk sampling and metallurgical testwork.
- Reptile's Tubas JORC Code Inferred Mineral Resource totals 77.3 Mt at 0.023% (228 ppm)  $U_3O_8$  at a cut-off grade of 100 ppm  $U_3O_8$  for 17,600 tonne or 38.8 million pounds  $U_3O_8$  (ASX 21 November 2007).
- It is Reptile's stated objective to determine JORC Code resources for its projects in Namibia and has had six RC and one diamond drill rig operating on both previously recognised and newly discovered uranium mineralisation since the beginning of 2008 with a total of 6,720 holes for 85,719 metre, drilled to 30 August 2008.

## REVIEW OF OPERATIONS

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- At Tumas a 7,700 metre long (east-west) section of the channel has been chosen for the initial JORC Code resource study area. This area was drilled on a 50 by 50 metre staggered grid pattern, but due to the subsequent discovery of deeper mineralisation some areas within the channel needed to be redrilled and where mineralisation was found to occur at the channel boundaries additional holes are being drilled to determine the lateral extent of the mineralisation. Although this drilling will continue, the data package being prepared for delivery to Hellman & Schofield will contain results to 29 August only.
- Tubas trenching exercise confirmed high grades and pervasive distribution of uranium (carnotite) in free-digging sediments from surface to 11 metre.
- An airborne electromagnetic survey over the entire tenement area has been completed and has delineated buried target channels for follow-up drilling. An airborne radiometric and magnetic survey over the entire tenement at 100 metre line spacing has also delineated radiometric and magnetic targets for drilling.
- From interpretation of airborne electromagnetic (AEM) surveys the Tumas – Tubas palaeochannel system can now be traced for a cumulative total of 80 km of which only about 35 km has been investigated by drilling carried out by previous explorers and/or Reptile. Where tested to date the channel is variably uranium mineralised throughout.
- Early data from the AEM survey also indicates the existence of potentially deeper channel sections that could indicate buried palaeochannels that were not tested by previous explorers. Reptile's drilling in the Tumas area on an indicated deeper section of buried channel is under way and numerous mineralised intersections have been made below 12 metre from surface.
- The discovery by Reptile geologists of a uranium mineralised iron / magnetite outcrop (Inca Prospect) while following up co-incident radiometric and magnetic anomalies within the Tubas EPL has returned significant drill intercepts with a best being 12 metre of 783 ppm eU<sub>3</sub>O<sub>8</sub> from 68 metre.
- The discovery of this new style of mineralisation in Reptile's tenements is significant for a number of reasons, namely:
  - The association of the uranium with iron and magnetite (up to 45%) lends additional economic potential and is being investigated.
  - There are numerous similar undrilled magnetic anomalies outlined by the airborne magnetic survey in the Tubas EPL west of the Welwitschia fault;
  - The extensive distribution of surface magnetite accretions over a 17 by 5 km area; and,
  - The apparent association at Inca with marble and AEM anomalism could assist with exploration and distribution studies.
- Reptile now has 62 permanent staff running the exploration programmes out of the Company's Swakopmund office. This excludes the contractor drilling and rehabilitation company personnel which total about 60.
- Without exception results from all prospect areas are either meeting expectations by confirming historic work and results, or in the case of the follow-up drilling programmes being conducted in areas of previously unknown mineralisation, the results are very encouraging given the grade and widths of numerous new intersections.

### PREVIOUS (HISTORICAL) EXPLORATION

During the mid-1970s to early 1980s the companies referred to above undertook evaluation of airborne radiometric anomalies with follow-up ground exploration and drilling leading to the discovery of uranium mineralisation within near surface zones as depicted in the satellite image below. The mineralisation occurs in the form of carnotite (K<sub>2</sub>(UO<sub>2</sub>)<sub>2</sub>(VO<sub>4</sub>)<sub>2</sub>·3H<sub>2</sub>O) which is the same as the mineralisation found in valley-fill sediments at Paladin Energy Limited's Langer Heinrich uranium deposit to the east/northeast of the various project areas. Mineralisation in Reptile's tenements is also secondary but occurs in wide shallow sheet wash sediments rather than true valley-fill material.

A total of approximately 37,500 metre was drilled by the previous exploration companies during a number of campaigns. Some detail assay and radiometric data is available, but some has been lost although summary reports have been located for all.

Since start-up of drilling in July 2007 Reptile has completed 7,512 holes for 106,808 metre throughout the four EPLs which is almost three times the total that was drilled historically.

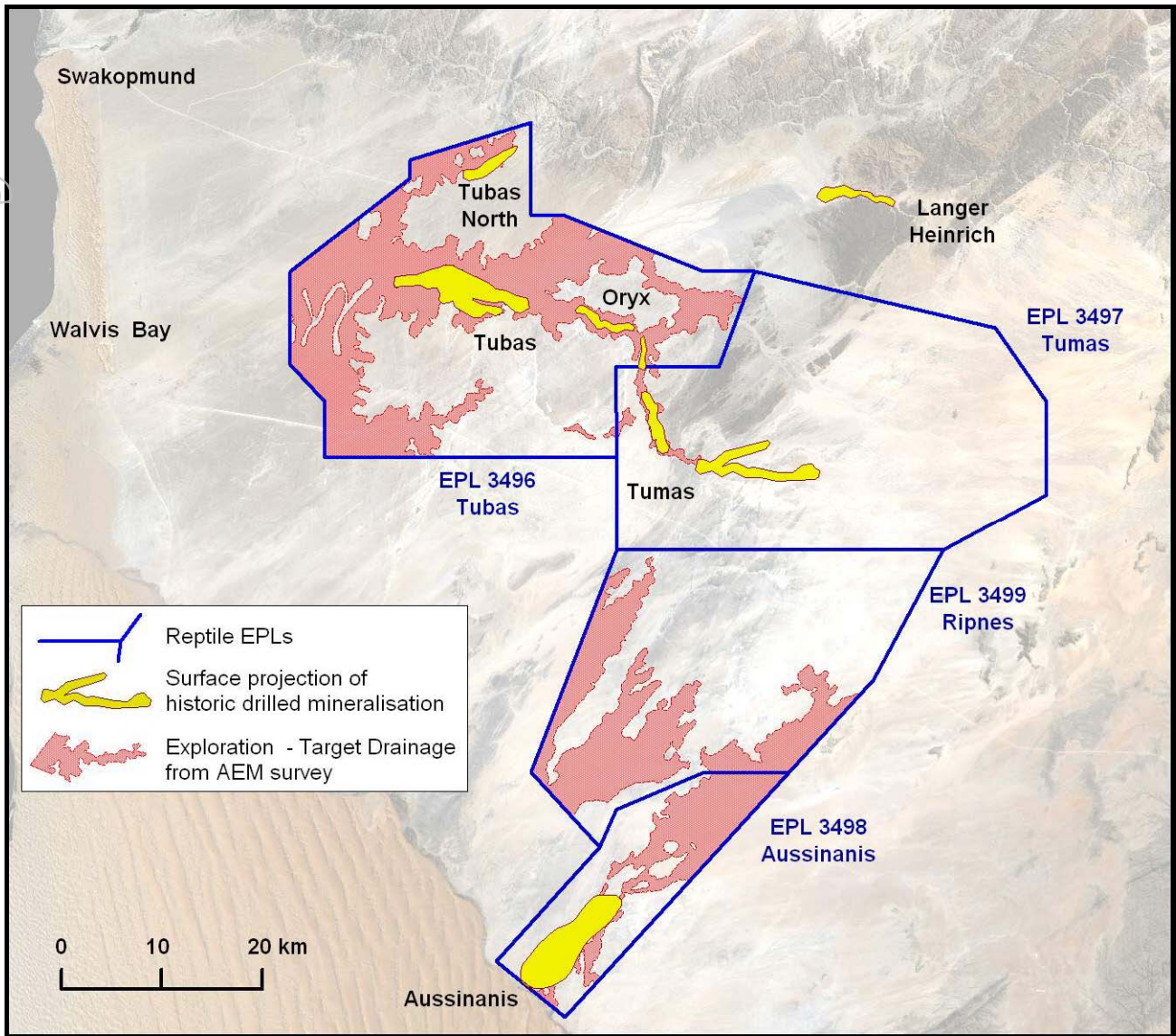


Figure 1: Reptile Tenements – Historic Mineralised Zones

### TUBAS PROSPECT JORC CODE INFERRED MINERAL RESOURCE (2007)

In November 2007 Geomine Consulting Namibia CC (Geomine) provided Reptile with an Inferred Mineral Resource estimate (reported to JORC Code standard) for the Tubas project based on the historical data reported by Anglo American Prospecting Services (Anglo) from their work on the deposit during the 1970's and early 1980's which ended in a feasibility study being undertaken.

The Inferred Mineral Resource totals 77.3 million tonne at 0.023% (228 ppm)  $U_3O_8$  at a cut-off grade of 100 ppm  $U_3O_8$  for 17,600 tonne or 38.8 million pounds of contained  $U_3O_8$ .

### 2008 ACTIVITIES

#### TUMAS PROSPECT

The original Falconbridge delineated Tumas mineralisation was limited to the extent of their then tenement holding and the palaeochannel they defined by an IP survey. As shown in Figure 2 a strong  $U^{232}/Th$  anomaly extends west and northwest from the Tumas mineralised area. Reptile is systematically redrilling the Falconbridge area and extensions to it with a detailed offset 50 by 50 metre RC percussion programme to ensure JORC Code compliance and extending this to the west and northwest as indicated. Some recent significant intersections are given in Table 1.



## REVIEW OF OPERATIONS

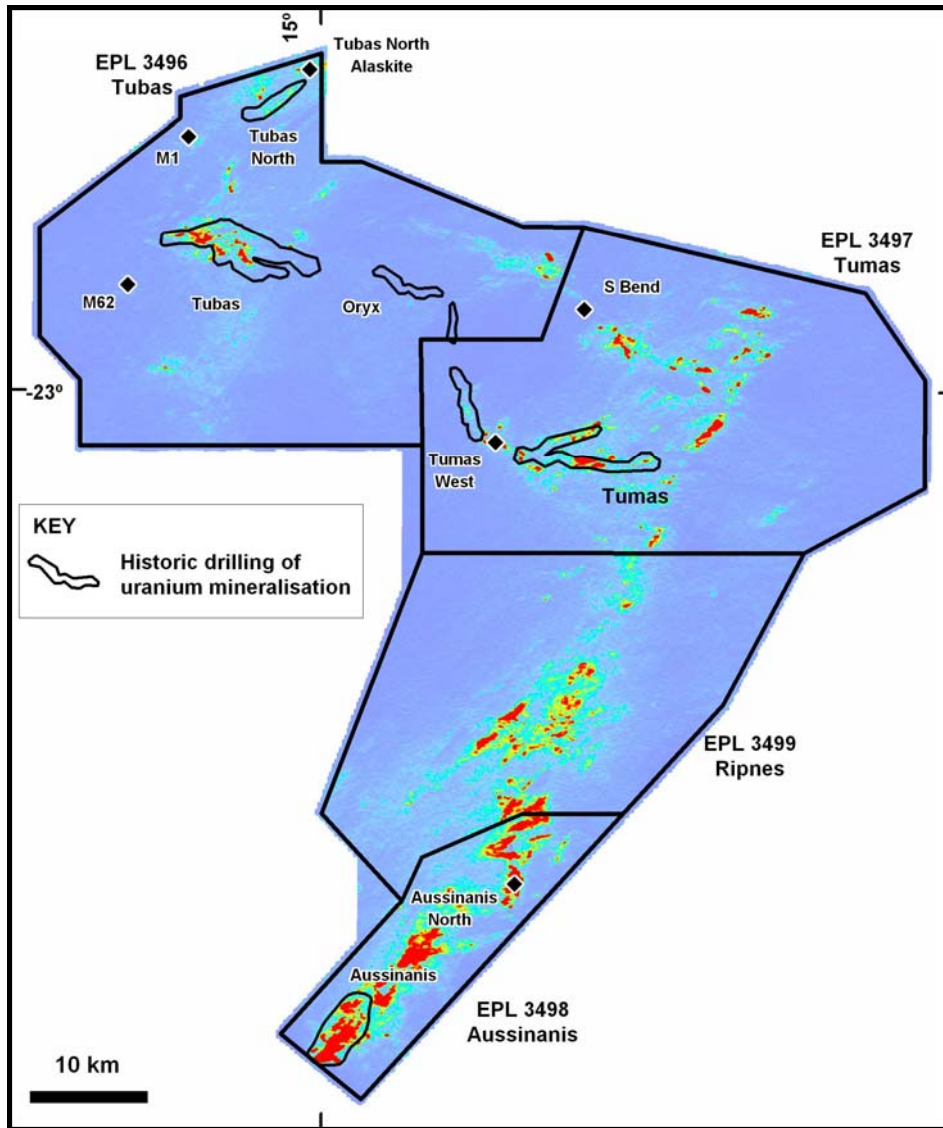


Figure 2: Airborne Radiometric Map depicting at or near surface uranium mineralisation. Outlined are the previously explored areas indicating that the majority of the anomalies remain to be explored.

Table 1: Tumas - significant vertical RC drill intercepts

HOLE	UTM E	UTM N	TD	FROM	TO	INT	eU <sub>3</sub> O <sub>8</sub>	GTM
B2.175 0.750	513755	7451845	30	1	19	18	676	12,209
B1.400 0.200	512807	7452604	45	19	33	15	828	12,134
B2.275 0.250	513255	7451730	34	13	26	14	892	12,091
B3.925 6.150	519154	7450079	18	0	13	13	820	10,294
B2.475 0.850	513854	7451532	20	0	10	10	902	8,708
B1.350 0.300	513306	7452656	15	7	12	5	1,553	7,766
B2.300 0.100	513105	7451706	35	14	26	12	529	6,270
B2.375 0.850	513854	7451633	18	0	12	12	464	5,667
B2.275 0.450	513454	7451727	28	11	27	16	343	5,500
B2.475 1.050	514053	7451482	19	0	14	14	360	4,984
B3.550 6.800	519804	7450456	16	0	8	8	615	4,797
B3.875 6.150	519155	7450130	18	1	12	11	410	4,551
B2.300 0.400	513404	7451704	22	10	18	8	550	4,459
B2.325 0.250	513256	7451679	32	14	24	9	457	4,230
B1.425 0.250	513256	7452577	21	7	13	7	610	4,087

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## REVIEW OF OPERATIONS

A 7,700 metre long (east-west) section of the Tumas channel has been chosen for the initial JORC Code resource study area (see Figure 3). This area was drilled on a 50 by 50 metre staggered grid pattern, but due to the subsequent discovery of deeper mineralisation some areas within the channel needed to be redrilled and where mineralisation was found to occur at the channel boundaries additional holes are being drilled to determine the lateral extent of the mineralisation. Although this drilling will continue, a decision was made to use only data accumulated to 29 August as a cut-off date for data to be included in the initial JORC Code estimation.

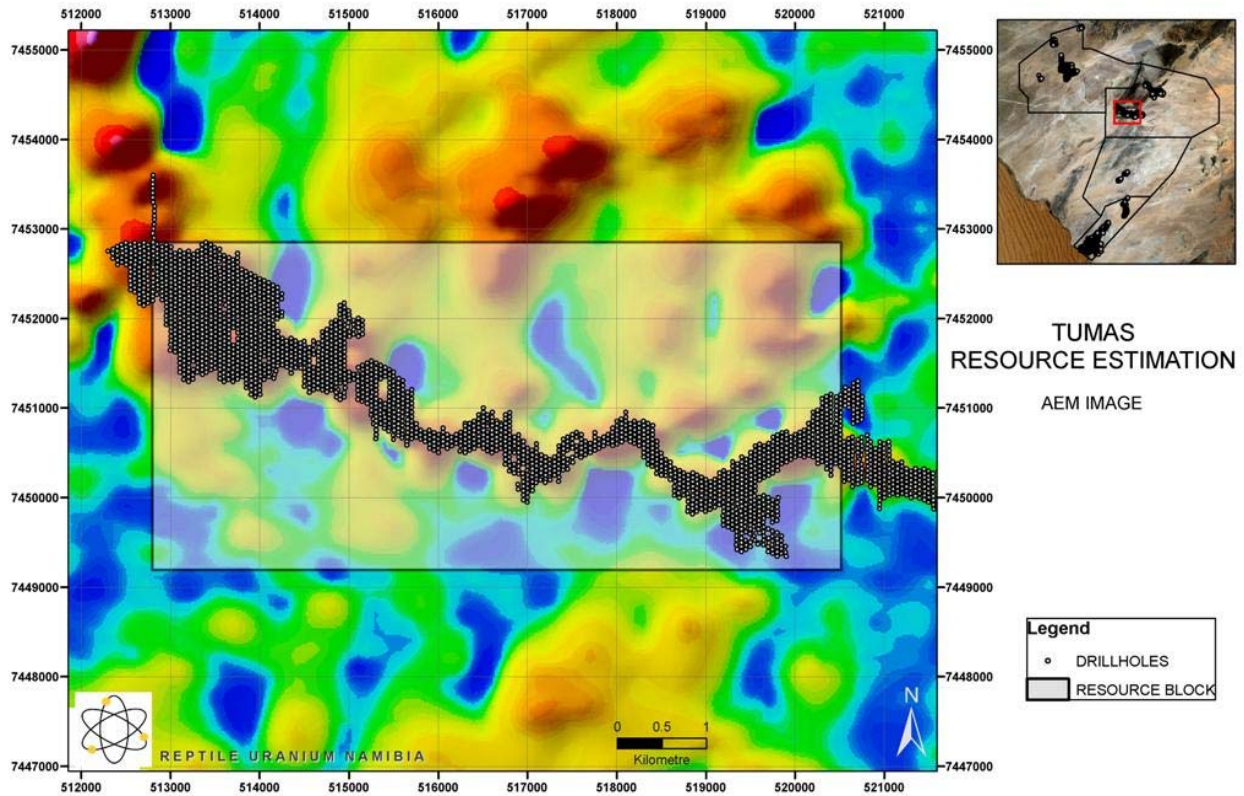


Figure 3: Tumas drill hole location plan / resource estimation block

Statistics on the initial JORC Code rectangle are:

- Channel length as crow flies 7.7 km. Following the channel's meandering path along the centre axis, the channel section is 8.7 km long.
- The maximum mineralised cross-section width is 684 metre (located in the western section).
- The maximum depth to which mineralisation has been found is 35 metre below surface (located in the western section).
- The number of RC holes within the defined area is 2,298 for 27,382 metre.

Interpretation of the AEM data indicates the possible presence of a potentially deeper channel section that could relate to buried palaeochannels that were not previously tested. Reptile is presently drill testing this theory and early results are very encouraging with appreciable widths and grades of calcrete hosted uranium mineralisation being returned from a buried palaeochannel underlying the known close to surface mineralisation over at least 3 km that is included in the JORC Code rectangle detailed above. It remains open to the west and northwest as depicted by "Y" on Figure 4. Areas "X" and "Z" of Falconbridge remain to be tested by Reptile and there are also a number of undrilled target areas ("A" and "B") that exist away from the main channel targets that will be drill tested.



# REVIEW OF OPERATIONS

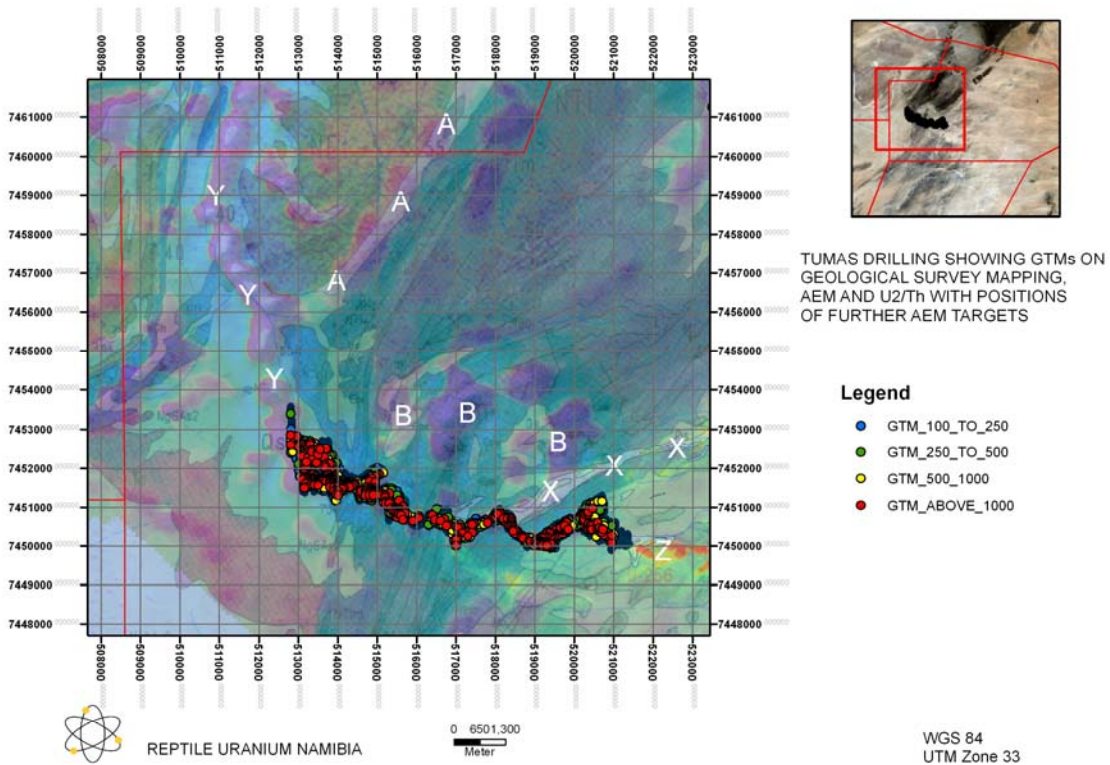


Figure 4: Tumas area with holes completed and new target areas

It is very encouraging to note how successful the AEM survey appears to map out the deeper portions of the drainage systems within which the palaeodrainage hosted uranium mineralisation may occur. It is early days but numerous of these deeper sections exist that will be targeted along the collective 80 km long AEM defined Tumas -Tubas drainage system as shown in Figure 5 of which more than half has never been tested by drilling.

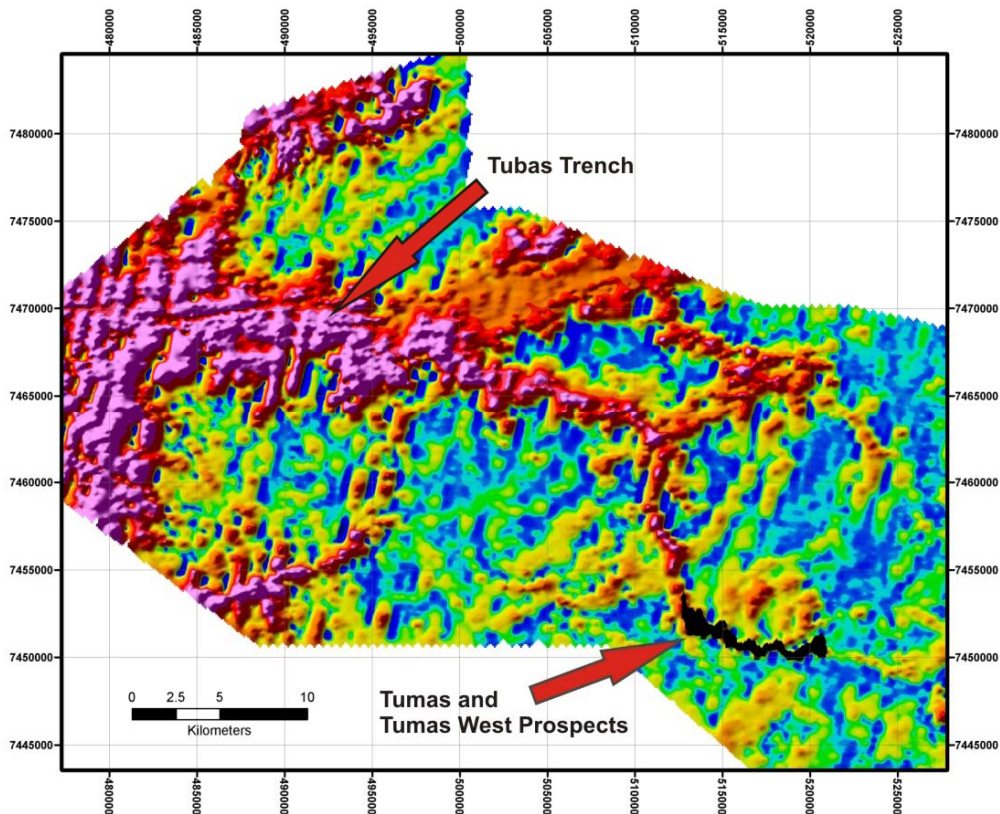


Figure 5: Tumas - Tubas palaeochannel system as indicated by AEM

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## REVIEW OF OPERATIONS

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### AUSSINANIS PROSPECT

The Aussinanis mineralised zone occurs over a very wide area with the Aussinanis and Ripnes tenements. A total of 1,570 holes for 19,892 metre were completed to the end of June. The 10 best intersections returned during the period are given in Table 2.

Table 2: Aussinanis - significant vertical RC drill intercepts

HOLE	UTM E	UTM N	TD	RL	FROM	TO	INT	eU <sub>3</sub> O <sub>8</sub>	GTM
D17.050 18.900	515902	7413054	23	544	8	12	4	935	3,507
D30.100 17.200	514201	7426100	13	548	0	5	5	729	3,425
D3.600 4.300	501301	7399600	19	399	1	13	12	259	2,995
D18.200 19.050	516052	7414201	17	544	0	3	3	997	2,839
D3.300 3.600	500600	7399301	13	388	1	5	4	623	2,774
D4.700 3.950	500950	7400701	13	397	5	8	3	978	2,759
D17.950 19.250	516251	7413949	17	546	0	2	2	1,399	2,727
D3.950 4.400	501396	7399950	13	391	0	6	6	411	2,590
D3.600 4.350	501348	7399600	19	402	1	11	10	255	2,488
D3.750 4.000	501000	7399750	13	391	0	9	9	286	2,464

### TUBAS PROSPECT TRENCHING

A bulk sample trench has been completed at the Tubas prospect within the 2007 JORC Code Inferred Mineral Resource area.

The N-S trench was centred on drillhole B2.800 7.500 (UTM 491805E 7467751N) which returned an average assay of 1,638 ppm U<sub>3</sub>O<sub>8</sub> over 10 metre from surface. Four other RC holes were drilled at 5 metre spacings with two either side of this hole so the results from the trench wall channel samples can be compared back to the holes' chemical assays and radiometric logging equivalent uranium results. The trench was excavated to provide information on:

- Mineralisation style and controls;
- Grade distribution;
- Geological controls;
- Host rock characteristics (i.e. free-digging);
- Bulk density;
- Disequilibrium: and,
- Metallurgical and extraction tests.

In summary the trench was 20 metre long at its planned terminal depth of 10 metre but in part was excavated to 11 metre ending in a hard undulating calcrete base. The photograph shows the 2 metre benched construction of the trench. The walls of each cut and its floor were channel sampled on one metre block patterns. This generated in excess of 4,000 samples with all assays expected by October.

The samples from the four vertical channels for the 1 metre square immediately around RC drillhole B2.800 7.500 which assayed 1,638 ppm U<sub>3</sub>O<sub>8</sub> over 10 m returned average XRF assays for each vertical metre as given in Table 3.

Of note is that the average assay value for the complete section is 1,296 ppm U<sub>3</sub>O<sub>8</sub> over 10 metre from surface using no cut-off. Applying a 100 ppm cut-off this value becomes 1,430 ppm U<sub>3</sub>O<sub>8</sub> over 9 metre. Applying a 200 ppm cut-off this value becomes 1,590 ppm U<sub>3</sub>O<sub>8</sub> which represents the sand section only.



## REVIEW OF OPERATIONS

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**Tubas Trench:** Final trench profile showing upper gypsum layer 0 – 2 m depth and mineralised red sand to the bottom of trench

**Table 3:** Average assay per cubic metre frame (12 samples)

DEPTH IN METRE	XRF ASSAY IN PPM U <sub>3</sub> O <sub>8</sub>
0 to 1	92
1 to 2	154
2 to 3	275
3 to 4	493
4 to 5	3,672
5 to 6	1,862
6 to 7	1,472
7 to 8	2,309
8 to 9	853
9 to 10	1,781

As can be seen from the photograph there is a gypsum layer varying in thickness to 2 metre overlying a mostly unconsolidated fine to medium-grained variably organic carbon rich red sand layer varying in thickness to 9.5 metre. Calcrete nodules occur within the sand and in the base of the trench. The sand has no obvious internal structure, but is most likely a buried dune (aeolian) or meander bank deposit. Red sand was commonly found to be the host during the Tubas drilling campaign in 2007 and the drill logs will be re-interrogated with the geological knowledge gained from the trench mapping. It is important to note that the complete section down to the basal calcrete at around 11 metre is free-digging.

## REVIEW OF OPERATIONS

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**Tubas Trench:** Coarse carnolite accumulations in mineralised sand 2-4 m depth



**Tubas Trench:** Stockpiled mineralised red sand available for testwork

### INCA PROSPECT

As reported (ASX 4 March 2008) Reptile intersected wide zones of uranium mineralisation (up to 115 metre of 229 ppm  $eU_3O_8$  from 14 metre in DDH ADM02) in previously unknown uraniferous magnetite and altered iron oxide enriched strata in the northern portion of its Tubas tenement (EPL 3496) at the Inca Prospect (see Figure 2).

The prospect is being tested by drilling vertical holes on a nominal 100 by 100 metre square grid pattern to roughly 100 metre depth and to date 73 holes have been drilled (see Figure 6). Two stratigraphic diamond drillholes and some RC holes are included in this total that have been drilled off the grid pattern.

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# REVIEW OF OPERATIONS

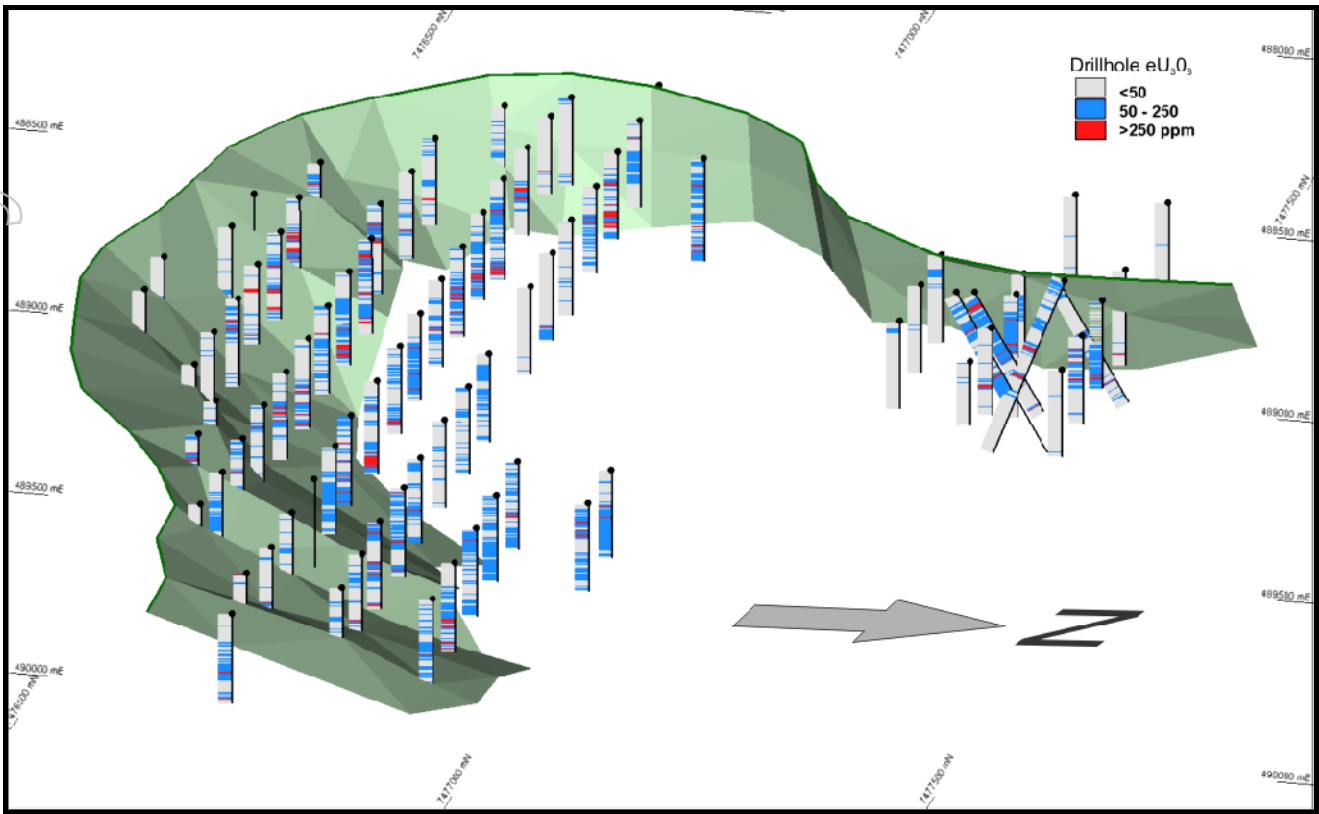


Figure 6: Oblique projection of RC drilling on 100 x 100 metre grid with eU<sub>3</sub>O<sub>8</sub> values annotated

Although early days the mineralised system covers a large area with some high grade zones as shown in Table 4. Presently the extremities of the known mineralised area are being drilled which will allow for resource estimation work to be undertaken. The co-existence of iron (mainly magnetite) and uranium mineralisation in this metasomatic / skarn altered zone is encouraging as it may allow easy beneficiation. Once the drilling is complete further work on the mineralised zones will be undertaken. Reptile has also recognised similar alteration occurrences in the vicinity of Inca that will be drill tested later.

It appears that the sub-surface (blind) mineralisation indicated by the drilling to date is sub-horizontal and that it coincides with later time AEM anomalies outlined by the recently completed survey in the areas tested to date.

Table 4: Inca Prospect - significant vertical RC drill intercepts

HOLE	UTM E	UTM N	TD	FROM	TO	INT	eU <sub>3</sub> O <sub>8</sub>	GTM
AM1_8.300 11.200	488804	7476705	100	68	80	12	783	9,283
AM1_8.500 11.200	488806	7476505	100	78	87	9	672	6,215
AM1_8.400 11.000	489005	7476605	106	82	89	7	826	6,155
AM1_8.300 11.100	488906	7476706	103	45	61	16	305	4,870
AM1_8.500 10.900	489105	7476507	100	24	40	16	249	3,994
AM1_8.400 11.100	488905	7476606	109	14	30	16	239	3,885
AM1_8.500 11.200	488806	7476505	100	58	68	10	311	2,999
AM1_8.400 11.200	488804	7476593	103	37	44	6	452	2,912
AM1_8.400 11.100	488905	7476606	109	89	96	8	370	2,831
AM1_8.500 11.200	488806	7476505	100	42	49	7	384	2,667

## REVIEW OF OPERATIONS

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Selected sections of the diamond core from hole ADM02 (ASX 4 March 2008) were sent to Pontifex in Australia for petrographic studies and detailed multi-element chemical analyses.

Table 5: Chemical assays of selected diamond core from hole ADM02

SAMPLE DEPTH (m)	U <sub>3</sub> O <sub>8</sub> (ppm)	TOTAL IRON (Fe <sub>2</sub> O <sub>3</sub> %)
27.5	543	17.71
37.4	4,918	20.22
75.8	1,632	45.52
79.0	755	30.83



Inca Prospect: RC drilling - note magnetite float in foreground

The discovery of this new style of mineralisation in Reptile's tenements is considered highly significant and will be the focus of a concerted exploration effort.

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# REVIEW OF OPERATIONS

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## AUSTRALIA

### QUEENSLAND

#### MT ISA DISTRICT

Within the Mt Isa district DYL carries out exploration on its 100% owned tenements and on two joint venture areas. In agreement with Matrix Metals Ltd, DYL can earn the rights to 100% of the uranium within Matrix's extensive tenement holding to the north and north-east of Mt Isa and to the south of Cloncurry (see inside back cover). Exploration is well advanced on various tenements with two prospects (Miranda and Conquest) returning encouraging widths and grades of uranium mineralisation from RC percussion drilling.

In agreement with Mt Isa Mines Ltd, part of the Xstrata Group, DYL can ultimately acquire 100% of the uranium rights over the project area immediately west of the Mt Isa minesite (subject to a 1.5% NPR). Exploration programmes commenced in March 2008 and RC percussion drilling commenced in mid-September.

#### Key Points for 2007-2008

- Permanently staffed operational base in Mt Isa.
- Direct ownership or access to 100% of uranium rights to over 4,068 km<sup>2</sup> around Mt Isa and Cloncurry.
- Targeting multiple uranium anomalies and 1970/80s drill intercepts.
- Queens Gift drilling returns wide intersections in quartz-hematite breccia, e.g. 69 m at 467 ppm U<sub>3</sub>O<sub>8</sub>.
- Miranda drilling returns wide intersections, e.g. 32 m at 625 ppm U<sub>3</sub>O<sub>8</sub>.
- Conquest drilling returns wide intersections, e.g. 14 m at 1,008 ppm U<sub>3</sub>O<sub>8</sub>.
- Slance Northeast drilling returns wide intersections, e.g. 19 m at 774 ppm U<sub>3</sub>O<sub>8</sub>.
- Isa West surface samples returning highly anomalous results ahead of drilling scheduled for mid-September.

#### QUEENS GIFT PROSPECT EPM 15070

(DYL 100%)

The Queens Gift Prospect is located 70 km north of Mt Isa within EPM 15070. Surface mapping and sampling by DYL outlined a uranium mineralised zone up to 50 metre wide over 1,300 metre strike with a best surface composite rockchip sample assaying 2.86% U<sub>3</sub>O<sub>8</sub>. Previous diamond drilling by Queensland Mines Ltd (QML) in 1969 and by Agip Nucleare Australia Pty Ltd (Agip) in 1974 was all completed above 50 metre vertical depth.

Some significant historical intercepts included:

- QML 2 4.57 m at 5,840 ppm (0.584%) U<sub>3</sub>O<sub>8</sub> from 71.63 m
- QML 3 6.10 m at 830 ppm (0.083%) U<sub>3</sub>O<sub>8</sub> from 32.31 m
- Agip 1 21.0 m at 470 ppm (0.047%) U<sub>3</sub>O<sub>8</sub> from 41.0 m
- Agip 2 4.0 m at 1,020 ppm (0.102%) U<sub>3</sub>O<sub>8</sub> from 72.25 m
- Agip 3 3.0 m at 900 ppm (0.090%) U<sub>3</sub>O<sub>8</sub> from 61.80 m

An RC percussion drill programme totalling 47 holes for 4,930 metre was carried out over 800 metre strike of the outcropping area of the 1.3 km strike radiometric anomaly with the best results coming from the Central and North anomalies. (ASX 16 October 2007)

Uranium mineralisation is hosted by altered (albitisation) basalts with quartz hematite breccia zones locally developed through the alteration zone. This metasomatic style of mineralisation is common within the Mt Isa district with the best known example being Summit Resources Ltd's Valhalla uranium deposit (JORC Code 2004 compliant resource estimate – 25,970 tonne U<sub>3</sub>O<sub>8</sub>).

It is important to note that within some of the wider 400 ppm U<sub>3</sub>O<sub>8</sub> intercepts, intervals with average grades in excess of 700 ppm U<sub>3</sub>O<sub>8</sub> occur which approximates the resource grade of the Valhalla deposit. Uranium mineralisation is associated with intense hematite-magnetite alteration with a sharp western and a gradational eastern contact.

Within the North anomaly the deepest intersection is 11 m at 585 ppm U<sub>3</sub>O<sub>8</sub> from 119 m downhole the centre of this intercept is 95 metre below surface with mineralisation being open to depth (see Figure 7).

## REVIEW OF OPERATIONS

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Significant assay results from the drilling are highlighted below:

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>• DQRC-0006 9 m at 818 ppm U<sub>3</sub>O<sub>8</sub> from 35 m</li> <li>• DQRC-0013 4 m at 2,225 ppm U<sub>3</sub>O<sub>8</sub> from 19 m</li> <li>• DQRC-0014 3 m at 1,407 ppm U<sub>3</sub>O<sub>8</sub> from 41 m</li> <li>• DQRC-0016 13 m at 438 ppm U<sub>3</sub>O<sub>8</sub> from 41 m</li> <li>• DQRC-0018 3 m at 2,330 ppm U<sub>3</sub>O<sub>8</sub> from 7 m</li> <li>• DQRC-0028 8 m at 424 ppm U<sub>3</sub>O<sub>8</sub> from 34 m</li> <li>• DQRC-0032 50 m at 400 ppm U<sub>3</sub>O<sub>8</sub> from 1 m</li> </ul> | <ul style="list-style-type: none"> <li>• DQRC-0033 69 m at 467 ppm U<sub>3</sub>O<sub>8</sub> from 1 m</li> <li>• DQRC-0036 22 m at 325 ppm U<sub>3</sub>O<sub>8</sub> from 82 m</li> <li>• DQRC-0038 20 m at 260 ppm U<sub>3</sub>O<sub>8</sub> from 0 m</li> <li>• DQRC-0041 23 m at 409 ppm U<sub>3</sub>O<sub>8</sub> from 108 m</li> <li>• DQRC-0044 11 m at 585 ppm U<sub>3</sub>O<sub>8</sub> from 119 m</li> <li>• DQRC-0047 37 m at 538 ppm U<sub>3</sub>O<sub>8</sub> from 41 m</li> </ul> |
|---|--|

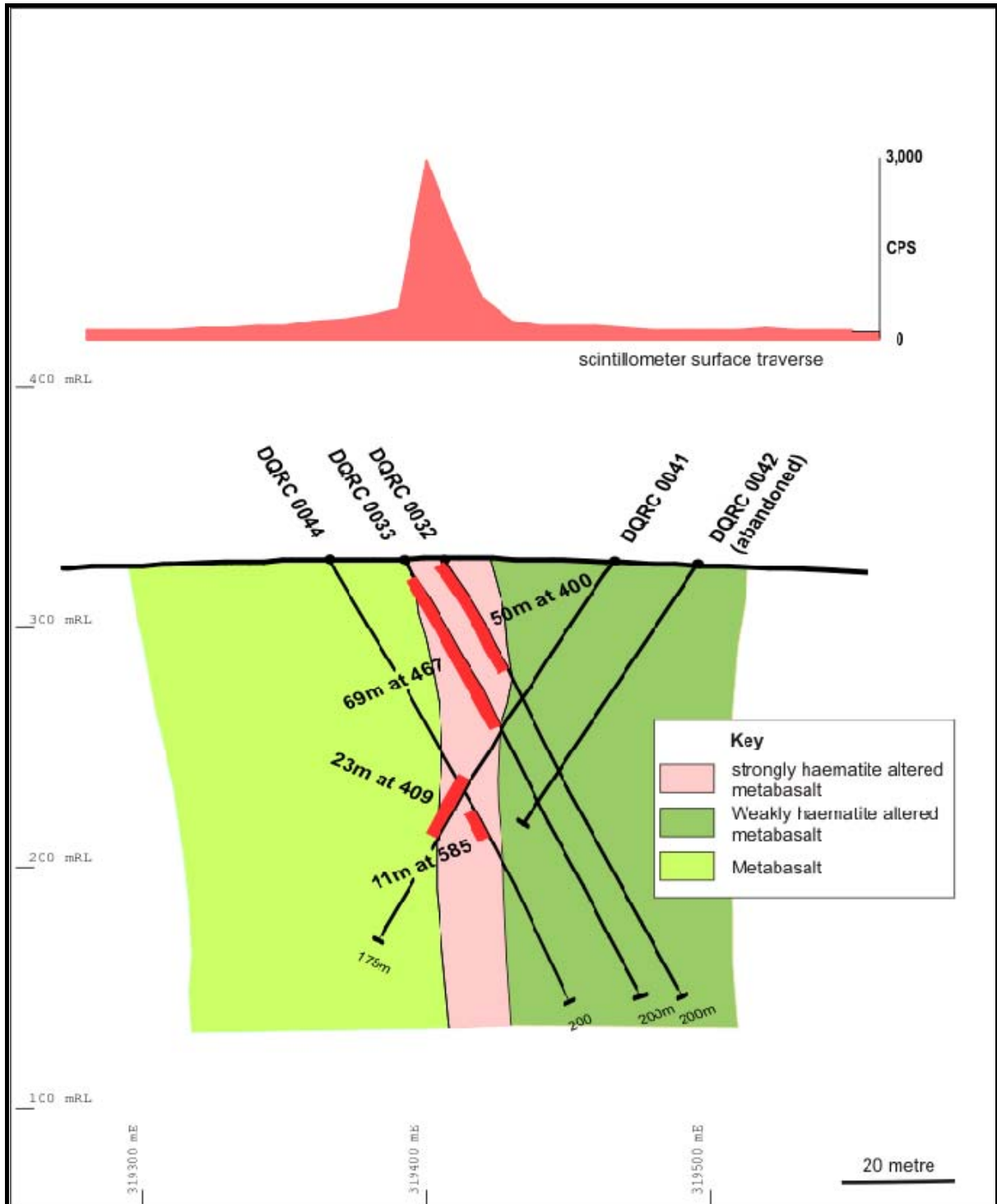


Figure 7: Queens Gift Section 7781600 mN

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## REVIEW OF OPERATIONS

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### Queens Gift Diamond Drilling

As follow-up to the 2007 RC percussion drill programme a total of six diamond holes for 969 metre was completed (including one abandoned hole) (ASX 21 August 2008).

Assay results have been received from three of the six drill holes. QGDC001 was drilled to determine the extent and orientation of the mineralised zone that was encountered by 2007 RC percussion drilling. Mineralisation was intersected down-plunge of previously reported holes DQRC0032 and DQRC0033. The mineralised zones are foliated and often brecciated with pervasive hematite and carbonate alteration.

Holes QGDC002 (an undercut of DQRC0047) and QGDC006 are located 200 metre and 300 metre south of QGDC001 respectively and intersected similar styles of mineralisation as in QGDC001, confirming previous RC percussion drill intersections.

Further diamond drilling and RC percussion is planned for the Queens Gift Prospect area later in the field season following priority drill programmes on the Ewen and Isa West Project tenements.



Queens Gift: Diamond drilling

**Table 6:** Queens Gift diamond drill results

Drillhole	UTM		Azi (T)	Dip	TD (m)	Depth (m)		Interval (m)	U <sub>3</sub> O <sub>8</sub> * (ppm)
	East	North				From	To		
QGDC001	319412	7781533	354	-60	206.1	125	150	25	338
QGDC002	319497	7781314	354	-60	180.7	74	97	23	634
QGDC006	319502	7781233	060	-60	251.7	154	161	7	451

\* XRF Chemical Assays

The Directors consider that these early results from Queens Gift indicate the prospect has the potential to host an economically viable uranium deposit.



# REVIEW OF OPERATIONS

## NW QUEENSLAND JV

(DYL/Matrix Metals NW Uranium Joint Venture)

DYL commenced exploration on the joint venture tenements in November 2006 with RC percussion drill programmes over the Lochness and Miranda Prospects. In August 2007 DYL undertook the first of two helicopter-supported reconnaissance mapping and sampling programmes over the extensive joint venture tenement holdings which resulted in the delineation of drill targets throughout the tenements with the main cluster being within the Ewen EPM 14916 (see Figure 8) located 85 km north of Mt Isa.

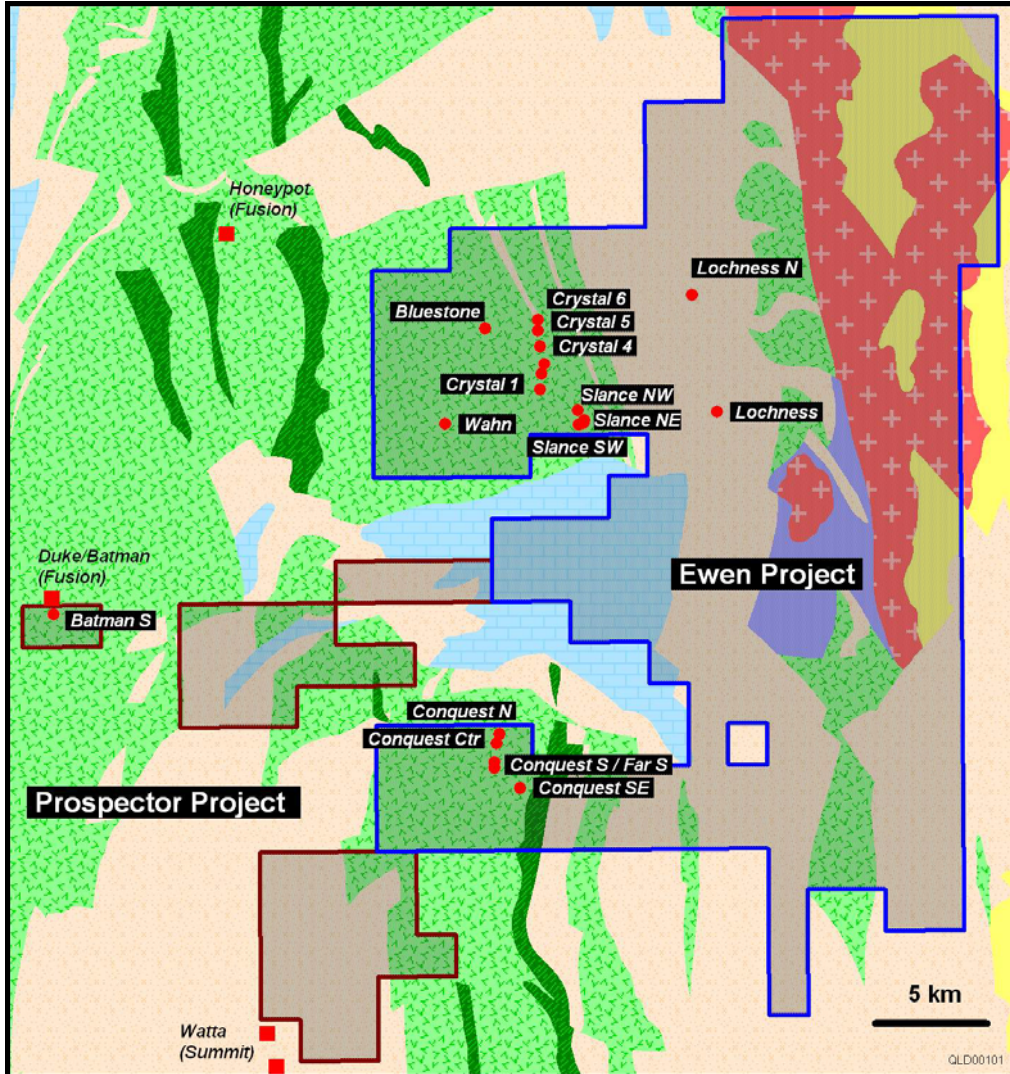


Figure 8: Ewen Project EPM 14916 - Prospect Locations

An initial and limited RC percussion drill programme on its Conquest Prospect returned highly encouraging assay results (ASX 2 January 2007). Previous exploration in the prospect area was carried out by Mineral Deposits Limited and Agip Nucleare (Agip) in the 1970s. Agip drilled 7 holes for 553 m, however selective assaying of drill core by Agip returned only narrow intercepts; the best being 4 m at 1,210 ppm  $U_3O_8$ .

Significant wide intercepts at Conquest were returned by DYL in late 2007 namely:

- Hole DCQRC-006 22 m at 575 ppm  $U_3O_8$  from 22 m
- Hole DCQRC-006 13 m at 723 ppm  $U_3O_8$  from 75 m

As follow-up to the 2007 results, the 2008 RC percussion drilling programme commenced in late July. XRF chemical assay results from the drilling (holes DCQRC008 - 010 drilled on the DCQRC006 section) confirm mineralisation over approximately 25-30 metre true width at shallow depth. The intersections of 14 m at 1,008 ppm  $U_3O_8$  and 12 m at 592 ppm  $U_3O_8$  in hole DCQRC010 are very encouraging and are typical of the Valhalla and Queens Gift style of uranium mineralisation. Holes DCQRC011 and 012 drilled 20 metre to the north of the main zone intersected narrower and lower grade mineralisation. The main intersection is open to the south and will be drilled.



## REVIEW OF OPERATIONS

XRF chemical assay results have also been received for holes DSRC009 and DSRC010 from the Slance North East prospect returning two major intercepts of 16 m at 427 ppm  $U_3O_8$  from 34 m and 19 m at 774 ppm  $U_3O_8$  from 51 m respectively.

Hole DSRC010 is a 20 metre 'step back hole' from DSRC009 i.e. an undercut hole confirming mineralisation extending to depth. Additional holes will be drilled in the prospect area as follow-up to the intersections. Both intersections occur within chlorite-albite-carbonate altered pyritic basalt  $\pm$  brecciation. This style of mineralisation is typical of the major uranium deposits of the area. To date this drilling has only tested the mineralisation to a vertical depth of 50 metre below surface.

Within EPM 14281 (Miranda) uranium mineralisation is hosted by chloritic shear zones developed through granite. Some of the wider intercepts returned in December 2007 indicate that the Miranda Prospect has tonnage potential. Further drilling is planned later in the 2008 field season.

Significant Miranda Prospect intercepts include in Hole DMRC-0008 2 m at 625 ppm  $U_3O_8$  from 3 m and Hole DMRC-0009 25 m at 654 ppm  $U_3O_8$  from 14 m.

### ISA WEST PROJECT

(Earning 100% of uranium rights from Xstrata)

In January 2008 DYL reached agreement with Mount Isa Mines Limited (a company within the Xstrata Group) (Xstrata) whereby DYL may (subject to a number of conditions) ultimately acquire 100% of the uranium rights over six tenements held by Xstrata. The tenements cover a total of 489 km<sup>2</sup> immediately west of the Mt Isa townsite/minesite (see inside back cover).

The six Exploration Permits for Minerals (EPMs) are known collectively as the Isa West Project and importantly they cover extensive basalt and sediment sequences of the prospective Haslingden Group which hosts the Valhalla and Skäl (Summit/Paladin) and Queens Gift (DYL) uranium deposits.



Figure 9: Historic prospects and radiometric anomalies Isa West Project

## REVIEW OF OPERATIONS

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During the 1970s and 1980s a number of companies carried out base metal and uranium exploration over the project area. DYL has selectively resampled and prospected using a number of trenches and a handheld spectrometer to confirm mineralised zones. XRF chemical assay for (horizontal) composite channel chip samples from the resampling of 'mineralised zones' have highlighted several highly anomalous zones.

At the Folderol North and South Prospects located within EPMs 13098 and 12886, the best interval returned (Folderol North) was from a zone of hematite-magnetite altered chloritic schist (sheared basalt) over 3.5 m assaying 3,409 ppm U<sub>3</sub>O<sub>8</sub>. At Folderol South best assays were 2 m at 5,700 ppm U<sub>3</sub>O<sub>8</sub> and 2 m at 4,100 ppm U<sub>3</sub>O<sub>8</sub>.

The best interval returned at Mothers Day was from a zone of magnetite altered dolerite containing patchy visible uranophane mineralisation over 4 m and assaying 8,557 ppm U<sub>3</sub>O<sub>8</sub>. At Turpentine best assays were 3 m at 1,414 ppm U<sub>3</sub>O<sub>8</sub> and 6 m at 1,031 ppm U<sub>3</sub>O<sub>8</sub> from epidote altered chloritic schist.

**Table 7: Isa West Project - composite chip sampling**

Tenement	Easting (mE) *	Northing (mN) *	Width (m)	U <sub>3</sub> O <sub>8</sub> ppm
<b>EPM 13098</b>				
Folderol North	336632	7716046	1.0	2,220
Folderol North	336629	7716041	1.8	1,947
Folderol North	336635	7715962	1.0	1,040
<b>EPM 12886</b>				
Folderol North	336605	7715824	3.5	3,409
Folderol North	336607	7715818	2.5	755
Folderol North	336599	7715811	2.5	1,344
Folderol South	336553	7715369	2.0	4,100
Folderol South	336554	7715495	2.0	1,800
Folderol South	336553	7715449	1.5	2,100
Folderol South	336561	7715477	2.0	5,700
<b>EPM 12886</b>				
Bambino	335610	7712403	3	995
Bambino	335578	7712477	1	1,191
Bambino	335601	7712598	3 x 3 area	1,022
Bambino	335615	7712390	2	1,046
Flat Tyre	336201	7716030	1.5	3,107
Flat Tyre	336186	7716006	1.5	9,585
Mothers Day	337212	7714946	1	1,294
Mothers Day	337202	7714938	4	1,269
Mothers Day	337293	7714766	4	8,557
Mothers Day	337293	7714787	3.5	1,383
Mothers Day	337323	7714726	5	592
Mothers Day	337334	7714714	2.5	1,735
Mothers Day	337265	7714896	0.9	6,416
Turpentine	335100	7713480	3	1,258
Turpentine	335104	7713485	5	337
Turpentine	335117	7713467	3	1,414
Turpentine	335142	7713412	6	1,031

\* Datum MGA Zone 54 / GDA 94

Based on the assay results and ground radiometric survey data an RC percussion drill programme has been designed to test the mineralised targets at depth. The prospects covering an area of 6 x 2 km have been cleared for drilling by the Kalkadoon Traditional Owners.



# REVIEW OF OPERATIONS

## NORTHERN TERRITORY

DYL's exposure to the highly prospective Tanami - Arunta uranium province totals approximately 36,070 km<sup>2</sup> (see inside back cover) comprising:

- 26 granted exploration licences covering 9,254 km<sup>2</sup> held 100%.
- 10 exploration licence applications covering 5,596 km<sup>2</sup> held 100%.
- 100% of the uranium rights to a further 21,220 km<sup>2</sup> of granted exploration licences and applications held by Tanami Gold NL (TGNL).

The target within the majority of the tenement areas is calcrete-hosted uranium mineralisation similar to DYL's Napperby deposit. The potential for this style of mineralisation occurring in buried (palaeo) channels can be rapidly assessed by airborne electromagnetic surveys and 1 to 2 km spaced shallow drill traverses. Other targets include roll-front uranium mineralisation at Nonouba 60 km to the west of the Angela-Pamela uranium deposits.

DYL has been constantly assessing and prioritizing target areas under granted tenure or applications within the Territory. Since early 2005 DYL has fully evaluated and 'relinquished' over 20,000 km<sup>2</sup> of unprospective ground (subject to the agreement with TGNL) and made application for 5,596 km<sup>2</sup> of new ground.

## NAPPERBY PROJECT

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

The Napperby Project is an historic mineralised zone discovered and explored by CRA Exploration and Uranerz in the late 70's early 80's. The project comprises an extensive, consistent mineralised zone within 3 to 7 metre depth from surface in semi-consolidated and unconsolidated sediments. The project is close to infrastructure, being 150 km NW of Alice Springs along the sealed section of the Tanami Highway, within 20 km the Alice Springs to Darwin gas pipeline and with access to the main N-S railway through Alice Springs.

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

As follow-up to DYL's 2006 drill programme which defined a JORC code compliant Inferred Mineral Resource of 1.9 million tonnes at 0.036% (360 ppm) U<sub>3</sub>O<sub>8</sub> for 670 tonne or 1.5 million pounds of U<sub>3</sub>O<sub>8</sub>, Toro completed an initial 2007 drilling program on the Napperby project and have announced an increased Inferred Mineral Resource<sup>‡</sup> compliant with the JORC code of 4.6 million tonnes at 305 ppm (0.031%) U<sub>3</sub>O<sub>8</sub> for 1,420 tonnes (3.13 million pounds) of contained uranium oxide (using a 200 ppm U<sub>3</sub>O<sub>8</sub> cut-off, see ASX Release 25 July 2008).

A more extensive resource drilling program was initiated in May 2008 with 7,500 metre of drilling completed so far (See Figure 10).

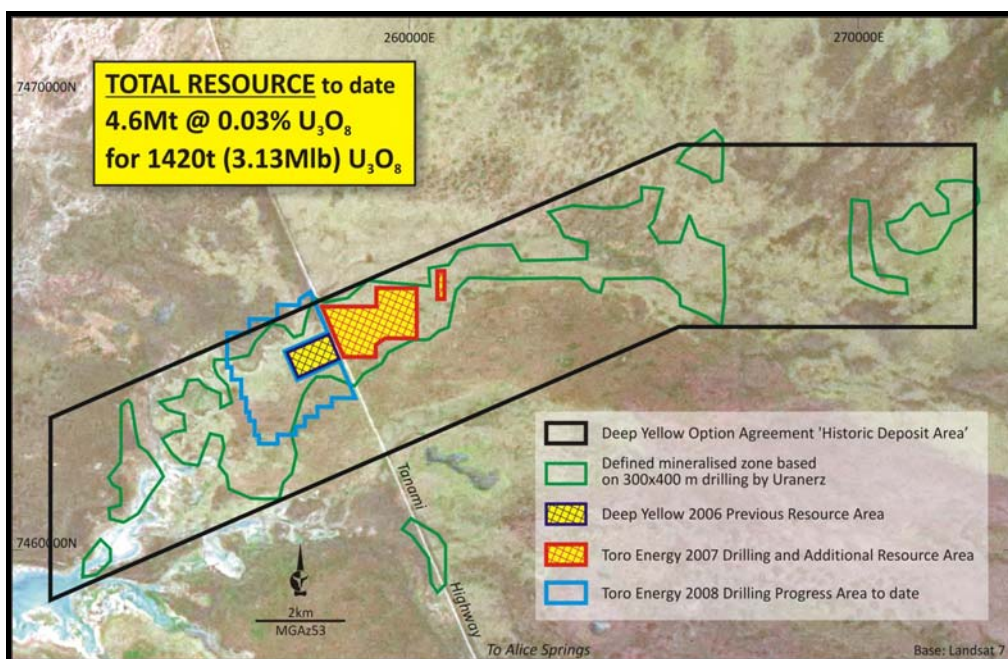


Figure 10: Plan of 2008 drilling to date compared to current resource area

<sup>‡</sup> This new resource total includes the previous JORC code resource delineated by DYL.



# REVIEW OF OPERATIONS

The 2008 gamma equivalent ( $eU_3O_8$ ) grades are indicating good continuity in the mineralised zone to the SW of the JORC resource area (Figure 10). Assay results from this drilling will be incorporated into a further resource update planned for December 2008. The deposit is still exhibiting a dominance of carnotite mineralisation within samples.

Although significant resource definition work is still required, the Boards and Management of both DYL and Toro are excited at the prospect of the Napperby project being advanced toward a potentially viable economic mine, particularly given current long term uranium prices and future industry demand projections.

## REYNOLDS RANGE PROJECT

The Reynolds Range Project comprises DYL's ELs 23923, 23924 and 23991 and the uranium rights in TGNL's EL 23888 and Select Resources Pty Ltd EL 23655. These granted tenements are subject to two Native Title agreements specifically for gold exploration.

An Exploration Agreement for uranium was signed in late 2007 and the Traditional Owners have cleared proposed drill areas ahead of a September start-up of aircore drilling. An airborne electromagnetic survey (AEM) has been completed over the project area. Results are pending.

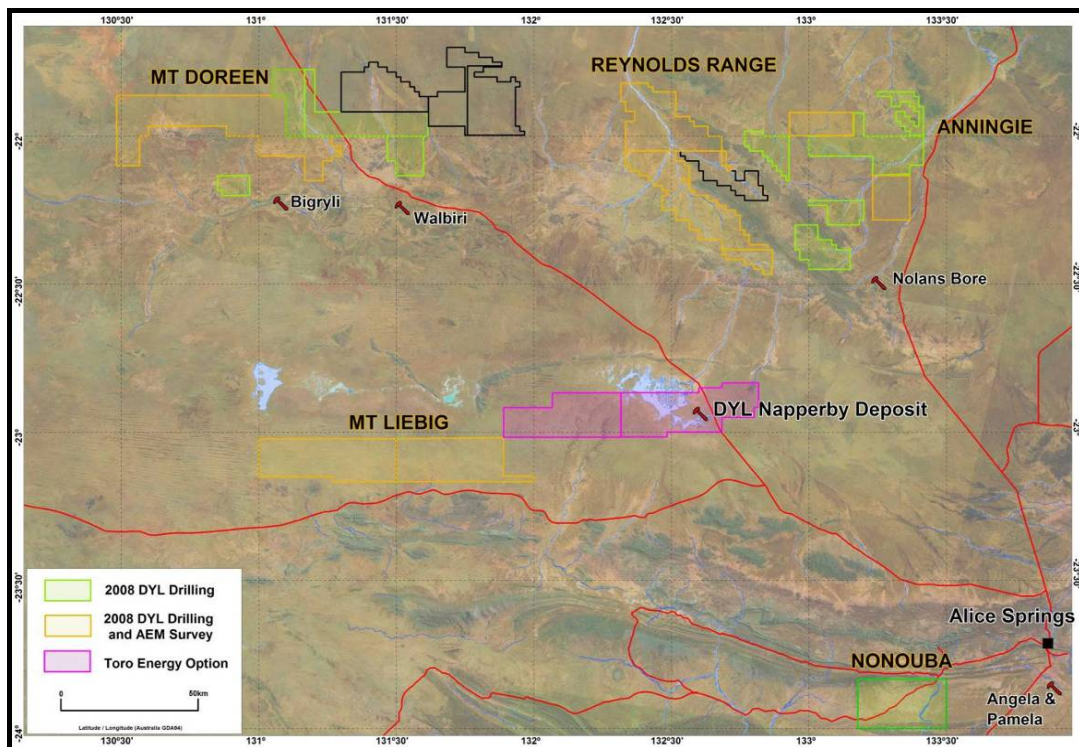


Figure 11: Planned AEM and drilling programmes, Alice Springs District

## Mt Liebig Project

The Mt Liebig Project located 250 km west-north-west of Alice Springs comprises two exploration licences contiguous to the south-west of the Napperby tenements. The target is shallow calcrete hosted uranium mineralisation as per Napperby and / or Tertiary sandstone hosted roll-front uranium mineralisation at depth.

A meeting with Traditional Aboriginal Owners to negotiate access for uranium exploration took place on the 21 November 2007. DYL has recently been informed that its proposal to explore for uranium and possible future mining has been accepted by the Traditional Aboriginal Owners and a draft agreement will be forwarded shortly. Permission has been received to fly an AEM survey over the tenements in August 2008 and a DYL field crew has completed a reconnaissance visit to check access for the proposed drill programme.

## Mt Doreen Project

The Mt Doreen Project tenements cover 150 km east-west to 20-25 km north-south tract of land located approximately 340 km northwest of Alice Springs. The tenements cover north-flowing drainages and target palaeochannels off both the 'hot' Southwalk Granite in the east and from the Bigryli uranium deposit in the central tenement area.

Selected areas within the tenements will be covered by an AEM survey. Field crews have established access for an aircore drill programme schedule to commence in late September.

## REVIEW OF OPERATIONS

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### NONOUBA

The Nonouba tenement EL 24547 covering 605 km<sup>2</sup> is located 70 km south-west of Alice Springs and was granted on 17 August 2007. The tenement lies 60 km west along strike from the Angela - Pamela uranium prospect.

The Nonouba ground was previously explored for uranium by Uranerz from 1972-1983. Uranerz identified two prospects, "Daria" and "Nonouba", and returned assays up to 1,900 ppm U<sub>3</sub>O<sub>8</sub> over 0.5 m, hosted by carbonaceous - pyritic Undandita Sandstone. The target is roll-front uranium mineralisation similar to the Angela-Pamela deposits.

DYL hopes to commence RC percussion drilling in October 2008 following site clearance by the Aboriginal Areas Protection Authority.

### TANAMI-ARUNTA PROJECT

2008 has seen increased activity by DYL in the Northern Territory following access agreements being signed over prospective tenement areas. DYL is now well positioned to continue exploration into 2009 with:

- An operational base in Alice Springs
- Defined projects cover 14,850 km<sup>2</sup>
- 100% rights to uranium within Tanami Gold's tenements covering an additional 21,220 km<sup>2</sup>
- Ongoing CLC and Landowner negotiations for access to prospective areas

### NEW SOUTH WALES

#### TARLTALA PROJECT

(DYL 90%, Siberia Mining Corporation 10%)

DYL has acquired a 90% interest in EL 6573 Tarltarla located 80 km north-west of Broken Hill on the New South Wales/South Australian border. The tenement totalling 360 km<sup>2</sup> covers the contact zone between Curnamona Craton and the Willyoma Province (Broken Hill).

DYL is targeting IOCGU mineralisation in basement terrane beneath 150-250 metre of Tertiary and Cretaceous sediment cover of the Frome Basin. DYL has completed an AEM survey over the tenement and is considering a detail gravity survey ahead of 2,000 metre of RC drilling.

# REVIEW OF OPERATIONS

## SOUTH AUSTRALIA

### WESTERN GAWLER PROJECT

(DYL 50% can earn 100% of uranium rights)

In February 2006 DYL reached agreement with Dominion Gold Operations Pty Ltd, a wholly owned subsidiary of Dominion Mining Limited (Dominion) to acquire the uranium rights (100%) to seven exploration licences (see Figure 12) covering 5,702 km<sup>2</sup> in the Western Gawler Province.

Despite being relatively unexplored, the Tertiary palaeochannel systems in the district are known to host several uranium deposits including the Yarranna 1-4 Deposits (Narlaby Palaeochannel) and the Wynbring, Ealbara and Warrior Deposits (Kingoonya Palaeochannel). Indications of anomalous radioactivity are widespread within the region with uranium mineralisation believed to have been derived from the weathering of crystalline Proterozoic rocks and emplaced at suitable redox boundaries within the overlying sedimentary cover. In general, palaeochannel and mineralisation style resembles that seen at Honeymoon (Curnamona Province) where mineralisation is hosted by carbonaceous Eocene sands and blanketed by Miocene clays.

In September 2006 DYL flew an airborne electromagnetic (AEM) survey over the main tenement block south of the Challenger Mine. The AEM survey data provided excellent definition of palaeochannels ahead of a planned aircore drilling programme.

Following clearance for its drilling programme from the Antakirinja Matu - Yankunytjatjara Native Title Claimants in early June, DYL commenced an initial pass of aircore drilling with 145 holes for 9,856 metre being drilled. These holes were sited along existing lines of access or where natural access permitted. Hole spacing varied from 500 m to 1 km, with hole depths ranging from 80 to 110 metre.

Lithologies intersected included surficial channel sands; carbonaceous-lignitic clays; basinal clays, claystones and various metamorphic basement rocks. Most holes were radiometrically logged downhole and drill cuttings scanned with a hand-held scintillometer.

All of the targeted paleodrainages received some drill coverage, with the Mulgathing tributary of the Anthony Paleochannel receiving most attention. Only low order radiometric anomalism was detected. Assay results returned best values of 2 m at 43 ppm U<sub>3</sub>O<sub>8</sub> (Challenger Channel) 4 m at 22 ppm U<sub>3</sub>O<sub>8</sub> (Lake Anthony South Channel) and 2 m at 26 ppm U<sub>3</sub>O<sub>8</sub> (Mulgathing Trough area). Whilst these values are low, the associated host rocks are considered prospective and worthy of further drilling in order to try and locate lignite-hosted mineralisation and/or sandstone hosted roll front uranium mineralisation.

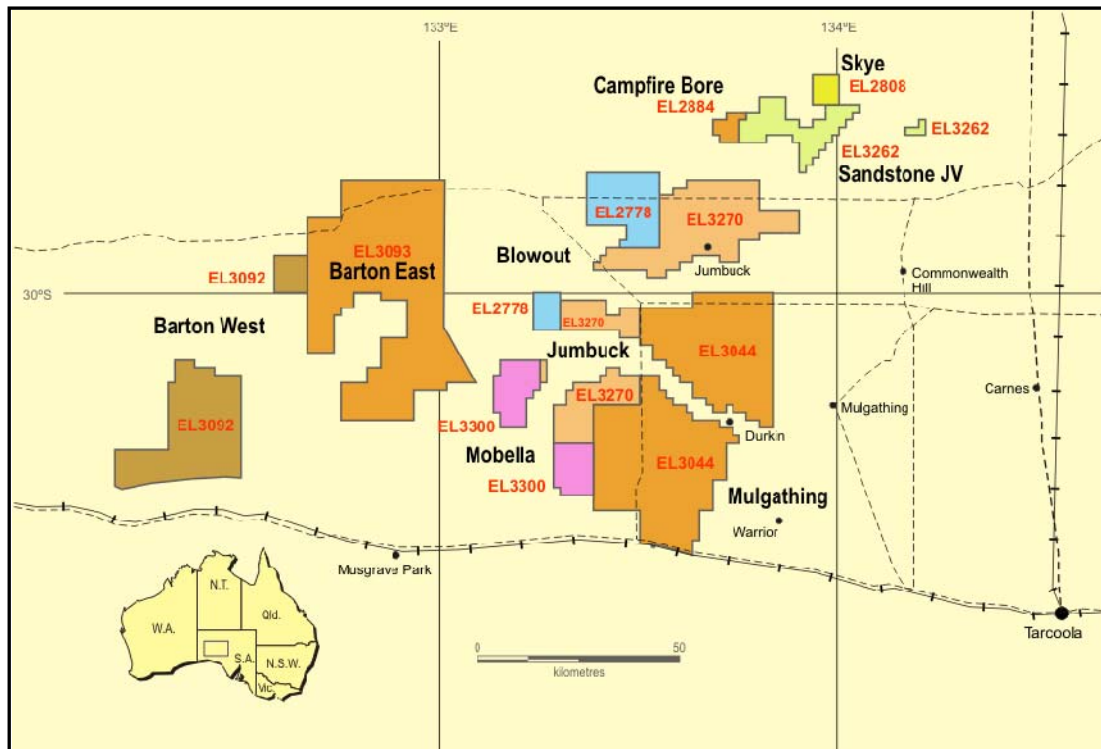


Figure 12: Western Gawler Project Tenements

In June 2008 a meeting was held with the Maralinga-Tjaruta Council with respect to access for drilling to EL's 3092 and 3093. Negotiations are still progressing.



# REVIEW OF OPERATIONS

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## DIVESTMENT

### DIVESTMENT OF NON-CORE ASSETS

In mid 2007 the DYL Board reviewed its portfolio of exploration projects Australia wide and resolved to consider the divestment of 'non-core' assets.

The Board's rationale for the sale of these non-core projects was to allow DYL to focus on its advanced exploration projects in Namibia, the Mt Isa district and other priority regional targets close to already established DYL bases throughout Australia. In addition DYL would endeavour to realise an immediate return in cash terms from the projects and deploy this cash to priority projects. Last but not least there is the opportunity to further benefit DYL's shareholders through the retention of a significant direct stake in each project and a retained equity interest with the purchaser.

The divestment resulted in a joint venture with Uranio Ltd on properties in Western Australia and South Australia and with Rum Jungle Uranium Ltd over tenements in the Northern Territory.

DYL is negotiating with unlisted Dragon Energy Ltd with respect to tenements in Queensland. In addition DYL has entered into agreement with WCP Resources Ltd over the phosphate potential on its Sherrin Creek EPM to the west of Mt Isa.

#### Uranio Limited Agreement

DYL entered into a JV agreement with Uranio Ltd (Uranio) over the Gardner Range, Ponton North and Anketell properties in Western Australia and the Siccus JV in South Australia. DYL received an initial payment of \$500,000 on signing the agreement.

With the admission of Uranio to the ASX (29 January 2008) a joint venture was formed with Uranio holding 70% and DYL 30% in the divestment tenements. In the case of the pre-existing Siccus JV, Uranio holds 70%, DYL 20% and Signature Resources retain their 10% holding. As part of the settlement Uranio issued DYL with 3,849,379 shares and 3,848,379 options plus \$500,000 in cash.

The balance of the consideration owing from Uranio is \$1 million in cash which is attracting interest at the official cash rate of The Reserve Bank of Australia plus 2%.

Uranio has over the last 12 months carried out drilling on the Siccus JV tenement and flown an airborne electromagnetic survey over the Ponton North project area.

Uranio is planning diamond and RC percussion drill programmes on the Gardner Range Project in Western Australia. The drilling is following-up on previously intersected mineralisation at the Don Prospect within E80/3275 where drilling in the 1980s returned 0.44 m at 1.5% U<sub>3</sub>O<sub>8</sub> from 40.5 m depth.

At the Ponton North Project in the Eastern Goldfields, Uranio will drill 3,500 metre aircore programme targeting uranium mineralisation within a palaeochannel system contiguous with the Mulga Rock uranium deposit.

Details of the projects and upcoming drill programmes can be found on the Uranio website at [www.uranio.com.au](http://www.uranio.com.au).

#### Rum Jungle Uranium Agreement

Deep Yellow reached agreement with Rum Jungle Uranium Limited (RJU) whereby RJU could enter into a Joint Venture with DYL on six exploration licences in the Alice Springs District (ELs 10360, 10401, 10404, 22918, 22923 and 25101 – ASX 30 August 2007).

RJU was admitted to the ASX on 21 November 2007 and in accordance with the Agreement they acquired 50% interest in six exploration licences.

The principal commercial terms were that RJU issue DYL with 2 million ordinary shares and 2 million options to acquire ordinary shares upon listing on the ASX so acquiring a 50% interest in the tenements. RJU can go on to earn a further 20% interest in the Joint Venture tenements by spending \$2 million on exploration within four years.

RJU is planning to commence drilling on the Arltunga (EL 22918) and Ambulindum (EL 10360) tenements following clearance from the Mines Department and the Central Land Council. Aircore drilling totalling 3,000 metre in 150 holes at Arltunga and 1,500 metre in 40 holes at Ambulindum is planned to commence in September 2008.

Details of the Alice Springs programme can be found on RJU's website at [www.rumjungleuranium.com.au](http://www.rumjungleuranium.com.au).

# REVIEW OF OPERATIONS

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## Dragon Energy IPO

The Company announced to the ASX (12 December 2007) that it had entered into an agreement with Dragon Energy Ltd (Dragon) whereby Dragon can acquire 75% of each of the DYL properties by sole funding expenditure on the tenements. Dragon will also have the opportunity to maximise its ownership of the properties in the future by paying for the proven in-ground resource.

The divestment tenement package comprises:

- Granted EPM's 15072, 15494 and 15249 and Application 16008 in North West Queensland
- Granted EPM's 15615, 15620, 15621, 15622 and 15624 in South East Queensland

Targets include shallow secondary uranium deposits associated with younger cover sequences to the Mt Isa Inlier basement rocks and uranium mineralisation in concealed Tertiary channels draining 'hot granites' in the Croydon district.

In the case of the Dulong Project in South East Queensland there is an opportunity to explore for roll-front uranium mineralisation in a buried palaeochannel setting as delineated by a recently flown airborne electromagnetic survey carried out by DYL.

The principal commercial terms are as follows:

### A. Consideration

1. The original payment of \$500,000 in cash upon listing has been modified to:
  - (a) Payment of A\$50,000 in cash (received).
  - (b) Payment of a further A\$50,000 in cash and the issue of 4,000,000 ordinary shares in Dragon with a deemed price of 20 cents. It is likely that the ordinary shares in Dragon will be held in escrow for 12 months.
2. During the Sole Funding Period, Dragon may earn a 75% interest in the Tenements by spending \$3,000,000.
3. If, during the Sole Funding Period, Dragon makes a discovery in the Tenements of a JORC Code compliant inferred mineral resource of at least an aggregate of 5,000 tonne of uranium oxide, Dragon will be deemed to have satisfied the earn-in requirements in Clause 2 above and to have earned a 75% legal and beneficial interest in the Tenements.

Given Dragon's objective of becoming a uranium explorer, DYL and its shareholders will benefit from Dragon's focused efforts as DYL will remain a stakeholder in the projects going forward.

Owing to the market downturn Dragon have deferred their proposed IPO listing until at least November 2008. In the meantime they are maintaining the Joint Venture tenements in good standing.

### Farm-Out of Rights to Non Uraniferous Minerals at Sherrin Creek

DYL's wholly owned subsidiary Superior Uranium Pty Ltd (Superior), entered into an agreement with WCP Resources Ltd (ASX Code: WCP) to provide WCP with the option to earn a 100% interest in all minerals (other than uranium and associated minerals) on the Company's Sherrin Creek Prospect (Queensland tenement EPM 16007).

The EPM 16007 tenement 70 km northwest of Mount Isa covers 351 km<sup>2</sup> in an area with phosphate deposits in the Georgina Basin, Queensland. WCP is particularly interested in extending known phosphate mineralisation on the EPM. Previous drilling on EPM 16007 returned encouraging intercepts of P<sub>2</sub>O<sub>5</sub> with hole Y105 containing 14.5 m of 12.93% P<sub>2</sub>O<sub>5</sub> from 16.8 m depth, including 9.9 m at 15.38% P<sub>2</sub>O<sub>5</sub> from 19 m depth; and hole SC27 containing 11.9 m at 15.41% P<sub>2</sub>O<sub>5</sub> from 33.8 m which includes 7.9 m at 21.71% P<sub>2</sub>O<sub>5</sub> from the same depth.

The terms of the agreement provide for WCP to earn a 100% interest in all minerals contained within EPM 16007, with the exception of any uranium and associated deposit minerals which shall remain 100% owned by DYL. Consideration for the earn-in comprises two tranches:

- an upfront payment of \$100,000, which has been satisfied by the issue of 1,325,590 ordinary shares in WCP (escrowed for twelve months); and
- an additional payment of \$250,000 worth of WCP's ordinary shares at a price equal to the Company's 5 day VWAP in the event it elects to retain its interest in twelve months time.

WCP is responsible to ensure that the statutory expenditure levels and annual work programs for the tenement are met.

# CORPORATE GOVERNANCE STATEMENT

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## INTRODUCTION

The Board strongly supports the establishment and ongoing development of a corporate governance framework to ensure that its practices are responsible and meet the needs of shareholders.

The Company operates in accordance with the principles of corporate governance as set out by the ASX Corporate Governance Council and as required by the ASX Listing Rules, it has not early adopted the Revised Governance Principles which have effect for the Financial Year commencing 1 July 2008. The Directors have implemented 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 all of which comply with the principles and recommendations of the ASX Corporate Governance Council unless otherwise stated.

### Corporate Governance Council Recommendation 1

#### *Role of the Board of Directors*

The Board guides and monitors the business and management of the Company on behalf of shareholders by whom they are elected and to whom they are accountable.

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 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 four scheduled meetings each year, plus any extraordinary meetings at such other times as may be necessary.

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 reviewed by the Chairman and the Managing Director.

### 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 shareholding 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 annual general meeting.

The Board is presently comprised of six members, four Non-Executive and two Executive.

- Mr Mervyn Greene - Chairman (Non-Executive)
- Dr Leon Pretorius - Managing Director
- Mr Martin Kavanagh - Executive Director
- Ms Gillian Swaby - Non-Executive
- Mr Rudolf Brunovs - Non-Executive Independent
- Mr Tony McDonald - Non-Executive Independent

Directors are expected to bring independent views and judgement to the Board's deliberations. Two of the Non-Executive Directors are 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 and Recommendations.

The Chairman is not independent and therefore the Company has not complied with recommendation 2.2 of the Corporate Governance Council. Two of the six Directors are considered to satisfy the test of independence as set out in the principles and recommendations. 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 STATEMENT

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The full Board carries out the functions of a Nomination Committee with the selection and appointment process for Directors involving all Directors. The Board considers that given the size and maturity of the Company and the importance of Board composition it is appropriate that all members of the Board participate in such decision making.

## 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:

- Responsibility to shareholders and the financial community
- Responsibility to third parties
- Employment practices
- Environment
- Community activities;
- Privacy;
- Confidential information
- Conflicts of interest;

#### *Securities 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 **Securities 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 prior to written consent being obtained from the Chairman or Managing Director.

#### *Directors' Disclosure Obligations*

The Board is committed to complying with ASX Listing Rules and best practices particularly with respect to the level and nature of information provided by Directors. The requirements including type of information and a timetable for disclosure was adopted in a **Directors' Disclosure Policy** approved by the Board on 29 May 2008.

The policy requires each of the Directors to provide continuous and timely disclosure to the Company of all dealings in Company securities in which the Director has a relevant interest. In this instance dealing is meant to include charging, pledging, lending, transferring or granting a right over the Company's securities.

## Corporate Governance Council Recommendation 4

### *Integrity in Financial Reporting*

The Board requires the Managing Director 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 performance and have been prepared in accordance with Australian accounting standards and the Corporations Act.

Until 7 August 2007, when an additional two Non-Executive Directors were appointed, the full Board fulfilled the role of an Audit Committee. An Audit Committee comprising of three of the four Non-Executive Directors was formed on the 7 August 2007. The members of the Audit Committee are listed in the Directors' details section of the Directors' Report.

The Audit Committee operates under a Charter (**Audit Committee Charter**). Their responsibilities include the appointment, compensation and oversight of the independent auditor and the review of the published financial reports.

The Board relies on Senior Executives to monitor the internal controls within the Company. Financial performance is monitored on a regular basis by the Managing Director who reports to the Board at the scheduled Board Meetings.

# CORPORATE GOVERNANCE STATEMENT

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## 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 ASX 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). In addition a 'user friendly' interactive Annual Report will be available on the website.

The website provides shareholders and others interested in the Company the opportunity to receive additional information by registering to receive by email press releases and other materials posted to the website.

Shareholders are able to pose questions on the audit process and the financial statements directly to the independent auditor who attends the Company Annual General Meeting for that purpose.

## Corporate Governance Council Recommendation 7

### *Recognise and Manage Risk*

#### *Risk management*

The Board is responsible for supervising management's framework of control and accountability systems to enable risk to be assessed and managed. The Company through the Board delegates day-to-day management of risk to the Managing Director. The Managing Director, with the assistance of senior management as required, has responsibility for identifying, assessing, treating and monitoring risks and reporting to the Board on risk management.

Key risk traits are identified and managed using the following tools:

- Business Risk Management

The Company manages its activities within budgets and operational and strategic plans.

- Internal Controls

The Board has implemented internal control processes typical for a Company of Deep Yellows size and stage of development. It requires senior executives to ensure the proper functioning of internal controls and in addition it obtains advice from the external auditors as considered necessary.

- Financial Reporting

Directors approve an annual budget for the Deep Yellow group and regularly review performance against budget.

- Operation Review

Members of the Board regularly visit the Company's exploration project areas to review the geological practices including the environmental and safety aspects of the operations.

# CORPORATE GOVERNANCE STATEMENT

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- Environment and Safety

The Company is committed to ensuring that sound environmental management and safety practices are carried out in its exploration activities. Significant resources have been focussed on establishing and maintaining a culture of best practice through the implementation of an Occupational Health and Safety Plan and an Environmental Management Plan. The Company as a uranium explorer has additional responsibilities that require the implementation of a Radiation Management Plan as part of the management of its Occupational Health and Safety policies. The Company uses external consultants to review its activities and to assist in maintaining a best practice approach to the issues surrounding Radiation Management.

To assist in the management of this risk the Board has adopted an **Occupational Health and Safety Policy, Environmental Policy and Ethics and Conduct Policy**, through which all employees and contractors are inducted.

## Corporate Governance Council Recommendation 8

### *Encourage Enhanced Performance*

#### *Performance review*

The Board has undertaken a formal review of its performance for the year ended 30 June 2008.

The process involves completion of individual questionnaires focused on Board process and structure as well as the effectiveness and contribution made by each Director. The responses are collated and discussed with a view to considering recommendations for improvement.

#### *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 Company's remuneration objective is to adopt policies, processes and practices to appropriately attract and retain appropriately qualified and experienced directors and executives who will add value to the Company and to adopt reward programs which are fair and responsible and in accordance with principles of good corporate governance. This dictates a need to align director and executive entitlements with shareholder objectives. The Board assesses the appropriateness of remuneration packages, given trends in comparative companies and the need for a balance between fixed remuneration and non-cash incentive remuneration.

Remuneration packages comprise fixed remuneration and may include bonuses or equity based remuneration entirely at the discretion of the Board. Remuneration packages are reviewed by the Remuneration Committee. The process consists of a review of company, individual performance and relevant comparative remuneration externally and internally.

The Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing the overall remuneration philosophy, strategy, plans, policies and procedures to implement the remuneration objective. It also reviews and makes recommendations as to the makeup of the remuneration packages for the directors and executives.

Until 7 August 2007, when an additional two Non-Executive Directors were appointed, the full Board fulfilled the role of a Remuneration Committee. A Remuneration Committee comprising all four Non-Executive Directors was formed on 7 August 2007 and operates under a Charter (**Remuneration Committee Charter**).

## Corporate Governance Council Recommendation 10

### *Recognise the Legitimate Interests of Stakeholders*

The Board acknowledges and supports the rights of stakeholders and has adopted an Ethics and Conduct Policy which is detailed above under the Corporate Governance Council Recommendation 3.



# DIRECTORS' REPORT

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The Directors present their report on Deep Yellow Limited and the entities it controlled at the end of, and during the year ended 30 June 2008 (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.

**Mervyn Greene MA (Maths) BAI (Engineering) MBA  
Chairman (Elected Chairman 7 August 2007)**

Mr Greene is an investment banker and entrepreneur who has worked in the US, Europe and Africa for more than 20 years. Between 1997 and 2005 Mr Greene was the London based partner of Irwin Jacobs Greene (IJG), one of Namibia's premier stockbroking, private equity and corporate finance advisory firms. As part of its business IJG was 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 and is involved in a non-executive capacity in a number of public and private businesses in Ireland and the UK. In the early stages of his career, before doing an MBA in the London Business School in 1992, Mr Greene worked for Morgan Stanley in New York and London.

Mr Greene is a member of the Board's Remuneration Committee.

**Dr Leon Pretorius BSc BSc (Hons) MSc PhD FAusIMM (CP) MAIG PrNatSci  
Managing Director (resigned as Executive Chairman 7 August 2007)**

Dr Pretorius is a Geochemist and brings to the Company 38 years experience and an intimate knowledge of the uranium industry in both Australia and Southern Africa, including MSc and PhD degrees in uranium research. He has worked in Africa, Canada, the United States of America and Europe in a variety of roles. He has also been involved with Paladin Energy Limited for the past seven years, firstly as an Executive Director of Paladin Energy Limited until 12 April 2005 and still as a Non-Executive Director of their Namibian operating mining company Langer Heinrich Uranium (Pty) Limited.

**Martin Kavanagh BSc (Hons) FAusIMM MAIG  
Executive Director**

Mr Kavanagh is an exploration geologist with considerable experience acquired through extensive fieldwork, research and management of Australia-wide and offshore programmes. 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 38 years. Mr Kavanagh was also a Non-Executive Director of Tanami Gold NL until 31 July 2007.

**Gillian Swaby BBus FCIS FAICD  
Non-Executive Director**

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 Energy Limited and was a member of the Paladin Energy Limited Board for a period of nine years, resigning on 1 February 2003.

Ms Swaby is a member of the Board's Audit Committee and the Remuneration Committee.

**Rudolf Brunovs FCA FCPA FAICD MBA  
Non-Executive Director (appointed 7 August 2007)**

Mr Brunovs is a former audit partner of the International Chartered Accounting firm Ernst & Young and practiced in a number of offices in Australia and overseas. For a total period of twelve years he held the position of Managing Partner of the Parramatta NSW and subsequently the Perth office of the firm. He has had no involvement in the Deep Yellow Limited audit whilst a partner at Ernst & Young. He was a member of the Minerals and Energy Division with Ernst & Young. Mr Brunovs is also a Director of the Lions Eye Institute Ltd.

Mr Brunovs is Chairman of the Board's Audit Committee and a member of the Remuneration Committee.

**Tony McDonald LLB  
Non-Executive Director (appointed 7 August 2007)**

Mr McDonald is a lawyer and has been in private practice in Queensland for over 20 years. He has been a legal advisor to a number of resource based listed and unlisted companies and has been a director and corporate secretary of ASX listed companies. He is presently a Non-Executive Director of Planet Gas Limited and Industrea Limited. He was a Director of Kings Minerals NL resigning on 27 March 2007.

Mr McDonald is Chairman of the Board's Remuneration Committee and a member of the Audit Committee.

# DIRECTORS' REPORT

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## Company Secretary

### Mark Pitts *BBus CA*

Mr Pitts is a Chartered Accountant with over 25 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. He is a Partner in the corporate advisory firm Endeavour Corporate providing company secretarial support; corporate and compliance advice to a number of ASX listed public companies.

## Directors' Interests

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

<i>Director</i>	<i>Directors' Interests in Ordinary Shares</i>	<i>Directors' Interests in Unlisted Options</i>
Mervyn Greene	74,316,667	3,000,000
Leon Pretorius	72,616,124	12,500,000
Martin Kavanagh	487,500	15,000,000
Gillian Swaby	41,122,570	3,000,000
Rudolf Brunovs	125,000	-
Tony McDonald	866,666	-

Included in the Directors' interests in unlisted options are the following unlisted options that have vested and are able to be exercised.

<i>Director</i>	<i>Number of options</i>	<i>Exercise price</i>
Mervyn Greene	3,000,000	55.1 cents
Leon Pretorius	5,000,000	55.1 cents
Martin Kavanagh	3,000,000	21.1 cents
Martin Kavanagh	2,000,000	31.1 cents
Martin Kavanagh	5,000,000	55.1 cents
Gillian Swaby	3,000,000	55.1 cents

## Directors' Meetings

The number of meetings of the Company's Directors held during the year ended 30 June 2008, whilst each Director was in office, and the number of meetings attended by each Director were:

<i>Director</i>	<i>Board of Directors' Meetings</i>	
	<i>Eligible to Attend</i>	<i>Attended</i>
Mervyn Greene	8	8
Leon Pretorius	8	7
Martin Kavanagh	8	8
Gillian Swaby	8	8
Rudolf Brunovs	7	7
Tony McDonald	7	7

## Audit Committee Meetings

The number of meetings of the Audit Committee held during the year ended 30 June 2008, whilst each Member was in office, and the number of meetings attended by each Member were:

<i>Director</i>	<i>Audit Committee Meetings</i>	
	<i>Eligible to Attend</i>	<i>Attended</i>
Gillian Swaby	2	1
Rudolf Brunovs	2	2
Tony McDonald	2	2

## Remuneration Committee Meetings

The number of meetings of the Remuneration Committee held during the year ended 30 June 2008, whilst each Member was in office, and the number of meetings attended by each Member were:

<i>Director</i>	<i>Remuneration Committee Meetings</i>	
	<i>Eligible to Attend</i>	<i>Attended</i>
Mervyn Greene	5	5
Gillian Swaby	5	4
Rudolf Brunovs	5	5
Tony McDonald	5	5

# DIRECTORS' REPORT

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## Principal Activities

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

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 \$3,804,149 (2007: loss \$2,791,135).

## 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*

A detailed review of the Group's operations in each of the key regions is set out in the 'Review of Operations' on pages 3 to 25 in this Annual Report.

### *Financial Position*

At the end of the financial year the Group had \$57,055,701 (2007: \$24,151,130) in cash and at call deposits. Capitalised mineral exploration and evaluation expenditure carried forward was \$96,519,814 (2007: \$88,193,438).

The Group has net assets of \$154,878,555 (2007: \$115,260,035).

## Significant Changes in the State of Affairs

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

- Conditions precedent to an option agreement with Toro Energy Limited (Toro) whereby Toro can farm-in and purchase the Napperby Uranium Project in the Northern Territory by paying DYL an amount based on the agreed JORC resources (or, if acquired prior to full conversion to JORC standard, 13.2 million pounds) and 8% of the spot US\$ uranium price within a band of A\$4.50 and A\$6.00 per pound U<sub>3</sub>O<sub>8</sub> were satisfied 20 July 2007. At Toro's election the consideration may be any combination of cash and shares;
- The Company closed a non-renounceable entitlement issue on 20 July 2007 after receiving acceptances for 53,228,125 ordinary shares at 50 cents each raising \$26,614,062, the shortfall of 31,673,949 shares were placed with Paladin Energy Limited at 50 cents each raising a further \$15,836,975;
- On 19 November 2007 the Company completed the sale of a 50% interest in various Northern Territory projects to Rum Jungle Uranium Limited, on that company's successful listing on the Australian Securities Exchange;
- On 21 January 2008 the Company announced an agreement with Mount Isa Mines Limited to earn in to the uranium rights on several Mt Isa tenements;
- On 22 January 2008 the Company completed the sale of a 70% interest in all of its Western Australian projects and the Siccus Joint Venture in South Australia to Uranio Limited, on that company's successful listing on the Australian Securities Exchange;
- On 23 January 2008 the Company was formally admitted to the Namibian Stock Exchange as a secondary listing.

## Options Over Unissued Capital

### *Unlisted Options*

During and since the end of the financial year the Company granted 37,650,000 unlisted options over unissued shares and issued 12,500,000 ordinary fully paid shares on the exercise of options. During the financial year 4,900,000 options lapsed unexercised upon vesting conditions not being satisfied by the holders.

## DIRECTORS' REPORT

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

<i>Number of Options Granted</i>	<i>Exercise Price</i>	<i>Expiry Date</i>	<i>Vesting Period</i>
3,000,000	21.1 cents	31 December 2008	Nil
2,000,000	31.1 cents	31 December 2008	Nil
16,000,000	55.1 cents	30 November 2009	Nil
2,912,500	44.6 cents	31 December 2009	Now vested
787,500	64.6 cents	30 June 2010	18 months from employment date
2,812,500	59.6 cents	31 December 2010	26 June 2009
6,250,000	59.5 cents	30 November 2010	21 December 2008
6,250,000	59.5 cents	30 November 2010	21 December 2009
1,375,000	27.5 cents	30 June 2011	01 December 2008
787,500	74.6 cents	30 June 2011	07 December 2009
5,005,000	27.5 cents	30 June 2011	01 December 2008
5,005,000	40.0 cents	30 June 2011	01 December 2009
3,820,000	45.0 cents	30 June 2011	01 June 2009
3,820,000	60.0 cents	30 June 2011	01 June 2010
3,675,000	27.5 cents	31 December 2011	01 June 2009
<b>63,500,000</b>			

Unlisted options issued to Directors, employees and consultants are subject to various vesting conditions as above.

The holders of unlisted options are not entitled to any voting rights nor may they participate in any share issue of the Company until the options are exercised.

### **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 that regulate its exploration activities in Australia and Namibia. These licences include conditions and regulations with respect to the rehabilitation of areas disturbed during the course of the Group's exploration activities.

At the date of this report no agency has notified the Group of any environmental breaches during the financial year nor are the Directors aware of any environmental breaches.

### **Remuneration Report (Audited) (30 June 2008 year ends)**

#### ***Remuneration Policy***

This Remuneration Report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the parent Company.

The Company's remuneration objective is to adopt policies, processes and practices to appropriately attract and retain Directors and executives who will add value to the Company and to adopt reward programs which are fair and responsible and in accordance with principles of good corporate governance. This dictates a need to align director and executive entitlements with shareholder objectives.

The Board has appointed a Remuneration Committee to assist it in its determination of levels and components of remuneration packages. The Remuneration Committee consists only of non-executive directors.



## DIRECTORS' REPORT

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At the date of this report, the Company has not entered into any agreements with 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 above the market price of the Company's shares at the time of issue of the options. 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.

### **Key Management Personnel**

#### *(a) Directors*

The following persons were Directors of the Company during the financial year:

- (i) Managing Director (resigned as Executive Chairman 7 August 2007)  
Dr Leon Pretorius
- (ii) Executive Director  
Martin Kavanagh
- (iii) Non-Executive Directors  
Mervyn Greene (elected Chairman on 7 August 2007)  
Gillian Swaby  
Rudolf Brunovs (appointed 7 August 2007)  
Tony McDonald (appointed 7 August 2007)

#### *(b) Executives*

- (i) Company Secretary  
Mark Pitts
- (ii) Exploration Manager - Australia  
Alexander Moyle (appointed 4 February 2008)

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.

Other than the appointments stated above, there were no changes of Key Management Personnel between the reporting date and the date the financial report was authorised for issue.

### **Remuneration Committee**

The Remuneration Committee is responsible for reviewing the overall remuneration philosophy, strategy, plans, policies and procedures to implement the remuneration objective. It also reviews and makes recommendations as to the makeup of the remuneration packages for the directors and executives.

In making recommendations to the Board the Remuneration Committee may take independent advice, and did so during the reporting period. The Remuneration Committee considers the status of the Company and the stage of development of its assets, the skill sets required of the directors and executives, trends in comparative ASX listed companies both locally and internationally and the need for a balance between fixed remuneration and non-cash incentive remuneration. The process includes a review of company and individual performances, broad market remuneration data and relevant comparative remuneration externally and internally.

### **Non-Executive Director Remuneration**

The Constitution and the ASX Listing Rules specify that the remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting held on 28 November 2007 when shareholders approved a total of \$250,000 per annum to be apportioned between the Non-Executive Directors as determined by the Board.

## DIRECTORS' REPORT

### *Details of Remuneration for Directors and Executive Officers*

The Company Secretary, Mr Mark Pitts and Australian Exploration Manager, Mr Alexander Moyle have been included in remuneration disclosures in this report.

During the year there were no other executives which were employed by the Group for whom disclosure is required. Details of the remuneration of each Director of the Group are as follows:

2008	Short Term		Post Employment	Share Based Payments	Total
	Base Emolument	Other Benefits	Superannuation Contributions	Value of Options	
	\$	\$	\$	\$	\$
<b>Directors</b>					
L Pretorius	-	275,000	-	861,000	1,136,000
M Kavanagh	223,626	-	20,131	574,000	817,757
G Swaby	50,000	-	4,500	-	54,500
M Greene (i)	69,488	-	-	-	69,488
R Brunovs (ii)	49,958	-	-	-	49,958
T McDonald (iii)	49,958	-	-	-	49,958
<b>Executives</b>					
M Pitts	120,000	-	-	32,513	152,513
A Moyle (iv)	87,500	-	7,875	296,825	392,200
<b>Total</b>	<b>650,530</b>	<b>275,000</b>	<b>32,506</b>	<b>1,764,338</b>	<b>2,722,374</b>

(i) Elected Chairman 7 August 2007

(ii) Appointed 7 August 2007

(iii) Appointed 7 August 2007

(iv) Commenced 4 February 2008

2007	Short Term		Post Employment	Share Based Payments	Total
	Base Emolument	Other Benefits	Superannuation Contributions	Value of Options	
	\$	\$	\$	\$	\$
<b>Directors</b>					
L Pretorius	-	192,150	-	812,500	1,004,650
M Kavanagh	181,154	-	16,302	812,500	1,009,956
G Swaby	40,000	-	3,600	487,500	531,100
M Greene	23,331	-	-	487,500	510,831
R Brunovs	-	-	-	-	-
T McDonald	-	-	-	-	-
<b>Executives</b>					
M Pitts	60,000	-	-	237,525	297,525
<b>Total</b>	<b>304,485</b>	<b>192,150</b>	<b>19,902</b>	<b>2,837,525</b>	<b>3,354,062</b>

### *Service Agreements*

The group has the following service agreements with Key Management Personnel:

An agreement with Opaline Gold (Pty) Limited dated 25 June 2007, for consultancy services from Dr L Pretorius has no fixed term. Professional fees under the contract are \$275,000 per annum and may be increased or decreased after assessment by the Board of the performance of the Executive and the Group. Termination of the contract by the Group will result in a payment equivalent to 24 months consultancy fees.

An employment agreement with Mr M Kavanagh dated 25 June 2007, having no fixed term. Remuneration under the contract was \$223,626 for the year ended 30 June 2008, plus statutory superannuation and may be increased or decreased after assessment by the Board of the performance of the Executive and the Group. Termination of the contract by the Group will result in a payment equivalent to 24 months remuneration.

## DIRECTORS' REPORT

### Unlisted Options

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

The value of options set out in the remuneration table above for 2008 relates to 13,650,000 options granted during the financial year. The options were independently valued using a binomial option valuation methodology.

30 June 2008	Granted		Terms & Conditions for each Grant						Vested	
	Number of options	Total value of options granted (\$)	Grant Date	Fair Value per option at grant date (cents)	Exercise price per option (cents)	Expiry date	First Exercise Date	Last Exercise Date	Number	%
<b>Directors</b>										
L Pretorius	7,500,000	861,000	28.11.07	11.48	59.5	30.11.10	28.11.08	30.11.10		
M Kavanagh	5,000,000	574,000	28.11.07	11.48	59.5	30.11.10	28.11.08	30.11.10		
<b>Executives</b>										
M Pitts	75,000	17,108	26.02.08	22.81	27.5	30.06.11	01.12.08	30.06.11	750,000	50
M Pitts	75,000	15,405	26.02.08	20.54	40.0	30.06.11	01.12.09	30.06.11		
A Moyle	250,000	57,025	28.02.08	22.81	27.5	30.06.11	01.12.08	30.06.11		
A Moyle	250,000	51,350	28.02.08	20.54	40.0	30.06.11	01.12.09	30.06.11		
A Moyle	500,000	98,950	28.02.08	19.79	45.0	30.06.11	01.06.09	30.06.11		
A Moyle	500,000	89,500	28.02.08	17.90	60.0	30.06.11	01.06.10	30.06.11		
<b>Total</b>	<b>14,150,000</b>	<b>1,764,338</b>								

30 June 2007	Granted		Terms & Conditions for each Grant						Vested	
	Number of options	Total value of options granted (\$)	Grant Date	Fair Value per option at grant date (cents)	Exercise price per option (\$)	Expiry date	First Exercise Date	Last Exercise Date	Number.	%
<b>Directors</b>										
L Pretorius	5,000,000	812,500	21.12.06	16.25	55.1	30.11.09	21.12.06	30.11.09	5,000,000	100
M Kavanagh	5,000,000	812,500	21.12.06	16.25	55.1	30.11.09	21.12.06	30.11.09	5,000,000	100
G Swaby	3,000,000	487,500	21.12.06	16.25	55.1	30.11.09	21.12.06	30.11.09	3,000,000	100
M Greene	3,000,000	487,500	21.12.06	16.25	55.1	30.11.09	21.12.06	30.11.09	3,000,000	100
<b>Executives</b>										
M Pitts	750,000	116,175	27.12.06	15.49	45.0	31.12.09	26.04.07	31.12.09		
M Pitts	750,000	121,350	27.12.06	16.18	60.0	31.12.10	26.04.08	31.12.10		
<b>Total</b>	<b>17,500,000</b>	<b>2,837,525</b>								

### Options granted as part of remuneration

30 June 2008	Value of options granted during the year (\$)	Value of options exercised during the year (\$)	Value of options lapsed during the year (\$)	Total value of options granted, exercised and lapsed during the year (\$)	Remuneration consisting of options for the year
L Pretorius	861,000	-	-	861,000	75.8%
M Kavanagh	574,000	-	-	574,000	70.2%
G Swaby	-	-	-	-	Nil%
M Greene	-	-	-	-	Nil%
R Brunovs	-	-	-	-	Nil%
T McDonald	-	-	-	-	Nil%
M Pitts	32,513	-	-	32,513	21.31%
A Moyle	296,825	-	-	296,825	75.68%
<b>Total</b>	<b>1,764,338</b>			<b>1,764,338</b>	

## DIRECTORS' REPORT

30 June 2007	<i>Value of options granted during the year (\$)</i>	<i>Value of options exercised during the year (\$)</i>	<i>Value of options lapsed during the year (\$)</i>	<i>Total value of options granted, exercised and lapsed during the year (\$)</i>	<i>Remuneration consisting of options for the year</i>
L Pretorius	812,500	-	-	812,500	80.9%
M Kavanagh	812,500	-	-	812,500	80.4%
G Swaby	487,500	-	-	487,500	91.8%
M Greene	487,500	-	-	487,500	95.4%
M Pitts	237,525	-	-	237,525	79.8%
<b>Total</b>	<b>2,837,525</b>			<b>2,837,525</b>	

The options were provided at no cost to the recipients.

### 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 and the Company Secretary named in this report.

The Directors and Officers Liability insurance provides cover against all costs and expenses that may be incurred in defending civil 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 entered into any agreement to indemnify any auditor of the Group.

### 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 2008 financial year Ernst & Young, the Company's auditor, has not provided non audit services in addition to their statutory duties.

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
Audit and review of the Group's financial statements	72,257	37,947	58,230	36,330
Taxation and other services	-	-	-	-
	<b>72,257</b>	<b>37,947</b>	<b>58,230</b>	<b>36,330</b>

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act is set out on page 38.

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

DATED at Perth this 25<sup>th</sup> day of September 2008.

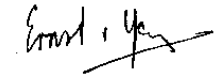


**Dr Leon Pretorius**  
Managing Director



**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 financial year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



R A Kirkby  
Partner  
Perth  
25 September 2008

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## INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	Note	Consolidated		Company	
		2008 \$	2007 \$	2008 \$	2007 \$
Revenue	5(a)	4,282,266	1,150,931	3,789,344	999,022
Other income	5(b)	4,603,674	913,804	4,603,170	913,804
<b>Revenue</b>		<b>8,885,940</b>	<b>2,064,735</b>	<b>8,392,514</b>	<b>1,912,826</b>
Depreciation and amortisation expenses	6	(461,000)	(431,848)	(344,490)	(427,943)
Marketing expenses		(52,423)	(14,134)	(44,711)	(12,158)
Occupancy expenses		(135,303)	(106,622)	(103,907)	(64,760)
Administrative expenses		(476,705)	(413,485)	(335,776)	(350,821)
Employee expenses	6	(3,540,641)	(3,265,873)	(2,077,569)	(3,090,436)
Finance costs		(642)	(112)	(642)	(112)
Corporate and other expenses		(346,785)	(307,425)	(346,626)	(306,144)
Exploration costs expensed	14	(115,242)	(192,968)	(115,242)	(192,968)
Impairment expense and fair value movement	6	(2,649,317)	-	(2,649,317)	-
Provision for non recovery of loan		-	-	470,282	(470,282)
<b>Net profit/(loss) before income tax</b>		<b>1,107,882</b>	<b>(2,667,732)</b>	<b>2,844,516</b>	<b>(3,002,798)</b>
Income tax expense	7	(4,912,031)	(123,403)	(4,802,948)	(137,503)
<b>Loss after income tax</b>	19	<b>(3,804,149)</b>	<b>(2,791,135)</b>	<b>(1,958,432)</b>	<b>(3,140,301)</b>
Earnings per share for loss attributable to the ordinary equity holders of the company.					
		Cents	Cents		
Basic earnings/(loss) per share	31	<u>(0.35)</u>	<u>(0.34)</u>		
Diluted earnings/(loss) per share	31	<u>(0.35)</u>	<u>(0.34)</u>		

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

## BALANCE SHEET AS AT 30 JUNE 2008

	Note	Consolidated		Company	
		2008 \$	2007 \$	2008 \$	2007 \$
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	8	57,055,701	24,151,130	54,614,411	17,856,841
Trade and other receivables	9(a)	2,324,774	1,434,620	1,759,486	1,379,792
Other financial assets	9(b)	557,862	233,297	108,370	74,634
Held for trading financial assets	10	580,688	-	580,688	-
<b>Total current assets</b>		<b>60,519,025</b>	<b>25,819,047</b>	<b>57,062,955</b>	<b>19,311,267</b>
<b>Non-current assets</b>					
Investments in controlled entities at cost	11(a)	-	-	59,868,146	57,868,146
Loans to controlled entities	11(b)	-	-	8,501,344	5,895,469
Available-for-sale investments	12	1,915,612	-	1,915,612	-
Property, plant and equipment	13	2,482,727	1,815,317	1,196,324	921,813
Capitalised mineral exploration and evaluation expenditure	14	96,519,814	88,193,438	33,473,394	31,770,468
Intangible assets	15	-	1,311,797	-	1,311,797
<b>Total non-current assets</b>		<b>100,918,153</b>	<b>91,320,552</b>	<b>104,954,820</b>	<b>97,767,693</b>
<b>Total assets</b>		<b>161,437,178</b>	<b>117,139,599</b>	<b>162,017,775</b>	<b>117,078,960</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	16	1,387,900	1,620,872	611,558	1,546,133
Loans from controlled entities		-	-	794,760	-
<b>Total current liabilities</b>		<b>1,387,900</b>	<b>1,620,872</b>	<b>1,406,318</b>	<b>1,546,133</b>
<b>Non-Current liabilities</b>					
Deferred tax liabilities	7	5,170,723	258,692	2,481,099	272,792
<b>Total non-current liabilities</b>		<b>5,170,723</b>	<b>258,692</b>	<b>2,481,099</b>	<b>272,792</b>
<b>Total liabilities</b>		<b>6,558,623</b>	<b>1,879,564</b>	<b>3,887,417</b>	<b>1,818,925</b>
<b>Net assets</b>		<b>154,878,555</b>	<b>115,260,035</b>	<b>158,130,358</b>	<b>115,260,035</b>
<b>EQUITY</b>					
Contributed equity	17	191,084,094	148,724,632	191,084,094	148,724,632
Accumulated losses	19	(41,039,832)	(37,235,683)	(39,543,281)	(37,584,849)
Equity compensation reserve	19	6,544,847	4,120,252	6,544,847	4,120,252
Asset fair value adjustment reserve	19	44,698	-	44,698	-
Foreign exchange reserve	19	(1,755,252)	(349,166)	-	-
<b>Total equity</b>		<b>154,878,555</b>	<b>115,260,035</b>	<b>158,130,358</b>	<b>115,260,035</b>

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 2008

	Note	Consolidated		Company	
		2008 \$	2007 \$	2008 \$	2007 \$
<b>Total equity at the beginning of the financial year</b>		<b>115,260,035</b>	<b>23,805,185</b>	<b>115,260,035</b>	<b>23,805,185</b>
Movement in foreign exchange reserve	19	(1,406,086)	(349,166)	-	-
Fair value adjustment on investment recognised in equity	19	44,698	93,917	44,698	93,917
<b>Net (expense)/income recognised directly in equity</b>		<b>(1,361,388)</b>	<b>(255,249)</b>	<b>44,698</b>	<b>93,917</b>
Loss for the year	19	(3,804,149)	(2,791,135)	(1,958,432)	(3,140,301)
<b>Total recognised income/(expense) for the year</b>		<b>(3,804,149)</b>	<b>(2,791,135)</b>	<b>(1,958,432)</b>	<b>(3,140,301)</b>
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity	17(b)	42,451,037	92,359,703	42,451,037	92,359,703
Transaction costs of equity issued	17(b)	(91,575)	(128,471)	(91,575)	(128,471)
Movement in equity compensation reserve	19	2,424,595	2,270,002	2,424,595	2,270,002
<b>Total equity at the end of the financial year</b>		<b>154,878,555</b>	<b>115,260,035</b>	<b>158,130,358</b>	<b>115,260,035</b>

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

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## CASHFLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	Note	Consolidated		Company	
		2008 \$	2007 \$	2008 \$	2007 \$
<b>Cash flows from operating activities</b>					
Interest received		3,735,125	1,150,931	3,242,202	999,022
Payments to suppliers and employees		(2,091,989)	(1,198,089)	(611,435)	(973,071)
Exploration expenditure		(9,572,934)	(3,084,339)	(2,611,552)	(2,629,990)
Cash received on issue of option to acquire interest in tenements		50,000	500,000	50,000	500,000
Other income received		249,380	3,052	248,873	3,052
<b>Net cash used in operating activities</b>	30	<b>(7,630,418)</b>	<b>(2,628,445)</b>	<b>318,088</b>	<b>(2,100,987)</b>
<b>Cash flows from investing activities</b>					
Payments for investments in controlled entities		-	-	(2,000,000)	(4,956,146)
Funds advanced to controlled entities		-	-	(3,935,474)	(6,233,074)
Proceeds from sale of investments		-	870,612	-	870,612
Payments for property, plant and equipment		(1,110,380)	(1,749,456)	(455,421)	(852,044)
Payments to acquire tenements		-	(2,973,794)	-	(17,648)
Proceeds on sale of exploration interests		500,000	-	500,000	-
Proceeds on disposal of security deposits		-	176,869	-	176,869
Payments for security deposits		(29,085)	(178,214)	(29,085)	(20,000)
<b>Net cash used in investing activities</b>		<b>(639,465)</b>	<b>(3,853,983)</b>	<b>(5,919,980)</b>	<b>(11,031,431)</b>
<b>Cash flows from financing activities</b>					
Proceeds from the issue of shares		42,451,037	16,906,790	42,451,037	16,906,790
Payments for transaction costs relating to share issues		(91,575)	(128,471)	(91,575)	(128,471)
<b>Net cash from financing activities</b>		<b>42,359,462</b>	<b>16,778,319</b>	<b>42,359,462</b>	<b>16,778,319</b>
<b>Net increase in cash and cash equivalents</b>		<b>34,089,579</b>	<b>10,295,891</b>	<b>36,757,570</b>	<b>3,645,901</b>
Effects on cash of foreign exchange		(1,185,008)	(355,701)	-	-
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>24,151,130</b>	<b>14,210,940</b>	<b>17,856,841</b>	<b>14,210,940</b>
<b>Cash and cash equivalents at the end of the financial year</b>	8(a)	<b>57,055,701</b>	<b>24,151,130</b>	<b>54,614,411</b>	<b>17,856,841</b>

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

**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 was authorised for issue in accordance with a resolution of Directors on 23 September 2008.

**(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**

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

**New accounting standards and interpretations**

The following standards, amendments to standards and interpretations have been identified as those which may impact the consolidated entity in the period of initial application. They are available for early adoption at 30 June 2008, but have not been applied in preparing this financial report.

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New standard replacing AASB 114 <i>Segment Reporting</i> , which adopts a management reporting approach to segment reporting.	01.01.2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements.	01.01.2009
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	01.01.2009	These amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report.	01.01.2009
AASB 101 (Revised) and AASB 2007-8	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	01.01.2009	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	01.01.2009
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	01.01.2009	The Group has share-based payment arrangements that may be affected by these amendments. However, the Group has not yet determined the extent of the impact, if any.	01.01.2009
AASB 3 (Revised)	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations.	01.07.2009	The Group may enter into some business combinations during the next financial year and may therefore consider early adopting the revised standard. The Group has not yet assessed the impact of early adoption, including which accounting policy to adopt.	01.01.2009

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 127 (Revised)	Consolidated and Separate Financial Statements	Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.	01.07.2009	If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or a loss in the Group's income statement.	01.01.2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127.	01.07.2009	Refer to AASB 3 (Revised) and AASB 127 (Revised) above.	01.01.2009
Amendments to International Financial Reporting Standards***	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to IAS 27 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment.  AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	01.01.2009	Recognising all dividends received from subsidiaries, jointly controlled entities and associates as income will likely give rise to greater income being recognised by the parent entity after adoption of these amendments.  In addition, if the Group enters into any group reorganisation establishing new parent entities, an assessment will need to be made to determine if the reorganisation meets the conditions imposed to be effectively accounted for on a 'carry-over basis' rather than at fair value.	01.01.2009
Amendments to International Financial Reporting Standards***	Improvements to IFRSs	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.	01.01.2009 except for amendments to IFRS 5, which are effective from 01.07.2009.	The Group has not yet determined the extent of the impact of the amendments, if any.	01.01.2009
IFRIC 16***	Hedges of a Net Investment in a Foreign Operation	This interpretation proposes that the hedged risk in a hedge of a net investment in a foreign operation is the foreign currency risk arising between the functional currency of the net investment and the functional currency of any parent entity. This also applies to foreign operations in the form of joint ventures, associates or branches.	01.01.2009	The Interpretation is unlikely to have any impact on the Group since it does not significantly restrict the hedged risk or where the hedging instrument can be held.	01.01.2009

\*designates the beginning of the applicable annual reporting period unless otherwise stated

\*\*\* pronouncements that have been issued by the IASB and IFRIC but have not yet been issued by the AASB.

## Historical cost convention

These financial statements have been prepared on a historical cost basis, except for the fair valuation 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 subsidiary companies are included in the consolidated financial statements from the date control commences until the date control ceases.

The financial statements of the subsidiary companies 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 the Company.

(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 current income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the notional income tax rate enacted or substantially enacted at balance sheet date 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.

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 recognised 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 recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised 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 recognised. 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 recognised for the asset in prior years. Such reversal is recognised 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.

**(i) Fair value estimation**

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 option pricing valuation techniques.

**(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 or straight line 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
Leasehold property and buildings	5% of cost

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 15.

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

### *Impairment*

Intangible assets with finite lives are tested for impairment when an objective indicator of impairment is present 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.

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.

## (m) Restoration and Rehabilitation policy

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.

Site rehabilitation occurs progressively with the cost thereto capitalised as part of exploration expenditure.

The Group has adopted AASB6 Exploration of and Evaluation on Mineral Resources, being the Australian equivalent to IFRS6, in preparing its financial statements.

## (n) Joint ventures

The Group's joint venture interests are classified as joint venture assets in accordance with AASB131.

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 28.

## (o) 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.

## (p) 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 of both the parent company and subsidiaries, whereby Directors and employees render services in exchange for rights over shares.

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.

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of:

- i. the grant date fair value of the award;
- ii. the current best estimate of the number of options that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and
- iii. the expired portion of the vesting period.

The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

Share based compensation payments granted by the parent company to employees of subsidiaries are recognised in the parent's separate financial statements as an additional investment in the subsidiary with a corresponding credit to equity. As a result, the expense recognised by the parent company in relation to share based compensation payments only represents the expense associated with options to employees of the parent. The expense recognised by the Group is the total expense associated with all such awards.

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.

**(q) 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.

**(r) 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.

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*(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.

**(s) 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.

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.

**(t) 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.

**(u) Investments and other financial assets**

Financial assets in the scope of AASB139 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 included as 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.

## (v) Foreign currency translation

The functional currencies of Deep Yellow Limited and its overseas subsidiaries are Australian dollars (\$), Namibian dollars and US dollars respectively. These consolidated financial statements are presented in 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 realised exchange differences are taken to profit and loss and foreign exchange differences arising on consolidation are recognised in reserves.

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.

## (w) 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.

## (x) 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 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. The prolonged or significant decline in the market value of the investments is taken as an impairment indicator. 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.

## (y) Acquisition of controlled entities

The purchase method of accounting is used to account for all the acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

**Note 2 Financial risk management**

The Group has exposure to a variety of risks arising from its use of financial instruments. This note presents information about the Group's exposure to the specific risks, and the policies and processes for measuring and managing those risks. The Board of Directors has the overall responsibility for the risk management framework.

**(a) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from transactions with customers and investments.

*Trade and other receivables*

The nature of the business activity of the Group does not result in trading receivables. The receivables that the Company does experience through its normal course of business are short term in nature and the risk of recovery of non recovery of receivables is considered to be negligible. The Board does not consider there to be a significant exposure to credit risk in relation to trade and other receivables.

*Cash deposits*

The Group's primary banker is Westpac Banking Corporation, at balance date all operating accounts are with this bank, other than funds transferred to Namibia to meet the working capital need of the subsidiary company, Reptile Uranium Namibia Pty Ltd. The cash needs of the subsidiary operations are monitored by the parent company and funds are advanced to the Namibian operations on a needs basis. The Directors believe this is the most efficient method of combining the monitoring and mitigation of potential credit risks arising out of holding cash assets in overseas jurisdictions, and the funding mechanisms required by the Group.

*Cash investments*

In addition the Group has a significant amount of cash assets on deposit with various banking organisations in Australia, these organisations being Westpac Banking Corporation Limited, Australia and New Zealand Banking Group Limited, Citibank Australia and Bank of Western Australia Limited. The Board considers the use of these financial institutions, which all have ratings of at least A1 from Standard & Poor's, to be sufficient in the management of credit risk with regards to funds on deposit.

Except for the matters above, the Group currently has no significant concentrations of credit risk.

**(b) Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Management manages its liquidity risk by monitoring its cash reserves and forecast spending, and is cognisant of the future demands for liquid financial resources to finance the Group's current and future operations, and consideration is given to the liquid assets available to the Group before commitment is made to future expenditure or investment.

The Group's expenditure commitments are taken into account before entering into term investments and short and medium term exploration programmes are tailored within current cash resources.

The Board does not consider liquidity risk to be a significant concern for the short to medium term but actively monitors liquid assets in conjunction with the Group's budgeting and reporting process.

**(c) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising any return.

*Interest rate risk*

The Group has significant cash assets which may be susceptible to fluctuations in changes in interest rates. Whilst the Group requires the cash assets to be sufficiently liquid to cover any planned or unforeseen future expenditure, which prevents the cash assets being committed to long term fixed interest arrangements; the Group does mitigate potential interest rate risk by entering into short to medium term fixed interest investments. The Group does not employ interest rate swaps or enter into any other hedging activity with regards to its interest bearing investments.

*Currency risk*

The Group is exposed to currency risk on financial assets and liabilities held by Group companies in Namibia. Financial assets in overseas Group companies are not generally material in the context of financial instruments entered into by the Group as a whole, as they generally relate to funds advanced to fund short term exploration and administration activities of the overseas operations. Once the funds are expended they are no longer classified as financial assets. Management is of the opinion that the advancing of funds to overseas operations on a needs basis, and hence preventing the accumulation of cash assets or other financial instruments that may lead to exposing the Group to increased foreign currency risk, is an effective method for the management of currency risk.

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The Group's investments in overseas subsidiary companies are not hedged as they are considered to be long term in nature.

## *Equity price risk*

The Group is exposed to equity price risk through its holding of investments in the ordinary share capital of a number of entities listed on the Australian Securities Exchange, and through the holding of options to acquire ordinary shares in the same entities. The holdings have generally arisen from the divestment of exploration interests given as consideration and as such have not been acquired under a formal investment strategy. A number of the equity investments are also subject to restriction conditions and as such the Group is limited in its ability to mitigate short term equity risk in these financial assets.

Where the equity investments are liquid financial assets of the Group, their market values and potential future value to the Group are considered by management when considering whether to divest or retain the assets.

The Company does not have any direct exposure to any other foreign exchange or equity risks other than their effect on the general economy.

## **(d) Capital management**

The Board's policy is to maintain a strong capital base so as to maintain investor and creditor confidence, and to sustain future development of the business. The Group does not actively issue dividends, repurchase its own shares or any other form of capital return to shareholders, and at the current exploration stage of the Group's activities. The Group does not monitor returns on capital or any other financial performance measure as the indicators of success are not quantifiable by physical results from operations. The Group manages its funding obligations arising from exploration by way of issue of shares.

The Group does not have capital requirements imposed on it by any external party. It is however exposed to tax law influenced debt to equity ratios at the Namibian subsidiary level, which are monitored by management and the treatment of investments or other advances for the funding of operations are executed within these guidelines and after consultation with local expertise when considered necessary.

The Group's approach to capital management has not changed during the financial year.

## **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 mineral 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 18 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 on a half yearly and annual basis. Refer note 15.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

## Note 4 Segment information

The group's primary segment reporting format is geographical segments and are determined based on the Group's assets. Secondary reporting is done on business segments for which the group does not separately disclose any financial information as it is only involved in the mineral exploration and resource development sector.

### Geographical segments

The following table presents revenue, expenses and certain asset information regarding geographical segments for the years ended 30 June 2008 and 30 June 2007.

	Australia \$	Namibia \$	Total \$
<b>Year Ended 30 June 2008</b>			
<b>Revenue</b>			
Other income	4,603,170	504	4,603,674
Interest Income			4,282,266
Total consolidated revenue			<u>8,885,940</u>
Segment result	(2,537,798)	(1,266,351)	(3,804,149)
Depreciation and amortisation	344,491	116,510	461,001
<b>Other segment information</b>			
Segment assets	104,688,399	56,748,779	161,437,178
Capital expenditure	455,421	654,959	1,110,380
Capitalised exploration expenditure	3,200,587	5,125,789	8,326,376
Segment liabilities	(5,334,975)	(1,223,648)	(6,558,623)
Non cash transactions (i)	4,564,250	-	4,564,250
<b>Year Ended 30 June 2007</b>			
<b>Revenue</b>			
Other revenue	913,804	0	913,804
Interest income			1,150,931
Total consolidated revenue			<u>2,064,735</u>
Segment result	(2,670,019)	(121,116)	(2,791,135)
Depreciation and amortisation	427,943	3,905	431,848
<b>Other segment information</b>			
Segment assets	63,008,008	54,131,591	117,139,599
Capital expenditure	921,813	893,504	1,815,317
Capitalised exploration expenditure	41,453,131	46,740,307	88,193,438
Segment liabilities	(1,804,824)	(74,740)	(1,879,564)
Non cash transactions (i)	74,790,913	-	74,790,913

(i) The non cash transactions relate to the sale and acquisition of, and interests in, exploration assets. See note 30 for details of non cash transactions.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

## Note 5 Revenue and other income

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<i>a) Revenue</i>				
Interest received and receivable	4,282,266	1,150,931	3,789,344	999,022
	<b>4,282,266</b>	<b>1,150,931</b>	<b>3,789,344</b>	<b>999,022</b>
<i>b) Other income</i>				
Gain on sale of exploration interests	1,247,630	-	1,247,630	-
Gain on sale of investment	-	410,752	-	410,752
Option fee on farm out agreement	50,000	500,000	50,000	500,000
Option fee income on the sale of exploration assets	2,836,667	-	2,836,667	-
Distribution from creditors trust	290,000	-	290,000	-
Other income	179,377	3,052	178,873	3,052
	<b>4,603,674</b>	<b>913,804</b>	<b>4,603,170</b>	<b>913,804</b>

## Note 6 Expenses

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<i>Loss before income tax includes the following specific expenses:</i>				
Impairment expense:				
Impairment on available for sale financial assets (note 12)	2,455,630	-	2,455,630	-
Fair value changes in held for trading financial assets (note 10)	193,687	-	193,687	-
	<b>2,649,317</b>	<b>-</b>	<b>2,649,317</b>	<b>-</b>
Depreciation expense:				
Office equipment	60,957	30,180	40,862	28,615
Motor vehicles	101,796	60,132	81,054	59,981
Site equipment	71,422	8,319	39,119	6,130
Buildings	64,543	8,648	21,173	8,648
Amortisation of intangible asset	162,282	324,569	162,282	324,569
	<b>461,000</b>	<b>431,848</b>	<b>344,490</b>	<b>427,943</b>
Employee expenses:				
Wages, salaries and fees	972,053	307,293	802,230	271,068
Superannuation	18,031	20,043	18,031	20,043
Share based payments	2,550,557	2,938,537	1,257,308	2,799,325
	<b>3,540,641</b>	<b>3,265,873</b>	<b>2,077,569</b>	<b>3,090,436</b>
Rental expenses on operating leases	31,976	24,342	31,976	24,342

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

## Note 7 Income tax

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
<i>a) Income tax expense</i>				
<i>Current income tax:</i>				
Current income tax charge (benefit)	-	(7,068,660)	352,323	(7,004,420)
Utilised against Future Income tax benefit	-	7,068,660	-	7,004,420
Under / over provision in prior year	375,684	-	2,553,742	-
<i>Deferred income tax:</i>				
Relating to origination and reversal of timing differences	1,934,829	123,403	1,537,684	137,503
Under / over provision in prior year	(568,600)	-	(2,810,919)	-
Carry forward tax losses no longer brought to account (i)	3,170,118	-	3,170,118	-
Income tax expense reported in the income statement	<u>4,912,031</u>	<u>123,403</u>	<u>4,802,948</u>	<u>137,503</u>
(i) Tax losses of \$3,170,118 recognised as an asset at 30 June 2007 have been derecognised in the current year. On entry into the tax consolidation regime the amounts are only recouped under the available fraction rules. Both the amount of the losses and when they might be recouped is uncertain and therefore on the basis of adopting a more prudent viewpoint the amounts do not qualify for recognition.				
<i>b) Reconciliation of income tax expense to prima facie tax payable</i>				
Profit / (Loss) before income tax expense	1,107,882	(2,667,732)	2,844,516	(3,002,798)
Tax at the Australian rate of 30% (2007 – 30%)	332,365	(800,320)	853,355	(900,839)
Effect of tax rates in foreign jurisdictions*	2,871	200	-	-
<i>Tax effect:</i>				
Provision for non recovery of intercompany loan	-	-	(141,085)	141,085
Non-deductible share based payment	765,167	881,561	375,392	839,798
Other expenditure not allowable	39,631	-	7,549	-
Impairment of available for sale assets	794,795	-	794,795	-
Under / over provision in prior year	(192,916)	-	(257,176)	-
Carry forward tax losses no longer brought to account	3,170,118	41,962	3,170,118	57,459
Tax (benefit)/expense	<u>4,912,031</u>	<u>123,403</u>	<u>4,802,948</u>	<u>137,503</u>
* The Namibian subsidiaries operate in a tax jurisdiction with higher corporate tax rates.				
<i>c) Deferred tax – Balance Sheet</i>				
<i>Liabilities</i>				
Prepayments	100,200	8,522	9,271	8,387
Intangible assets	-	393,539	-	393,539
Capitalised exploration and evaluation expenditure	9,985,950	9,588,950	7,294,332	9,531,140
	<u>10,086,150</u>	<u>9,991,011</u>	<u>7,303,603</u>	<u>9,933,067</u>
<i>Assets</i>				
Revenue losses available to offset against future taxable income	4,421,706	9,611,507	4,421,706	9,547,247
Income recognised in advance for tax	210,000	-	210,000	-
Accrued expenses	170,204	54,432	77,281	46,648
Deductible equity raising costs	113,517	66,380	113,517	66,380
	<u>4,915,427</u>	<u>9,732,319</u>	<u>4,822,504</u>	<u>9,660,275</u>
Net deferred tax liability	<u>5,170,723</u>	<u>258,692</u>	<u>2,481,099</u>	<u>272,792</u>

Note 7 Income Tax (continued)

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<i>d) Deferred tax – Income Statement</i>				
<i>Liabilities</i>				
Prepayments	91,678	8,522	883	8,387
Intangible asset	(393,539)	(97,371)	(393,539)	(97,371)
Capitalised exploration expenses	396,999	7,331,403	(2,236,808)	7,273,593
<i>Assets</i>				
Income recognised in advance for tax	(210,000)	-	(210,000)	-
Accruals	(115,772)	(40,932)	(30,633)	(33,147)
Deductible equity raising costs	(47,137)	(9,539)	(47,137)	(9,539)
Decrease/(Increase) in tax losses carried forward	5,189,802	(7,068,680)	5,125,541	(7,004,420)
Deferred tax expense	4,912,031	123,403	2,208,307	137,503

*e) Unrecognised temporary differences*

At 30 June 2008, there are no unrecognised temporary differences associated with the Group's investments in subsidiaries, associate or joint venture, as the Group has no liability for additional taxation should unremitted earnings be remitted (2007: Nil).

*f) Tax consolidation*

(i) Members of the tax consolidated group and the tax sharing arrangement

Deep Yellow Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 2 February 2007. Deep Yellow Limited is the head entity of the tax consolidated group. Members of the group have intend to enter into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

(ii) Tax effect accounting by members of the tax consolidated group

*Measurement method adopted under UIG 1052 Tax Consolidated Accounting*

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 *Income Taxes*. The nature of the tax funding agreement to be entered into is discussed further below.

In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

*Nature of the tax funding agreement*

Members of the tax consolidated group have intend to enter into a tax funding agreement. Under the funding agreement the funding of tax within the group is based on accounting profit, which is not an acceptable method of allocation under UIG 1052. The tax funding agreement will require payments to/from the head entity to be recognised via an inter-entity receivable (payable) which is at call. To the extent that there is a difference between the amount charged under the tax funding agreement and the allocation under UIG 1052, the head entity accounts for these as equity transactions with the subsidiaries.

The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

## Note 8 Current assets - Cash and cash equivalents

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Cash at bank and in hand	3,670,975	6,664,929	1,229,685	370,640
Deposits at call	53,384,726	17,486,201	53,384,726	17,486,201
	<u>57,055,701</u>	<u>24,151,130</u>	<u>54,614,411</u>	<u>17,856,841</u>

The carrying amounts of cash and cash equivalents represents fair value. See note 20 for the Group's fair value disclosures. Cash at bank and in hand and deposits at call earn interest at fixed and floating rates based on daily bank deposit rates.

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

Balances as above	<u>57,055,701</u>	<u>24,151,130</u>	<u>54,614,411</u>	<u>17,856,841</u>
Balance per cash flow statement	<u>57,055,701</u>	<u>24,151,130</u>	<u>54,614,411</u>	<u>17,856,841</u>

## Note 9 Current assets – Trade and other receivables

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<i>a) Receivables</i>				
GST recoverable	59,605	1,298,313	17,114	1,298,313
Receivable from Uranio	1,000,000	-	1,000,000	-
Other receivables	1,265,169	136,307	742,372	81,479
	<u>2,324,774</u>	<u>1,434,620</u>	<u>1,759,486</u>	<u>1,379,792</u>
<i>b) Other assets</i>				
Environmental, tenement and vehicle bonds	223,861	204,890	77,468	46,676
Prepayments	334,001	28,407	30,902	27,958
	<u>557,862</u>	<u>233,297</u>	<u>108,370</u>	<u>74,634</u>

GST recoverable relates to Australia and Namibia. Interest is not normally charged and collateral is not normally obtained.

Receivable from Uranio of \$1,000,000 relates to part consideration of the sale of a 70% interest in all the Western Australian projects and the Siccus Joint Venture in South Australia to Uranio Limited.

Other receivables include interest receivable on Term deposits and recharge amounts receivable from sundry debtors with no history of past due amounts.

Included in the comparative year GST recoverable is an amount of \$1,272,036 in respect of GST payable on the acquisition of the interest in the Western Gawler uranium project from Dominion Mining Limited. See note 20 for details of the fair value, interest rate risk exposure and expected maturity dates of trade and other receivables

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

## Note 10 Current assets – Held for trading financial assets

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Financial assets fair value through profit and loss:				
Rum Jungle Uranium Limited Options	268,200	-	268,200	-
Uranio Limited Options	312,488	-	312,488	-
	<u>580,688</u>	<u>-</u>	<u>580,688</u>	<u>-</u>

The unlisted options have been valued using a binomial option pricing model. The Black Scholes option pricing model has been used to validate the valuation prices calculated by the binomial option pricing model. The fair value was partly determined in reference to published price quotation. The options have been brought to account at the valuation on receipt and subsequently revalued at the balance date using the binomial option valuation method. Details of the Group's exposure to price risk in respect of its Financial Assets are set out in Note 20.

Basis and assumptions used in the valuation of options:

Company	Date granted	Number of options granted	Exercise price (cents)	Expiry date	Risk free interest rate used	Volatility applied	Option valuation (cents)
Rum Jungle Uranium Limited	14.11.2007	2,000,000	25.0	02.11.2012	6.57%	130%	13.41
Uranio Limited	22.01.2008	3,848,379	20.0	21.01.2012	6.57%	90%	8.12

A reconciliation of movements in held for trading financial assets is as follows:

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Value of investments at the start of the reporting period	-	-	-	-
Fair value of options received during the reporting period:				
Rum Jungle Limited – part consideration on sale of interests in exploration asset	308,600	-	308,600	-
Uranio Limited – part consideration on sale of interests in exploration assets	465,775	-	465,775	-
	<u>774,375</u>	<u>-</u>	<u>774,375</u>	<u>-</u>
Fair value loss recognised during the reporting period (note 6)	(193,687)	-	(193,687)	-
	<u>580,688</u>	<u>-</u>	<u>580,688</u>	<u>-</u>

The above unlisted options were received by the Company as part consideration upon the sale of part interests in various exploration assets.

## Note 11 Non-current assets – Investments in and loans to controlled entities

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<i>a) Interests in share capital of controlled entities:</i>				
Raptor Minerals Limited	-	-	50,275,587	48,275,587
Superior Uranium Pty Ltd	-	-	9,592,559	9,592,559
	<u>-</u>	<u>-</u>	<u>59,868,146</u>	<u>57,868,146</u>
<i>b) Loans to controlled entities:</i>				
Reptile Uranium Namibia (Pty) Ltd	-	-	8,501,344	6,265,647
Provision for non recovery	-	-	-	(470,282)
Superior Uranium Pty Ltd	-	-	-	100,104
	<u>-</u>	<u>-</u>	<u>8,501,344</u>	<u>5,895,469</u>

Loans to controlled entities are non-interest bearing and repayable at call. The Directors of the Company do not intend to call for repayment of the loans within the next 12 months. See Note 27 for details of controlled entities.

Note 12 Non-current assets – Available for sale investments

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Available for sale investments at market value:				
Toro Energy Limited	782,000	-	782,000	-
Rum Jungle Uranium Limited	330,000	-	330,000	-
Uranio Limited	538,913	-	538,913	-
Rox Resources Limited	156,000	-	156,000	-
WCP Resources Limited	108,699	-	108,699	-
	<u>1,915,612</u>	<u>-</u>	<u>1,915,612</u>	<u>-</u>

The above investments are stated at the closing market price at the balance date. A reconciliation of movements in available for sale investments is as follows:

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Value of investments at the start of the reporting period	-	365,943	-	365,943
Investments disposed during the reporting period	-	(365,943)	-	(365,943)
Fair value of shares received during the reporting period:				
Toro Energy Limited – option fee income on farm-in agreement	2,836,667	-	2,836,667	-
Rum Jungle Limited – part consideration on sale of interests in exploration assets	500,000	-	500,000	-
Uranio Limited – part consideration on sale of interests in exploration assets	769,877	-	769,877	-
Rox Resources Limited – distribution of assets upon wind up of creditors trust	120,000	-	120,000	-
WCP Resources Limited – consideration on sale of interests on a company exploration asset	100,000	-	100,000	-
Net impairment expense recognised during the reporting period (Note 6)	(2,455,630)	-	(2,455,630)	-
Net fair value adjustment recognised in equity during the reporting period (Note 19)	44,698	-	44,698	-
	<u>1,915,612</u>	<u>-</u>	<u>1,915,612</u>	<u>-</u>

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

## Note 13 Non-current assets – Property, plant and equipment

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<i>Buildings</i>				
At cost	1,069,473	1,210,120	418,460	418,460
Accumulated depreciation	(67,797)	(8,648)	(29,822)	(8,648)
	1,001,676	1,201,472	388,638	409,812
<i>Office equipment and fittings</i>				
At cost	315,078	230,960	225,552	188,418
Accumulated depreciation	(100,659)	(42,509)	(81,806)	(40,942)
	214,419	188,451	143,746	147,476
<i>Motor vehicles</i>				
At cost	765,489	366,369	539,178	359,137
Accumulated depreciation	(167,291)	(68,104)	(149,007)	(67,953)
	598,198	298,265	390,171	291,184
<i>Site equipment</i>				
At cost	745,619	137,416	320,987	81,440
Accumulated depreciation	(77,185)	(10,287)	(47,218)	(8,099)
	668,434	127,129	273,769	73,341
	2,482,727	1,815,317	1,196,324	921,813
<b>Reconciliation</b>				
<i>Buildings</i>				
Net book value at start of the year	1,201,472	-	409,812	-
Exchange adjustment	(135,253)	-	-	-
Additions		1,210,120	-	418,460
Depreciation	(64,543)	(8,648)	(21,174)	(8,648)
Net book value at end of the year	1,001,676	1,201,472	388,638	409,812
<i>Office equipment and fittings</i>				
Net book value at start of the year	188,451	89,523	147,476	89,523
Exchange adjustment	(4,752)	-	-	-
Additions	91,677	129,108	37,132	86,568
Depreciation	(60,957)	(30,180)	(40,862)	(28,615)
Net book value at end of the year	214,419	188,451	143,746	147,476
<i>Motor vehicles</i>				
Net book value at start of the year	298,265	130,683	291,184	130,683
Exchange adjustment	1,188	-	-	-
Additions	400,541	227,714	180,041	220,482
Depreciation	(101,796)	(60,132)	(81,054)	(59,981)
Net book value at end of the year	598,198	298,265	390,171	291,184
<i>Site equipment</i>				
Net book value at start of the year	127,129	9,934	73,341	9,934
Exchange adjustment	(4,631)	-	-	-
Additions	617,358	125,514	239,547	69,537
Depreciation	(71,422)	(8,319)	(39,119)	(6,130)
Net book value at end of the year	668,434	127,129	273,769	73,341

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 2008

## Note 14 Non-current assets – Capitalised mineral exploration and evaluation expenditure

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
<i>In the exploration and evaluation phase</i>				
Cost brought forward	88,193,438	7,525,157	31,770,468	7,525,157
Acquisition of interests in Joint Ventures				
North West Queensland	-	9,158,555	-	9,158,555
Western Gawler	-	12,738,006	-	12,738,006
Acquisition of exploration assets:				
Raptor Minerals Limited	-	46,071,186	-	-
Superior Uranium Pty Ltd	-	9,489,964	-	-
Exploration expenditure incurred during the year at cost	9,588,724	3,403,538	2,965,274	2,541,718
Exploration costs on tenements disposed of during the period:				
50% interest in various Northern Territory tenements – Rum Jungle Uranium Limited	(33,234)	-	(33,234)	-
70% interest in various Western Australian and South Australian tenements – Uranio Limited	(1,113,872)	-	(1,113,872)	-
Exploration expenditure written off	(115,242)	(192,968)	(115,242)	(192,968)
Cost carried forward	<u>96,519,814</u>	<u>88,193,438</u>	<u>33,473,394</u>	<u>31,770,468</u>

Exploration expenditure written off was as a result of tenements surrendered or applications withdrawn or refused during the year. The carrying value represents the total accumulated costs to date of surrender, withdrawal or refusal.

## Note 15 Non-current assets – Intangible assets

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
Balance at beginning of the year	1,311,797	1,636,366	1,311,797	1,636,366
Less: amortisation	(162,282)	(324,569)	(162,282)	(324,569)
Disposed of during the period	(1,149,515)	-	(1,149,515)	-
Balance at end of the financial year	<u>-</u>	<u>1,311,797</u>	<u>-</u>	<u>1,311,797</u>

The intangible asset relates to the Frome Database Licence Agreement with Paladin Energy Limited entered into on 15 July 2005, and is amortised on a straight line basis over six years, being the term of the agreement. Intangible assets are subject to impairment review when indication of impairment exists. No impairment losses have been recognised during the financial year.

The remainder of the term of the Frome Database Licence Agreement was transferred to Uranio Limited during the financial year as part of its acquisition of the 70% interest in the Siccus JV completed 22 January 2008.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

## Note 16 Current liabilities – Trade and other payables

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Trade payables and accruals	1,213,434	1,562,196	481,007	1,487,457
Other payables	63,662	58,676	63,662	58,676
Employee leave liabilities	110,804	-	66,889	-
	<b>1,387,900</b>	<b>1,620,872</b>	<b>611,558</b>	<b>1,546,133</b>

Trade payables and accruals are non interest bearing and normally settled on 30 day terms. Included in the comparative year trade payables and accruals is an amount of \$1,272,036 in respect of GST payable to Dominion Mining Limited on the acquisition of the interest in the Western Gawler uranium project.

Details of the Group's exposure to Interest rate risk and fair value in respect of its liabilities are set out in note 20. There are no secured liabilities as at 30 June 2008.

## Note 17 Contributed equity

	Company		Company	
	2008	2007	2008	2007
	No.	No.	\$	\$
<i>a) Share capital</i>				
Issued share capital	<b>1,108,726,958</b>	<b>1,023,824,884</b>	<b>191,084,094</b>	<b>148,724,632</b>
<i>b) Share movements during the year</i>				
	<i>Issue price (cents)</i>			
At the beginning of the year		1,023,824,884	148,724,632	56,493,400
Issued on exercise of options	0.5	-	-	125,000
Issued on acquisition of Raptor Minerals Limited – Tranche 1	15.1	-	-	13,892,000
Issued under rights issue prospectus	12.0	-	-	15,526,790
Issued on acquisition of Raptor Minerals Limited – Tranche 2	36.0	-	-	29,520,000
Issued on acquisition of Superior Uranium Pty Ltd	47.5	-	-	9,500,000
Issued to acquire interest in joint venture	42.5	-	-	9,158,555
Issued to acquire interest in joint venture	58.0	-	-	12,720,358
Issued on exercise of options	21.1	-	-	633,000
Issued on exercise of options	31.1	-	-	622,000
Issued under rights issue prospectus and placement of shortfall	50.0	<b>84,902,074</b>	<b>42,451,037</b>	-
Add: transfer from equity remuneration reserve in respect of options exercised (note 19)	-	-	-	662,000
Less: costs related to shares issued	-	-	<b>(91,575)</b>	<b>(128,471)</b>
At the end of the year		<b>1,108,726,958</b>	<b>191,084,094</b>	<b>148,724,632</b>
<i>c) Ordinary shares</i>				

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.

During the financial year the Company released the voluntary restriction applicable to 82,000,000 ordinary shares. The shares were part of the consideration paid in 2006 for the acquisition/merger of Raptor Minerals Limited and ultimately the Namibian subsidiary companies which own and control Namibian Exclusive Prospecting Licences (EPLs) 3496 Tubas, 3497 Tumas, 3499 Ripnes and 3498 Aussinanis.

### *d) Option plan*

The Company has an employee and other permitted persons option plan. Options over unissued shares are issued at the discretion of the Board. Information relating to options issued by the Company are set out in note 18.

Note 18 Options

The options are unlisted and are granted under the employee share scheme at a fixed price in accordance with the terms of the grant. The exercise price of each option is determined by the Board with reference to the average closing sale price of the company's shares on ASX. As options issued during the year ending 30 June 2008 are part of a remuneration or incentive package in all instances the exercise price has been set at a premium to the market price of the company's shares at the date of issue. The vesting period is determined by the Board prior to the offer of the relevant Options, subject to any restriction in the Corporations Act from time to time. If at any time prior to the Expiry Date an employee voluntarily resigns from employment with the Company or is terminated the whole of the Options issued to that employee automatically lapse and are forfeited, subject to the discretion of the Board. There are no cash settlement alternatives.

a) Options issued, granted and lapsed during the year

During the financial year the company granted 32,600,000 options in exchange for receipt of services as follows:

<i>Number of Options Granted</i>	<i>Exercise Price</i>	<i>Expiry Date</i>
12,500,000	59.5 cents	30 November 2010
5,530,000	27.5 cents	30 June 2011
5,530,000	40.0 cents	30 June 2011
4,520,000	45.0 cents	30 June 2011
4,520,000	60.0 cents	30 June 2011
<b>32,600,000</b>		

During the year no options over unissued shares were exercised.

During the year 4,900,000 options over unissued shares were cancelled according to their terms and conditions. The exercise price and expiry dates for the options are as follows:

<i>Number of Options Cancelled</i>	<i>Exercise Price</i>	<i>Expiry Date</i>
587,500	45.0 cents	31 December 2009
587,500	60.0 cents	31 December 2010
712,500	65.0 cents	30 June 2010
712,500	75.0 cents	30 June 2011
450,000	27.5 cents	30 June 2011
450,000	40.0 cents	30 June 2011
700,000	45.0 cents	30 June 2011
700,000	60.0 cents	30 June 2011
<b>4,900,000</b>		

b) Options on issue at the balance date

The number of options outstanding over unissued ordinary shares at 30 June 2008 is 71,200,000 (2007: 43,500,000). The terms of these options are shown in the table below. Options issued to Directors, employees and consultants are subject to various vesting conditions as indicated.

The holders of options are not entitled to any voting rights nor may they participate in any share issue of the Company until the options are exercised.

The weighted average contractual life for options outstanding at the end of the reporting period is 21.76 months (2007: 25.16 months).

<i>Number of Options Granted</i>	<i>Exercise Price</i>	<i>Expiry Date</i>	<i>Vest Period</i>
12,500,000	8.1 cents	31 July 2008	Nil
3,000,000	21.1 cents	31 December 2008	Nil
2,000,000	31.1 cents	31 December 2008	Nil
16,000,000	55.1 cents	30 November 2009	Nil
2,912,500	44.6 cents	31 December 2009	Nil
787,500	64.6 cents	30 June 2010	18 months from employment date
2,912,500	59.6 cents	31 December 2010	26 June 2009
787,500	74.6 cents	30 June 2011	07 December 2009
6,250,000	59.5 cents	30 November 2010	21 December 2008
6,250,000	59.5 cents	30 November 2010	21 December 2009
5,080,000	27.5 cents	30 June 2011	01 December 2008
5,080,000	40.0 cents	30 June 2011	01 December 2009
3,820,000	45.0 cents	30 June 2011	01 June 2009
3,820,000	60.0 cents	30 June 2011	01 June 2010
<b>71,200,000</b>			

Note 18 Options (continued)

*c) Subsequent to the balance date*

Subsequent to the balance date and prior to the date of signing this report 5,050,000 options have been granted and 250,000 options have been cancelled.

Subsequent to the balance date 12,500,000 options have been exercised at 8.1 cents each.

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

	2008		2007	
	No.	WAEP (cents)	No.	WAEP (cents)
Options outstanding at the start of the year	43,500,000	38.66	47,660,000	9.87
Options granted during the year	32,600,000	48.82	26,000,000	56.37
Options exercised during the year	-	-	(30,000,000)	4.60
Options lapsed during the year	(4,900,000)	53.93	(160,000)	35.00
Options outstanding at the end of the year	71,200,000	42.26	43,500,000	38.66

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

The following options were independently valued using the binomial option valuation methodology.

Date granted	Number of options granted	Exercise price (cents)	Expiry date	Risk free interest rate used	Volatility applied	Option valuation (cents)
28 November 2007	12,500,000	59.5	30 Nov 2010	6.34%	70%	11.48
26 February 2008	5,530,000	27.5	30 Jun 2011	6.94%	95%	22.81
26 February 2008	5,530,000	40.0	30 Jun 2011	6.94%	95%	20.54
26 February 2008	4,520,000	45.0	30 Jun 2011	6.94%	95%	19.79
26 February 2008	4,520,000	60.0	30 Jun 2011	6.94%	95%	17.90
	32,600,000					

The weighted average share price of options granted in the above table is 48.82 cents.

A dividend yield of 0% was incorporated into the above option valuations.

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.

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Note 19 Reserves and accumulated losses

2008	Consolidated			Company		
	Accumulated losses	Equity compensation reserve (i)	Asset fair value adjustment reserve (ii)	Accumulated losses	Equity compensation reserve (i)	Asset fair value adjustment reserve (ii)
	\$	\$	\$	\$	\$	\$
Balance brought forward at 1 July 2007	(37,235,683)	4,120,252	-	(37,584,849)	4,120,252	-
Loss for year	(3,804,149)	-	-	(1,958,432)	-	-
Recognition of options issued	-	2,424,595	-	-	2,424,595	-
Transfer to issued capital in respect of options exercised (i)	-	-	-	-	-	-
Adjustment to fair value of available for sale assets	-	-	44,698	-	-	44,698
Balance carried forward at 30 June 2008	(41,039,832)	6,544,847	44,698	(39,543,281)	6,544,847	44,698

2007	Consolidated			Company		
	Accumulated losses	Equity compensation reserve (i)	Asset fair value adjustment reserve (ii)	Accumulated losses	Equity compensation reserve (i)	Asset fair value adjustment reserve (ii)
	\$	\$	\$	\$	\$	\$
Balance brought forward at 1 July 2006	(34,444,548)	1,850,250	(93,917)	(34,444,548)	1,850,250	(93,917)
Loss for year	(2,791,135)	-	-	(3,140,301)	-	-
Recognition of options issued	-	2,932,002	-	-	2,932,002	-
Transfer to issued capital in respect of options exercised (i)	-	(662,000)	-	-	(662,000)	-
Adjustment to fair value of available for sale assets	-	-	93,917	-	-	93,917
Balance carried forward at 30 June 2007	(37,235,683)	4,120,252	-	(37,584,849)	4,120,252	-

(i) Equity compensation reserve

The equity compensation reserve is used to recognise the fair value of options issued as remuneration or as other consideration but not exercised. 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 17).

(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 until the asset is sold or impaired, see note 1(u) for detail of the accounting policy.

Foreign exchange reserve

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Balance brought forward at 1 July 2007	(349,166)	-	-	-
Movement for the year	(1,406,086)	(349,166)	-	-
Balance carried forward at 30 June 2008	(1,755,252)	(349,166)	-	-

The foreign exchange reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. The majority of the movement in the foreign exchange reserve relates to the effect of exchange rates on cash advanced to Reptile Uranium Namibia (Pty) Ltd and the investments in the share capital of subsidiary companies, of which the cash and assets remain in a foreign currency jurisdiction.

Note 20 Financial instruments

Details of the risks that the Group is exposed to and the Board's assessment and management of those risks are disclosed in note 2.

Credit risk

*Exposure to credit risk*

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
Cash and cash equivalents	57,055,701	24,151,130	54,614,411	17,856,841
Trade and other receivables	2,324,774	1,434,620	1,759,486	1,379,792
Amounts receivable from subsidiary companies	-	-	8,501,344	5,895,469
	<b>59,380,475</b>	<b>25,585,750</b>	<b>56,373,897</b>	<b>25,132,102</b>

The group has no trade receivables at the reporting date for reporting under geographical, customer type or business segments.

Liquidity risk

*Exposure to liquidity risk*

The Groups exposure to liquidity risk is limited to trade creditors and the contractual maturity analysis is set out in note 16.

Currency risk

*Exposure to currency risk*

The Group has limited exposure to foreign currency risk in currencies other than the function currency of each subsidiary.

*Interest rate risk*

At the reporting date the interest rate profile of the Group's interest bearing financial instruments was:

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>Variable rate instruments</b>				
Financial assets	57,055,701	24,151,130	54,614,411	17,856,841
Financial liabilities	-	-	-	-

*Cash flow sensitivity analysis for variable rate instruments*

A change of 1% in interest rates at the reporting date as per management's best estimate would have increased/(decreased) equity and profit and loss by the amounts shown below. This analysis assumes all other variables remain constant. The same sensitivity analysis has been performed for the comparative reporting date.

	Profit and loss		Equity	
	1% increase	1% decrease	1% increase	1% Decrease
<b>Consolidated 30 June 2008</b>				
Variable rate instruments	554,470	(554,470)	554,470	(554,470)
30 June 2007				
Variable rate instruments	171,529	(171,529)	171,529	(171,529)
<b>Company 30 June 2008</b>				
Variable rate instruments	522,668	(522,668)	522,668	(522,668)
30 June 2007				
Variable rate instruments	159,844	(159,844)	159,844	(159,844)

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Note 20 Financial instruments (continued)

Price risk

Price risk is the risk that the Group's financial position will be adversely affected by movements in the market value of its financial assets.

The financial instruments exposed to movements in market value are as follows:

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Available-for-sale investments	1,915,612	-	1,915,612	-
Financial assets fair value through profit and loss	580,688	-	580,688	-
	<b>2,496,300</b>	<b>-</b>	<b>2,496,300</b>	<b>-</b>

The following tables summarises the sensitivity of financial instruments held at balance date to movements in the market price, with all other variables held constant, based on a 10% sensitivity. This has been determined based on management's best estimate.

	Impact on equity			
	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Available-for-sale investments				
Market price +10%	191,561	-	191,561	-
Market price -10%	(191,561)	-	(191,561)	-
Financial assets fair value through profit and loss				
Market price +10%	-	-	-	-
Market price -10%	-	-	-	-

Equity represents the fair value adjustment reserve.

	Impact on profit and loss			
	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Financial assets fair value through profit and loss				
Market price +10%	58,068	-	58,068	-
Market price -10%	58,068	-	58,068	-

Fair values

*Fair values versus carrying amounts*

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet are as follows:

Consolidated	2008		2007	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Cash and cash equivalents	57,055,701	57,055,701	24,151,130	24,151,130
Trade and other receivables	2,882,636	2,882,636	1,867,856	1,867,856
Held for trading financial assets	580,688	580,688	-	-
Available for sale investments	1,915,612	1,915,612	-	-
Trade and other payables	(1,387,900)	(1,387,900)	(1,620,872)	(1,620,872)
	<b>61,046,737</b>	<b>61,046,737</b>	<b>24,398,114</b>	<b>24,398,114</b>

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Note 20 Financial instruments (continued)

Company	2008		2007	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
Cash and cash equivalents	54,614,410	54,614,410	17,856,841	17,856,841
Trade and other receivables	1,867,856	1,867,856	1,454,426	1,454,426
Held for trading financial assets	580,688	580,688	-	-
investments in subsidiaries	59,868,146	59,868,146	57,868,146	57,868,146
Loans to subsidiaries	8,501,344	8,501,344	5,895,469	5,895,469
Available for sale investments	1,915,612	1,915,612	-	-
Trade and other payables	(611,558)	(611,558)	(1,546,133)	(1,546,133)
	<u>126,736,498</u>	<u>126,736,498</u>	<u>81,528,749</u>	<u>81,528,749</u>

Determination of fair values

The determination of fair values for the above financial assets and liabilities has been performed on the following basis:

*Trade and other receivables*

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

*Investments in equity and debt securities*

The fair value of financial assets at fair value through profit and loss, available for sale investments and held for trading financial assets is determined by reference to their quoted bid price at the reporting date.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes only, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Note 21 Dividends

No dividends were paid or proposed during the financial year (2007: Nil).

The Company has no franking credits available as at 30 June 2008 (2007: Nil).

Note 22 Key Management Personnel disclosures

(a) *Directors*

The following persons were Directors of the Company during the financial year:

- (iv) Managing Director (resigned as Executive Chairman 7 August 2007)  
Dr Leon Pretorius
- (v) Executive Director  
Martin Kavanagh
- (vi) Non-Executive Directors  
Mervyn Greene (elected Chairman on 7 August 2007)  
Gillian Swaby  
Rudolf Brunovs (appointed 7 August 2007)  
Tony McDonald (appointed 7 August 2007)

(b) *Executives*

- (i) Company Secretary  
Mark Pitts
- (ii) Exploration Manager - Australia  
Alexander Moyle (appointed 4 February 2008)

Note 22 Key Management Personnel disclosures (continued)

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.

Other than the appointments stated above, there were no changes of Key Management Personnel between the reporting date and the date the financial report was authorised for issue.

(c) Interest in Securities

*Option holdings*

The numbers of options over ordinary shares in the Company held during the financial year by each Director of the Company and other Key Management Personnel of the Group, are set out below:

2008 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
<i>Directors</i>						
L Pretorius	5,000,000	7,500,000	-	-	12,500,000	5,000,000
M Kavanagh	10,000,000	5,000,000	-	-	15,000,000	10,000,000
G Swaby	3,000,000	-	-	-	3,000,000	3,000,000
M Greene	3,000,000	-	-	-	3,000,000	3,000,000
R Brunovs	-	-	-	-	-	-
T McDonald	-	-	-	-	-	-
<i>Executives</i>						
M Pitts	1,500,000	150,000	-	-	1,650,000	1,500,000
A Moyle	-	1,500,000	-	-	1,500,000	-

The outstanding balance as 30 June 2008 is represented by:

The 7,500,000 options issued to L Pretorius with an exercise price of 59.5 cents each are exercisable upon the conditions as indicated in the Option Agreement and until 30 November 2010;

The 5,000,000 options issued to M Kavanagh with an exercise price of 59.5 cents each are exercisable upon the conditions as indicated in the Option Agreement and until 30 November 2010;

The 150,000 options issued to M Pitts are exercisable as follows:

- 75,000 options with an exercise price of 27.5 cents each are exercisable upon the conditions as indicated in the Option Agreement and until 30 June 2011;
- 75,000 options with an exercise price of 40.0 cents each are exercisable upon the conditions as indicated in the Option Agreement and until 30 June 2011;

The 1,500,000 un-vested options issued to A Moyle are exercisable as follows:

- 250,000 options with an exercise price of 27.5 cents each are exercisable upon the conditions as indicated in the Option Agreement and until 30 June 2011;
- 250,000 options with an exercise price of 40.0 cents each are exercisable upon the conditions as indicated in the Option Agreement and until 30 June 2011;
- 500,000 options with an exercise price of 45.0 cents each are exercisable upon the conditions as indicated in the Option Agreement and until 30 June 2011;
- 500,000 options with an exercise price of 60.0 cents each are exercisable upon the conditions as indicated in the Option Agreement and until 30 June 2011;

2007 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
<i>Directors</i>						
L Pretorius	-	5,000,000	-	-	5,000,000	5,000,000
M Kavanagh	5,000,000	5,000,000	-	-	10,000,000	10,000,000
G Swaby	5,000,000	3,000,000	(5,000,000)	-	3,000,000	3,000,000
M Greene	-	3,000,000	-	-	3,000,000	3,000,000
<i>Executives</i>						
M Pitts	-	1,500,000	-	-	1,500,000	750,000

**Note 22 Key Management Personnel disclosures (continued)**

The 5,000,000 options issued to L Pretorius are exercisable as they vested on grant.

The 5,000,000 options issued to M Kavanagh are exercisable as they vested on grant.

The 3,000,000 options issued to G Swaby are exercisable as they vested on grant.

The 3,000,000 options issued to M Greene are exercisable as they vested on grant.

The 1,500,000 options issued to M Pitts are exercisable as follows:

- 750,000 options with an exercise price of 44.6 cents each are exercisable upon the conditions as indicated in the Option Agreement and until 31 December 2009;
- 750,000 options with an exercise price of 59.6 cents each are exercisable upon the conditions as indicated in the Option Agreement and until 31 December 2010;

**Share holdings**

The number of shares in the Company held during the financial year by each Director of the Company 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.

2008 Name	Balance at start of the year	Received during the year on exercise of options	Other changes during the year	Balance at the end of the year
<b>Directors</b>				
L Pretorius	60,000,000	-	12,616,124	72,616,124
M Kavanagh	450,000	-	37,500	487,500
G Swaby (i)	39,897,758	-	(11,675,188)	28,222,570
M Greene	68,600,000	-	5,716,667	74,316,667
R Brunovs	-	-	125,000	125,000
T McDonald	-	-	866,666	866,666
<b>Executives</b>				
M Pitts	420,000	-	35,000	455,000

- (i) The Company notes that G Swaby previously held 43,222,570 ordinary shares of which 15,000,000 ordinary shares were lodged with Lift Capital Partners Pty Ltd as security for loans. The Company has been informed by G Swaby that between 11 and 15 April 2008, a creditor of Lift Capital Partners Pty Ltd in exercise of purported rights, sold 2,100,496 ordinary shares on behalf of G Swaby. A further 589,571 ordinary shares were sold by the creditor in exercise of purported rights on 5 and 6 May 2008. No consideration was received by G Swaby from this involuntary sale. It is believed that a further 12,309,933 ordinary shares are presently being held by the creditor of Lift Capital Partners Pty Ltd. Legal action for the recovery of the 15,000,000 shares is being pursued. G Swaby continues to assert a beneficial interest in these shares together with 28,222,570 shares which she continues to hold in her name.

2007 Name	Balance at start of the year	Received during the year on exercise of options	Other changes during the year	Balance at the end of the year
<b>Directors</b>				
L Pretorius	50,000,000	-	10,000,000	60,000,000
M Kavanagh	375,000	-	75,000	450,000
G Swaby	25,700,000	5,000,000	9,197,758	39,897,758
M Greene	-	-	68,600,000	68,600,000
<b>Executives</b>				
M Pitts	250,000	-	170,000	420,000

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

**d) Loans made to Key Management Personnel**

No loans were made to any Director or Key Management Personnel or any of their related entities during the reporting period.

**e) Other transactions with Key Management Personnel**

During the year the Company leased a property in Perth on commercial terms from Dr L Pretorius for \$60,000 (2007: \$30,000).

The Company paid \$131,128 (2007: \$48,425) to Endeavour Corporate, a firm associated with M Pitts for administrative support, accounting services and disbursements.

Note 23 Remuneration of auditors

The auditor of the Deep Yellow Limited Group is Ernst & Young

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Amounts received or due and receivable by Ernst & Young (Australia) for: Audit or review of the financial report of the entity and any other entity in the Consolidated Group	58,230	36,330	58,230	36,330
Amounts received or due and receivable by related practices of Ernst & Young for: Audit or review of the financial report of subsidiaries	14,027	1,617	-	-
	<b>72,257</b>	<b>37,947</b>	<b>58,230</b>	<b>36,330</b>

Note 24 Contingencies

(i) *Contingent liabilities*

There were no material contingent liabilities as at 30 June 2008 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.

(ii) *Contingent assets*

There were no material contingent assets not provided for in the financial statements of the Company or Group as at 30 June 2008.

Note 25 Commitments

(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 \$1,492,000 (2007: \$1,749,540) 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	
	2008	2007	2008	2007
	\$	\$	\$	\$
Within one year	123,275	38,244	123,275	38,244
Later than one year but not later than five years	160,290	9,759	160,290	9,759
	<b>283,565</b>	<b>48,003</b>	<b>283,565</b>	<b>48,003</b>

(c) *Contractual commitments*

There are no contracted commitments other than those disclosed above.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

## Note 26 Related party transactions

In addition to the disclosures relating to Key Management Personnel at note 22 (f) there were the following transactions with wholly owned subsidiaries of the Company.

During the year the Company incurred expenses on behalf of its subsidiary companies and advanced working capital for the funding of the subsidiary companies operations. Transactions during the year were on normal commercial terms and are as follows:

	2008	2007
<i>Reptile Uranium Namibia (Pty) Ltd:</i>	\$	\$
Exploration expenditure incurred and recharged	1,396,668	41,373
Recharged vehicle costs	44,452	91,597
Fair value of options issued to employees as remuneration	1,173,287	132,677
Cash advanced to fund operations	-	6,000,000
	<hr/>	<hr/>
<i>Superior Uranium Pty Ltd:</i>		
Recharged exploration expenditure	1,386,786	100,104
	<hr/>	<hr/>

Balances of intercompany loans as at the reporting date are provided at note 11(b).

No repayments have been made or material services provided by subsidiary companies to the Company during the reporting period, other than the following:

	2008	2007
<i>Reptile Uranium Namibia (Pty) Ltd:</i>	\$	\$
Costs paid on behalf of Deep Yellow Limited	26,385	-
	<hr/>	<hr/>

There were no other related party transactions during the year.

## Note 27 Controlled entities

<i>Controlled Entity</i>	Country of Incorporation	2008		2007	
		Proportion of share capital owned %	Carrying value of investment \$	Proportion of share capital owned %	Carrying value of investment \$
Raptor Minerals Limited	British Virgin Islands	100	50,275,587	100	48,275,587
Reptile Mineral Resources and Exploration(Pty) Ltd	Namibia	100	-	100	-
Reptile Uranium Namibia (Pty) Ltd	Namibia	100	-	100	-
Superior Uranium Pty Ltd	Australia	100	9,592,559	100	9,592,559
			<hr/>		<hr/>
			59,868,146		57,868,146
			<hr/>		<hr/>

See note 11 for details of loans to and investments in Raptor Minerals Limited and Superior Uranium Pty Ltd.

## Note 28 Interests in joint ventures

Joint venture agreements have been entered into with third parties, whereby the Company or 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 14). The Group is currently in the earn-in phase of its joint venture agreements.

The Group's interest in joint ventures is as follows:

- On 28 February 2007 the Company issued shares as part consideration on the initial earn in to the Northwest Queensland Joint Venture. The Company can earn a 51% interest by spending \$2,600,000 by February 2009, and can earn a further 29% interest in the project by the payment of \$3,000,000 to Matrix Metals Limited.
- On 22 May 2007 the Company issued shares to acquire a 51% interest, after previously meeting the requirement to spend \$500,000 within a year from the date of agreement in the Western Gawler project from Dominion Mining Limited. The Company can earn a 90% interest in the project by spending a minimum of \$1,000,000 and \$1,500,000 in consecutive subsequent years.
- On 15 February 2007 the Company entered into an agreement with Toro Energy Limited (Toro) which granted Toro an option to farm-in and purchase the Napperby project in the Northern Territory, subject to Toro issuing 3,066,667 shares to the value of \$2,836,667, and meeting agreed expenditure requirements on the project. Toro can elect to purchase the project from the Company at any time during the three year agreement period.
- On 19 November 2007 the Company completed the sale of a 50% interest in several Northern Territory exploration assets to Rum Jungle Uranium Limited. Subsequently the parties entered into a joint venture agreement whereby Rum Jungle Limited can earn a further 20% interest in the projects by spending a further \$2,000,000 on exploration of the assets within four years.
- On 7 December 2007 the Company entered into an agreement with Dragon Energy Limited to sell a 75% interest in various Queensland exploration assets to commence after Dragon Energy Limited is admitted to the official list of the ASX and other ministerial approvals have been received. The Conditions have not been met at the date of this report.
- On 18 January 2008 the Company agreed terms with Xstrata to acquire the uranium rights on six West Isa tenements by spending \$10,000,000 within 4 years of the commencement date.
- On 22 January 2008 the Company completed the sale of a 70% interest in four uranium projects in South Australia and Western Australia, and the assignment of the Frome Database licence to Uranio Limited. Subsequently the parties entered into a Joint Venture agreement whereby Uranio Limited is responsible for all joint venture expenditure to a Definitive Feasibility Study.

## Note 29 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.



Note 30 Reconciliation of profit/(loss) after tax to net cash outflow from operating activities

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Profit/(loss) after income tax	(3,804,149)	(2,791,135)	(1,958,432)	(3,140,301)
Depreciation and amortisation	461,000	431,848	344,490	427,943
Exploration costs written off	115,242	-	115,242	-
Non-cash element of income received on financing and investing activities	(3,056,667)	-	(3,056,667)	-
Impairment expense	2,649,317	-	2,649,317	-
Provision for non recovery of intercompany loan	-	-	(470,282)	470,282
Profit on disposal of exploration assets	(1,247,630)	-	(1,247,630)	-
Profit on disposal of investments	-	(410,752)	-	(410,752)
Share based payments expense	2,358,554	2,938,537	2,424,595	2,799,325
Exploration expenditure	(9,590,398)	(2,903,574)	(2,611,552)	(2,348,750)
<i>Change in operating assets and liabilities:</i>				
Increase in receivables	(1,351,660)	(103,235)	(717,287)	(47,958)
Increase/(decrease) in deferred tax liability	4,912,030	123,403	4,802,948	137,503
Decrease/(Increase) in payables	923,943	86,463	43,347	11,721
<b>Net cash outflow from operating activities</b>	<b>(7,630,418)</b>	<b>(2,628,445)</b>	<b>318,088</b>	<b>(2,100,987)</b>

**Non cash financing and investing activities**

During the financial year the Group entered into a number of transactions which had material non cash components:

- a) Received 3,066,667 ordinary shares in Toro Energy Limited as option fee consideration to evaluate and purchase the Company's Napperby project in the Northern Territory;
- b) Received 2,000,000 ordinary shares and 2,000,000 unlisted options in Rum Jungle Uranium Limited, upon that company listing on the ASX as consideration to purchase a 50% interest in several of the Company's Northern Territory projects;
- c) Received 3,849,379 ordinary shares and 3,848,379 unlisted options in Uranio Limited, upon that company listing on the ASX as part consideration to purchase a 70% interest in the Company's Western Australian projects, a 70% interest in the Siccus JV agreement and the assignment of the Frome Database;
- d) Received 2,000,000 ordinary shares in Rox Resources Limited as part distribution from the Deep Yellow Limited Creditors Trust;
- e) Received 1,325,590 ordinary shares in WCP Resources Limited in consideration for the transfer of Phosphate rights on one of the Company's Queensland exploration assets.

During the prior financial year the Group entered into a number of transactions which had material non cash components (refer note 17(b)):

- f) 174,000,000 ordinary shares in the Company in part consideration for the acquisition of Raptor Minerals Limited;
- g) 20,000,000 ordinary shares in the Company in consideration for the acquisition of Superior Uranium Pty Ltd;
- h) 21,459,541 ordinary shares in the Company in part consideration for the earn in to the uranium rights of Matrix Metals Limited in Mt Isa, Queensland;
- i) 21,931,651 ordinary shares in the Company in part consideration for the earn in to the Western Gawler uranium rights from Dominion Mining Limited.

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Note 31 Earnings per share

	Consolidated	
	2008	2007
<i>a) Basic earnings per share</i>		
Loss attributable to ordinary equity holders of the Company	<u>(0.35) cents</u>	<u>(0.34) cents</u>
<i>b) Diluted earnings per share</i>		
Loss attributable to ordinary equity holders of the Company	<u>(0.35) cents</u>	<u>(0.34) cents</u>
<i>c) Loss used in calculation of basic and diluted loss per share</i>		
Loss after tax from continuing operations	<u>(3,804,149)</u>	<u>(2,791,135)</u>
<i>d) Weighted average number of shares used as the denominator</i>		
Weighted average number of shares used as the denominator in calculating basic and diluted earnings per share	<u>1,101,570,632</u>	<u>828,261,137</u>

There are on issue 71,200,000 options at 30 June 2008 (2007: 43,500,000) 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. The options are not considered to be dilutive and accordingly have not been included in the determination of diluted earnings per share.

## DIRECTORS' DECLARATION

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

- (a) the financial statements and notes set out on pages 39 to 75 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 2008 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 Managing Director and Company Secretary for the financial year ended 30 June 2008.

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

On behalf of the Board

Signed at Perth this 25<sup>th</sup> day of September 2008.



**Dr Leon Pretorius**  
Managing Director

## Independent auditor's report to the members of Deep Yellow Limited

### Report on the Financial Report

We have audited the accompanying financial report of Deep Yellow Limited and its controlled entities, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1 (a), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards and International Standards on Auditing. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Independence*

In conducting our audit we have met the independence requirements of 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.

*Auditor's Opinion*

In our opinion:

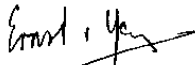
1. the financial report of Deep Yellow Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the financial position of Deep Yellow Limited and the consolidated entity at 30 June 2008 and of their performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 33 to 37 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's Opinion*

In our opinion the Remuneration Report of Deep Yellow Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



R A Kirkby  
Partner  
Perth  
25 September 2008

## ADDITIONAL INFORMATION

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Pursuant to the Listing Requirements of the Australian Stock Exchange Limited, the shareholder information set out below was applicable as at 24 September 2008.

### A. Distribution of Equity Securities

Analysis of numbers of shareholders by size of holding:

Distribution	Number of Shareholders	Number of Shares
1 – 1,000	822	416,179
1,001 – 5,000	2,809	8,381,509
5,001 – 10,000	1,996	16,219,801
10,001- 100,000	4,092	134,821,493
More than 100,000	685	961,387,976
<b>Totals</b>	<b>10,404</b>	<b>1,121,226,958</b>

There were 1,470 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
Paladin Energy Ltd	155,223,461	19.29
Mr Robert Anthony Healy	104,833,205	9.34
Dr Leon Eugene Pretorius	72,616,124	6.47

### 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
Paladin Energy Ltd	153,923,461	13.72
HSBC Custody Nominees (Australia) Limited	126,280,461	11.26
Mr Robert Anthony Healy	81,294,605	7.25
Dr Leon Eugene Pretorius	65,000,000	5.80
Paladin Energy Minerals NL	61,035,000	5.44
Mr Zac Rossi Mrs Thelma Rossi	38,550,000	3.44
Mr Mervyn Patrick Greene	29,900,000	2.67
IJG Securities Pty Ltd	25,180,521	2.25
ANZ Nominees Limited Cash Income A/C	20,569,011	1.83
Gillian Swaby	18,795,903	1.68
Mr Robert Anthony Healy Mrs Helen Maree Healy	15,600,000	1.39
Merrill Lynch (Australia) Nominees Pty Limited	11,831,025	1.06
Citicorp Nominees Pty Limited	11,527,133	1.03
JP Morgan Nominees Australia Limited	10,300,609	0.92
National Nominees Limited	10,141,835	0.90
Mrs Heather Joy Buchanan	8,616,750	0.77
Walkabout Superannuation Fund Pty Limited Walkabout Super Fund A/C	7,500,000	0.67
Superior Resources Ltd	7,000,000	0.62
Strategic Consultants Pty Ltd *	6,630,000	0.59
Mr Robert Anthony Healy Mrs Helen Maree Healy Glenview Super Fund	4,938,600	0.44
<b>Top 20 Total</b>	<b>714,614,914</b>	<b>63.73</b>

\* Company associated with G Swaby

### 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

As at 30 June 2008 there were no restricted securities.



## SCHEDULE OF MINERAL TENEMENTS

### NAMIBIA

Tenement No.	Tenement Name	Interest	Granted From	Expiry Date	Approx Area (km <sup>2</sup> )
EPL 3496	Tubas	100%	06.06.06	05.06.09	956
EPL 3497	Tumas	100%	06.06.06	05.06.09	949
EPL 3498	Aussinanis	100%	08.05.07	01.06.10	250
EPL 3499	Ripnes	100%	06.06.06	05.06.09	717
				<b>Sub-Total</b>	<b>2,872</b>

### NEW SOUTH WALES

Tenement No.	Tenement Name	Interest	Granted From	Expiry Date	Approx Area (km <sup>2</sup> )
EL 6573	Tarltala	90%	08.06.06	07.06.10	360
				<b>Sub-Total</b>	<b>360</b>

### NORTHERN TERRITORY

Tenement No.	Tenement Name	Interest	Granted From	Expiry Date	Approx Area (km <sup>2</sup> )
EL 8846	Green Swamp Hill	100%	23.03.01	22.03.09	58
EL 9807	TiTree	100%	14.10.04	13.10.10	778
EL 9809	Papunya	100%	14.10.04	13.10.10	681
EL 9836	Bangtail Bore	100%	13.08.03	12.08.09	90
EL 10360 #1	Ambalindum	50%	06.12.01	05.12.09	32
EL 10404 #1	Mordor	50%	21.05.02	20.05.10	47
EL 10223	Cornelius	100%	22.05.02	21.10.10	244
EL 22918 #1	Arltunga	50%	26.04.02	25.04.10	41
EL 23483	Mt Judith	100%	23.12.02	22.12.08	120
EL 23636	Yam Creek	100%	26.05.03	25.05.09	92
EL 23637	Mt Baldwin	100%	11.04.03	10.04.09	70
EL 23640	Yalooogarrie Creek	100%	12.03.03	11.03.09	225
EL 23923	Mt Treachery	100%	01.06.04	31.05.10	665
EL 23924	Anmatjira	100%	01.06.04	31.05.10	527
EL 23991	Beantree	100%	01.06.04	31.05.10	105
EL 24246 #2	Napperby	100%	11.10.04	10.10.10	775
EL 24547	Nonouba	100%	17.08.07	16.08.13	606
EL 24606 #2	Lake Lewis	100%	28.12.05	27.12.11	628
EL 25097	Billabong North	100%	Application		232
EL 25101 #1	Mordor West	50%	21.11.06	20.11.12	186
EL 25146	Mt Morris West	100%	Application		690
EL 25147	Mt Morris	100%	Application		1,580
EL 25155	Mongrel Downs	100%	Application		356
EL 25156	Abbotts Bore	100%	Application		113
EL 25177	Fiddlers Lake	100%	Application		670
EL 25212	Mt Davidson	100%	Application		307
EL 25601	Nancy Hill	100%	Application		909
EL 25698	Carrington Bore	100%	15.10.07	14.10.13	86
EL 25701	Mt Singleton	100%	15.10.07	14.10.13	1,246
EL 25702	Mt Hardy	100%	06.09.07	05.09.13	185
EL 25940	Gida	100%	Application		442
EL 25941	Atlee Creek	100%	Application		484
EL 25953	Turners	100%	Application		294
EL 25954	Baystone	100%	15.10.07	14.10.13	417
				<b>Sub-Total</b>	<b>14,847</b>

#1 Rum Jungle Uranium Ltd JV

#2 Option Agreement – Toro Energy Ltd

## SCHEDULE OF MINERAL TENEMENTS

### QUEENSLAND

Tenement No.	Tenement Name	Interest	Granted From	Expiry Date	Approx Area (km <sup>2</sup> )
EPM 15070	Prospector	100%	28.03.06	27.03.11	300
EPM 15072 <sup>#3</sup>	Pilgrim	100%	28.03.06	27.03.11	51
EPM 15194 <sup>#3</sup>	Lorrett Downs	100%	12.12.06	11.12.11	300
EPM 15249 <sup>#3</sup>	Hedleys	100%	30.11.05	29.11.10	41
EPM 15615 <sup>#3</sup>	Durong 5	100%	02.08.06	01.08.11	177
EPM 15620 <sup>#3</sup>	Durong 3	100%	02.08.06	01.08.11	150
EPM 15621 <sup>#3</sup>	Durong 4	100%	02.08.06	01.08.11	177
EPM 15622 <sup>#3</sup>	Durong 2	100%	02.08.06	01.08.11	300
EPM 15624 <sup>#3</sup>	Durong 1	100%	23.08.07	22.08.12	177
EPM 16007	Sherrin Creek	100%	14.03.08	13.03.13	327
EPM 16008 <sup>#3</sup>	Mistake Creek	100%	15.01.08	14.01.13	729
EPM 16533	Crocodile Creek	100%	Application		24
EPM 16534	Paroo Creek	100%	Application		21
EPM 17155	Doherty	100%	Application		16
EPM 17293	Red Dam	100%	Application		96
EPM 17714	Robur	100%	Application		10
EPM 17716	Barkly	100%	Application		29
EPM 17785	Doherty East	100%	Application		16
<b>Sub-Total</b>					<b>2,941</b>

<sup>#3</sup> Dragon Energy Ltd Farmout Agreement

### SOUTH AUSTRALIA <sup>#4</sup>

Tenement No.	Tenement Name	Interest	Granted From	Expiry Date	Approx Area (km <sup>2</sup> )
EL 3288	Wyambana	20%	02.12.04	01.12.08	672
<b>Sub-Total</b>					<b>672</b>

<sup>#4</sup> Uranio Ltd JV

### WESTERN AUSTRALIA <sup>#4</sup>

Tenement No.	Tenement Name	Interest	Granted From	Expiry Date	Approx Area (km <sup>2</sup> )
E 39/1140	Ponton North 1	30%	24.08.06	23.08.11	190
E 39/1141	Ponton North 2	30%	24.08.06	23.08.11	190
E 39/1142	Ponton North 3	30%	24.08.06	23.08.11	190
E 39/1143	Ponton North 4	30%	24.08.06	23.08.11	190
E 39/1144	Ponton North 5	30%	24.08.06	23.08.11	190
E 45/2887	Anketell 1	30%	Application		190
E 45/2888	Anketell 2	30%	Application		190
E 45/2889	Anketell 3	30%	Application		190
E 45/2890	Anketell 4	30%	Application		190
E 45/2891	Anketell 5	30%	Application		190
E 45/2892	Anketell 6	30%	Application		190
E 45/2893	Anketell 7	30%	Application		190
E 45/2894	Anketell 8	30%	Application		190
E 45/2895	Anketell 9	30%	Application		190
E 45/2896	Anketell 10	30%	Application		187
E 45/2897	Anketell 11	30%	Application		54
E80/1735	Slaty Creek	30%	15.03.04	14.03.08	38
E80/3275	Mt Junction	30%	11.11.05	10.11.10	173
E80/3817	Tent Hill	30%	Application		190
E80/4081	Watts North	30%	Application		138
<b>Sub-Total</b>					<b>3,440</b>

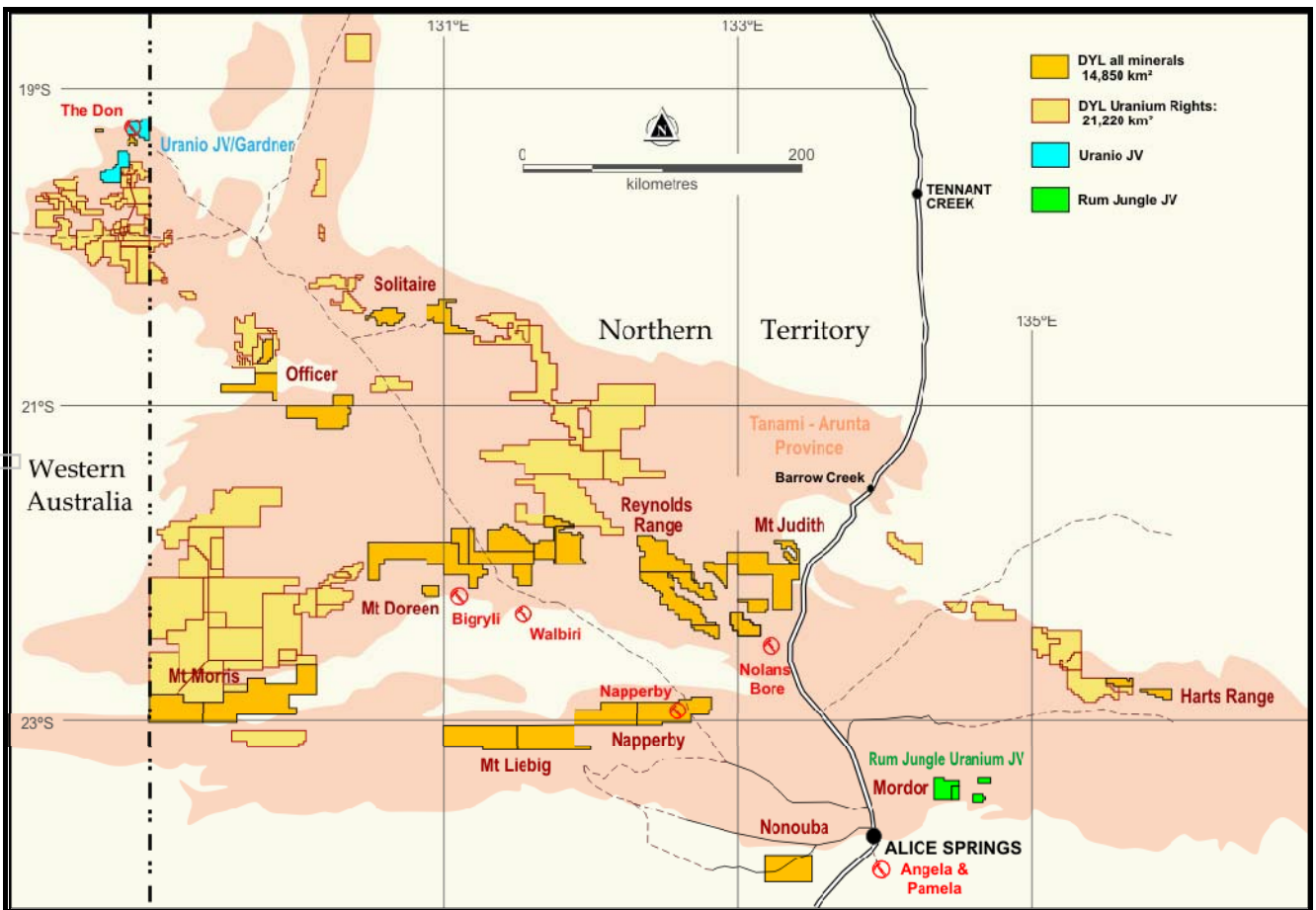
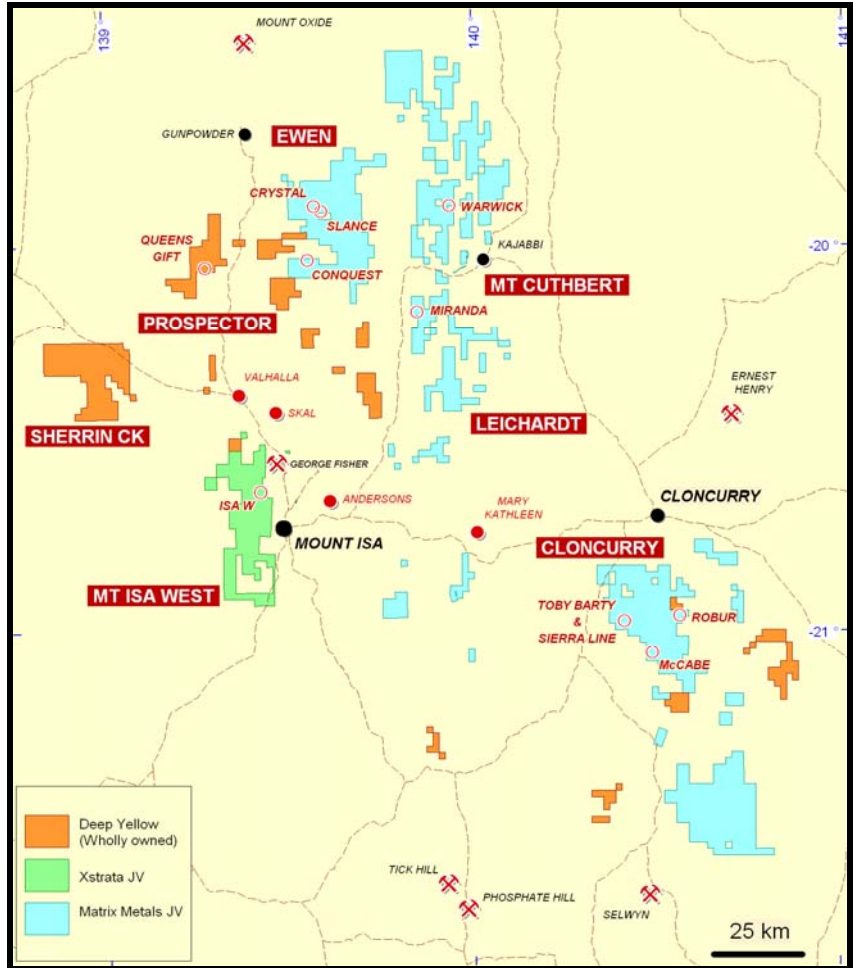
<sup>#4</sup> Uranio Ltd JV

### AGREEMENTS

	Approx Area (km <sup>2</sup> )
Dominion Gold Operations Pty Ltd - South Australia	5,702
Matrix Metals Ltd - Queensland	2,740
Xstrata Copper Exploration Pty Ltd - Queensland	489
Tanami Gold NL - Northern Territory and Western Australia	23,458
<b>Sub-Total</b>	<b>32,389</b>
<b>Total Area</b>	<b>57,521</b>

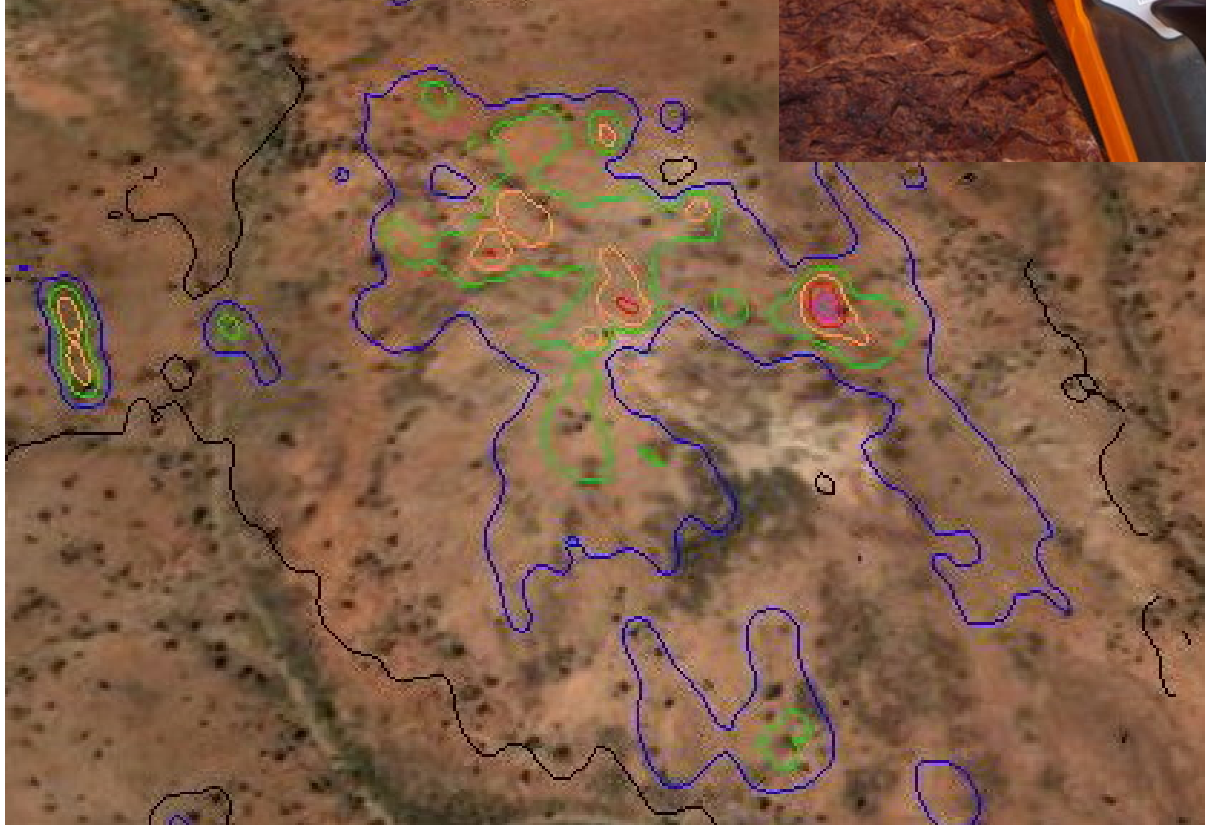
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# MT ISA DISTRICT



# NORTHERN TERRITORY

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