

Deep Yellow Limited

(ACN 006 391 948)

HALF YEAR REPORT

31 DECEMBER 2010

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DIRECTORS' REPORT

The Directors of Deep Yellow Limited submit their report for the half year ended 31 December 2010.

Directors

The names of Directors who held office during or since the end of the half year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Mervyn Greene	Chairman (Non-Executive)
Greg Cochran	Managing Director (appointed 24 January 2011)
Patrick Mutz	Managing Director (resigned 12 January 2011)
Martin Kavanagh	Executive Director
Gillian Swaby	Non-Executive Director
Tony McDonald	Non-Executive Director (resigned 31 December 2010)
Rudolf Brunovs	Non-Executive Director

Review of Operations

During the reporting period activity in Namibia was focussed mainly on: progressing the Omahola Project Pre-Feasibility Study (PFS); JORC Code mineral resource estimates for two uranium projects and grid drilling and a Scoping Study for the Shiyela Iron project.

In Australia exploration in the Mount Isa District focussed on the drill out to depth of known JORC Code resource mineralisation as well as new target generation and initial evaluation of same.

Exploration – NAMIBIA

Engineering Consultants SNC-Lavalin (SNCL) progressed the Omahola Project PFS, providing the Company with a first draft in late November. Updated JORC Code mineral resources were received for the INCA deposit and for the Tumas palaeochannel deposit. In addition reverse cycle (RC) and diamond drilling targeting a JORC Code mineral resource commenced on the recently discovered Ongolo Alaskite Project.

RC and diamond drilling and metallurgical testwork were also carried out at the Shiyela Iron Project with a view to completing a Scoping Study and providing a JORC Code mineral resource for two magnetite deposits.

Exploration – AUSTRALIA

Deep diamond drilling successfully intersected uranium mineralisation at approximately 400 metres vertical depth beneath the Bambino and Thanksgiving Prospects at the Isa West Project showing potential to increase JORC Code resources below the current resource base (~ 200 metres vertical depth). Deep intersections at the Queens Gift and Slance Prospects in the Isa North Project also highlighted potential to increase the existing JORC Code resources with additional drilling.

A number of new prospects identified from a low-level heliborne radiometric and magnetic survey were also scout drilled with varying success.

DIRECTORS' REPORT

JORC RESOURCES

A schedule of DYL's JORC Resources, as previously released to ASX, is given below:

JORC MINERAL RESOURCE ESTIMATES SUMMARY – DECEMBER 2010

Deposit	Category	Cut-off (ppm U ₃ O ₈)	Tonnes (M)	U ₃ O ₈ (ppm)	U ₃ O ₈ (t)	U ₃ O ₈ (Mlb)
REPTILE URANIUM NAMIBIA (NAMIBIA)						
Omahola Project						
INCA ♦	Inferred	250	5.5	445	2,449	5.4
INCA ♦	Indicated	250	9.4	385	3,628	8.0
Tubas Red Sand ♦	Inferred	100	10.7	158	1,685	3.7
Tubas Red Sand ♦	Measured/Indicated	100	3.2	168	532	1.2
Omahola Project Total			28.8	288	8,294	18.3
Tubas-Tumas Palaeochannel Project						
Tumas ♦	Inferred	200	0.4	360	144	0.3
Tumas ♦	Indicated	200	14.4	366	5,270	11.6
Tubas	Inferred	100	77.3	228	17,620	38.9
Tubas-Tumas Project Total			92.1	250	23,034	50.8
Aussinanis Project						
Aussinanis ♦	Inferred	150	29.0	240	6,960	15.3
Aussinanis ♦	Indicated	150	5.6	222	1,243	2.7
Aussinanis Project Total			34.6	237	8,203	18.0
RUN TOTAL			155.5	254	39,531	87.2
NAPPERBY PROJECT (NT, AUSTRALIA)						
Napperby	Inferred	200	9.3	359	3,351	7.4
NAPPERBY TOTAL			9.3	359	3,351	7.4
MOUNT ISA PROJECT (QLD, AUSTRALIA)						
Mount Isa	Inferred	300	2.0	440	890	2.0
Mount Isa	Indicated	300	1.6	400	650	1.4
MOUNT ISA TOTAL			3.6	428	1,540	3.4
TOTAL INFERRED RESOURCES			134.2	247	33,099	73.0
TOTAL INDICATED RESOURCES			34.2	331	11,323	25.0
TOTAL RESOURCES			168.4	264	44,422	98.0

Notes: Figures have been rounded and totals may reflect small rounding errors.

♦ eU₃O₈ - equivalent uranium grade as determined by downhole gamma logging.

COMPLIANCE STATEMENTS

The information in this report that relates to the Mineral Resource estimation for Tumas and Aussinanis is based on work completed by Mr Jonathon Abbott who is a full-time employee of Hellman and Schofield Pty Ltd and a member of the Australasian Institute of Mining and Metallurgy. Mr Abbott 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' and as a Qualified Person as defined in the AIM Rules. Mr Abbott consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to the Mineral Resource estimation for the INCA deposit is based on work completed by Mr Neil Inwood who is a full-time employee of Coffey Mining and a Member of the Australasian Institute of Mining and Metallurgy. Mr Inwood 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'. Mr Inwood consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to the Mineral Resource estimation for the INCA deposit is based on information compiled by Mr Steve Le Brun, who is a full-time employee of Coffey Mining and a Member of The Australasian Institute of Mining and Metallurgy. Mr Le Brun 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 Mineral Resources and Reserves'. Mr Le Brun consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to the Mineral Resource for the Tubas Red Sand deposits is based on information compiled by Mr Mike Hall, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Hall is Consulting Geologist Resources with The MSA Group and 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 Mineral Resources and Reserves'. Mr Hall consents to the inclusion in this report of the matters based on his information in the form and context in which it appears. Information in this report has also been verified by Mr Mike Venter, who is a member of the South African Council for Natural and Scientific Professions (SACNASP), a "Recognised Overseas Professional Organization" (ROPO). Mr Venter is Regional Consulting Geologist, with The MSA Group and 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 Mineral Resources and Reserves'. Mr Venter has visited the project sites to review drilling, sampling and other aspects of the work relevant to this report and consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to the Mineral Resource estimation for the Tubas deposit is based on work completed by Mr Willem H. Kotzé Pr. Sci. Nat MSAIMM. Mr Kotzé who is a full-time employee of Hellman and Schofield Pty Ltd and a Member of the Australasian Institute of Mining and Metallurgy. Mr Kotzé 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' and as a Qualified Person as defined in the AIM Rules. Mr Kotzé consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Exploration Results and to Mineral Resources or Ore Reserves for the Tubas, Tumas, Aussinanis, Tubas Red Sand and INCA deposits is based on information compiled by Dr Leon Pretorius a Fellow of The Australasian Institute of Mining and Metallurgy. Dr Pretorius is a full-time employee of Deep Yellow Limited and 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.

The information in this report that relates to the Mineral Resource estimation for the Mount Isa Projects is based on work compiled by Mr Neil Inwood, a Member of the Australasian Institute of Mining and Metallurgy. Mr Inwood is employed by Coffey Mining Pty Ltd and 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'. Mr Inwood consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves for the Mount Isa Projects is based on information compiled by Mr Martin Kavanagh a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Kavanagh is a full-time employee of Deep Yellow Limited and 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'. Mr Kavanagh consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to the Mineral Resource estimation for the Napperby Project is based on information compiled by Mr Daniel Guibal who is a Fellow (CP) of the Australasian Institute of Mining and Metallurgy. Mr Guibal is a full-time employee of SRK Consulting and 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'. Mr Guibal consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Exploration Results for the Napperby Project is based on information compiled by Dr David Rawlings who is a Member of The Australasian Institute of Mining and Metallurgy. Dr Rawlings is a full-time employee of Toro Energy Limited and 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 Rawlings consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Where eU_{3O_8} is reported it relates to values attained from radiometrically logging boreholes with Auslog equipment using an A675 slimline gamma ray tool. All probes are calibrated either at the Pelindaba Calibration facility in South Africa or at the Adelaide Calibration facility in South Australia.

DIRECTORS' REPORT

Financial

Exploration expenditure for the half year was \$7,189,313 (December 2009: \$8,831,325).

Net loss for the half year was \$716,963 (December 2009: \$2,213,715). Included in the total expenses of \$2,143,060 (December 2009: \$3,733,119) for the period is exploration costs written off to the amount of \$559,071 (December 2009: \$658,731).

Issued share capital has increased by \$349,134 during the period. The increase is due to the issue of ordinary fully paid shares on the exercise of options.

Outlook

The end of December 2010 sees the Group in a strong position with \$20,349,933 in cash and liquid assets to fund on-going exploration programmes, advance the Omahola Project Pre-Feasibility Study and Shiyela Iron Project Scoping Study as well as increase its JORC Code Compliant mineral resource base.

Auditor's Declaration

Section 307C of the Corporations Act 2001 requires our auditors, Ernst & Young, to provide the Directors of the Group with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 5 and forms part of this Directors' Report for the half-year ended 31 December 2010.

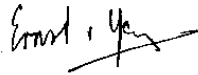
This report is signed in accordance with a resolution of the Board of Directors.



Greg Cochran
Managing Director
Dated this day 11 March 2011

Auditor's Independence Declaration to the Directors of Deep Yellow Limited

In relation to our review of the financial report of Deep Yellow Limited for the half-year ended 31 December 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

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

Ernst & Young

A handwritten signature in black ink, appearing to read 'R A Kirkby'.

R A Kirkby
Partner
11 March 2011

STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Notes	Consolidated	
		31 December 2010 \$	31 December 2009 \$
Continuing operations			
Interest revenue		738,723	924,976
Other income	2	227,577	99,310
Revenue and other income		966,300	1,024,286
Depreciation and amortisation expenses	2	(260,013)	(279,865)
Marketing expenses		(155,785)	(54,551)
Occupancy expenses		(119,737)	(108,423)
Administrative expenses		(778,163)	(556,497)
Employee expenses	2	(540,291)	(2,035,252)
Exploration costs written off	8	(559,071)	(658,731)
Net fair value gain/(loss) on held for trading financial assets	2	270,000	(39,800)
Loss from continuing operations before income tax		(1,176,760)	(2,708,833)
Income tax benefit	2	459,797	495,118
Loss from continuing operations after income tax		(716,963)	(2,213,715)
Other comprehensive income			
Foreign currency translation		(928,524)	(1,046,738)
Net fair value gains/(losses) on available-for-sale financial assets		362,133	(141,318)
Total other comprehensive loss for the period		(566,391)	(1,188,056)
Total comprehensive loss for the period		(1,283,354)	(3,401,771)
		Cents	Cents
Loss per share attributable to the ordinary equity holders of the company:			
Basic loss per share		(0.06)	(0.20)
Diluted loss per share		(0.06)	(0.20)

The accompanying notes form part of these financial statements

BALANCE SHEET AS AT 31 DECEMBER 2010

	Notes	Consolidated	
		31 December 2010 \$	30 June 2010 \$
Assets			
Current Assets			
Cash and cash equivalents	9	16,849,933	27,575,628
Other short term bank deposits		3,500,000	2,000,000
Trade and other receivables		2,519,345	2,414,899
Held for trading financial assets	5	298,000	28,000
Other financial assets		497,326	438,765
		<u>23,664,604</u>	<u>32,457,292</u>
Non-current Assets Held for Sale	6	2,421,720	-
		<u>26,086,324</u>	<u>32,457,292</u>
Total Current Assets			
Non-Current Assets			
Available for sale financial assets	7	594,666	330,533
Property, plant and equipment		2,215,691	2,427,747
Deferred exploration expenditure	8	117,499,198	113,290,676
		<u>120,309,555</u>	<u>116,048,956</u>
Total Non-Current Assets			
Total Assets			
		<u>146,395,879</u>	<u>148,506,248</u>
Liabilities			
Current Liabilities			
Trade and other payables		933,371	1,488,529
		<u>933,371</u>	<u>1,488,529</u>
Non-Current Liabilities			
Deferred tax liabilities		623,237	854,092
		<u>623,237</u>	<u>854,092</u>
Total Non-Current Liabilities			
Total Liabilities			
		<u>1,556,608</u>	<u>2,342,621</u>
Net Assets			
		<u>144,839,271</u>	<u>146,163,627</u>
Equity			
Contributed equity	3	195,150,204	194,801,070
Accumulated losses		(59,612,029)	(58,895,066)
Equity compensation reserve		9,564,489	9,954,625
Asset fair value adjustment reserve		362,133	-
Foreign currency translation reserve		(625,526)	302,998
		<u>144,839,271</u>	<u>146,163,627</u>

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Contributed Equity	Accumulated losses	Equity compensation reserve	Asset fair value adjustment reserve	Foreign currency translation reserve	Total Equity
	\$	\$	\$	\$	\$	\$
At 1 July 2010	194,801,070	(58,895,066)	9,954,625	-	302,998	146,163,627
Loss for the period	-	(716,963)	-	-	-	(716,963)
Other comprehensive income/(loss)	-	-	-	362,133	(928,524)	(566,391)
Total comprehensive (loss)/income for the period	-	(716,963)	-	362,133	(928,524)	(1,283,354)
Transactions with owners in their capacity as owners:						
Exercise of options	349,134	-	(151,134)	-	-	198,000
Share based payments/(forfeitures)	-	-	(239,002)	-	-	(239,002)
At 31 December 2010	195,150,204	(59,612,029)	9,564,489	362,133	(625,526)	144,839,271

	Contributed Equity	Accumulated losses	Equity compensation reserve	Asset fair value adjustment reserve	Foreign currency translation reserve	Total Equity
	\$	\$	\$	\$	\$	\$
At 1 July 2009	193,696,974	(54,386,644)	8,349,235	320,384	523,878	148,503,827
Loss for the period	-	(2,213,715)	-	-	-	(2,213,715)
Other comprehensive loss	-	-	-	(141,318)	(1,046,738)	(1,188,056)
Total comprehensive loss for the period	-	(2,213,715)	-	(141,318)	(1,046,738)	(3,401,771)
Transactions with owners in their capacity as owners:						
Exercise of options	1,069,730	-	(433,793)	-	-	635,937
Share based payments	-	-	1,595,970	-	-	1,595,970
At 31 December 2009	194,766,704	(56,600,359)	9,511,412	179,066	(522,860)	147,333,963

The accompanying notes form part of these financial statements

CASH FLOW STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Consolidated	
	31 December 2010	31 December 2009
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(2,036,492)	(1,729,674)
Interest received	1,141,536	735,769
Tax refund	228,942	-
Other receipts	5,725	38,333
Net cash used in operating activities	(660,289)	(955,572)
Cash flows from investing activities		
Payments for property, plant and equipment	(96,474)	(105,815)
Payments for exploration	(8,902,611)	(10,577,006)
Proceeds from sale of investment	322,500	99,420
Proceeds on disposal of security deposits	-	9,000
Payments of security deposits	(7,250)	(7,500)
Net cash used in investing activities	(8,683,835)	(10,581,901)
Cash flows from financing activities		
Proceeds from issue of shares	198,000	635,938
Net cash provided by financing activities	198,000	635,938
Net decrease in cash held	(9,146,124)	(10,901,535)
Effect of foreign exchange on cash flows	(79,571)	(189,662)
Cash and cash equivalents at the beginning of the period	29,575,628	47,415,814
Cash and cash equivalents at the end of the period	20,349,933	36,324,617

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The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2010

Note 1 Summary of significant accounting policies

Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2010 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report includes Deep Yellow Limited and its subsidiaries (the Group). The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2010 and considered together with any public announcements made by Deep Yellow Limited during the half-year ended 31 December 2010 in accordance with the continuous disclosure obligations of the ASX listing rules.

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

Changes in accounting policy

The following standards and interpretations and all consequential amendments, which became applicable on 1 July 2010, have been adopted by the Group, but had no impact on the financial position or performance of the Group, or on presentation or disclosure in its financial statements.

AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project
AASB 2009-8	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]
AASB 2009-10	Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]
AASB 2010-3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139]
Interpretation 19	Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments

Non-current assets and disposal groups held for sale – refer note 6

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction instead of use. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

Note 2 Income and expenses

	Consolidated	
	31 December 2010	31 December 2009
	\$	\$
Loss from continuing operations after income tax includes:		
Other income		
Gain on sale of available for sale investment	221,852	60,977
Distribution under Deed of Company Arrangement	5,725	38,333
	227,577	99,310
Depreciation expense		
Office equipment	36,252	49,933
Motor vehicles	93,852	101,442
Site equipment	100,965	99,601
Buildings	28,944	28,889
	260,013	279,865
Employee expenses		
Wages, salaries and fees	733,603	430,222
Superannuation	41,258	14,783
Share based payments/(forfeitures)	(234,570)	1,590,247
	540,291	2,035,252
Fair value movements		
Fair value (gain)/loss in held for trading financial assets (note 5)	(270,000)	39,800
	(270,000)	39,800
Tax benefit		
Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate		
Loss from continuing operations before income tax	(1,176,761)	(2,708,833)
Prima facie tax on result at 30% (2009: 30%)	(353,028)	(812,650)
Share based payment expense/(forfeiture)	(1,365)	477,074
Impairment loss not recognised	-	11,940
Reversal of impairment loss not previously recognised	(81,000)	-
Gain on sale of available for sale asset not taxable	(51,600)	-
Under/(Over) provision in prior year	(4,003)	(160,740)
Other	31,199	(10,742)
Tax benefit for the reporting period	(459,797)	(495,118)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

Note 3 Contributed equity

	Consolidated	
	31 December 2010	30 June 2010
	\$	\$
<i>(a) Ordinary shares</i>		
Issued and fully paid	195,150,204	194,801,070
	<hr/>	<hr/>
<i>(b) Movements in ordinary shares on issue</i>	\$	No.
At 1 July 2010	194,801,070	1,125,814,458
Options exercised	349,134	720,000
At 31 December 2010	195,150,204	1,126,534,458
	<hr/>	<hr/>
<i>(c) Options - Movement during the period</i>	No.	
On issue at 1 July 2010	41,835,000	
Options exercised	(720,000)	
Expired during period	(15,725,000)	
Forfeited during the period	(1,260,000)	
On issue at 31 December 2010	24,130,000	
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

Note 4 Segment reporting

Operating segments are identified on the basis of internal reports that are used by the executive management team in assessing performance and in determining the allocation of resources. The operating segments are based on country of operation. The Group conducts uranium exploration in Australia and Namibia.

The following items and associated assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Interest income
- Foreign currency gains and losses
- Fair value gains/losses on available for sale assets
- Fair value gains/losses on held for trading assets
- Liabilities are not allocated to the segments as they are not monitored on a segment basis

	Australia \$	Namibia \$	Total \$
Year Ended 31 December 2010			
Revenue and other income			
Other income	227,577	-	227,577
Unallocated			
Interest income			738,723
Total revenue and other income			966,300
Results			
Pre-tax segment profit and loss	(2,097,972)	(87,511)	(2,185,483)
Unallocated			
Interest income			738,723
Fair value gain on held for trading assets			270,000
Total loss before income tax			(1,176,760)
Year Ended 31 December 2010			
Segment Assets			
Segment operating assets	43,867,453	78,766,482	122,633,935
Unallocated assets			
Cash			20,349,933
Receivables			2,519,345
Held for trading financial assets			298,000
Available for sale financial assets			594,666
Total assets			146,395,879

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	Australia \$	Namibia \$	Total \$
Year Ended 31 December 2009			
Revenue and other income			
Other income	99,310	-	99,310
Unallocated			
Interest income			924,976
Total revenue and other income			1,024,286
Results			
Pre-tax segment result	(2,418,715)	(1,175,294)	(3,594,009)
Unallocated			
Interest income			924,976
Fair value loss on held for trading assets			(39,800)
Total loss before income tax			(2,708,833)
Year Ended 30 June 2010			
Segment Assets			
Segment operating assets	42,195,751	73,961,437	116,157,188
Unallocated assets			
Cash			29,575,628
Receivables			2,414,899
Held for trading financial assets			28,000
Available for sale financial assets			330,533
Total assets			148,506,248

Note 5 Held for trading financial assets

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

	31 December 2010 \$	Consolidated 30 June 2010 \$	31 December 2009 \$
<i>Rum Jungle Uranium Limited Options</i>			
Value of investment at the start of the reporting period	28,000	78,000	117,800
Unrealised fair value gain/(loss) recognised during the reporting period	270,000	(50,000)	(39,800)
Value of investment at the end of the reporting period	298,000	28,000	78,000

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

Note 6 Non-current assets held for sale

During the reporting period, the board of directors decided on the divestment of the Napperby Project in the Northern Territory to reduce expenditure and to enable the Company to focus on its projects in Namibia and prospects in Queensland. The Napperby Project forms part of the Australian reportable segment.

	Consolidated	
	31 December 2010	30 June 2010
	\$	\$
<i>Exploration and evaluation asset</i>		
Balance at the beginning of the financial year	-	-
Transfer from deferred exploration expenditure (Note 8)	2,421,720	-
Total Non-current assets held for sale	2,421,720	-

Note 7 Available for sale financial assets

Available for sale investments consist of investments in ordinary shares quoted on the ASX and the fair value has been determined by reference to published price quotations.

Note 8 Deferred exploration expenditure

	Consolidated		
	31 December 2010	30 June 2010	31 December 2009
	\$	\$	\$
Cost brought forward at the start of the reporting period	113,290,676	106,369,345	98,196,751
Exploration expenditure incurred during the period at cost	7,189,313	7,297,821	8,831,325
Transfer to non-current assets held for sale	(2,421,720)	-	-
Exploration expenditure written off	(559,071)	(376,490)	(658,731)
Cost carried forward at the end of the reporting period	117,499,198	113,290,676	106,369,345

Exploration expenditure written off was as a result of tenements which expired, were surrendered, where access was refused or agreements were terminated during the period. The amount written off represents the total accumulated costs to date of expiry, surrender, refusal or termination.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

Note 9 Current assets – cash and cash equivalents

	31 December 2010	Consolidated 30 June 2010	31 December 2009
	\$	\$	\$
Cash at bank and in hand	4,849,933	6,075,628	4,324,617
Deposits	12,000,000	21,500,000	28,000,000
	<u>16,849,933</u>	<u>27,575,628</u>	<u>32,324,617</u>

(i) Reconciliation to Cash Flow Statement

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following:

	31 December 2010	Consolidated 30 June 2010	31 December 2009
	\$	\$	\$
Cash and cash equivalents as above	16,849,933	27,575,628	32,324,617
Other short term bank deposits	3,500,000	2,000,000	4,000,000
Cash carried forward at the end of the reporting period	<u>20,349,933</u>	<u>29,575,628</u>	<u>36,324,617</u>

Note 10 Contingent liabilities and contingent assets

(i) Contingent liabilities

There were no material contingent liabilities as at 31 December 2010 other than:

Australian native title and aboriginal heritage

Australian native title claims have been made with respect to areas which include tenements in which the Group has an interest. The Group 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 Group 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 Group has an interest.

(ii) Contingent assets

There were no material contingent assets as at 31 December 2010.

Note 11 Events after balance sheet date

No event or circumstance has arisen since 31 December 2010 that would require disclosure in the financial report.

DIRECTORS' DECLARATION

In the opinion of the directors:

1. The financial statements and notes, as set out on pages 6 to 16:
 - a. give a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year then ended; and
 - b. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
2. There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

On behalf of the Board of Directors.



Greg Cochran
Managing Director
Dated this day 11 March 2011

To the members of Deep Yellow Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Deep Yellow Limited ("the company"), which comprises the consolidated statement of financial position as at 31 December 2010, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies, other explanatory information, and the directors' declaration of the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*. The directors are also responsible for such internal controls that the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Deep Yellow Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

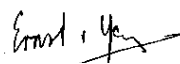
Independence

In conducting our review, we have complied with 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.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Deep Yellow Limited is not in accordance with the *Corporations Act 2001*, including:

- i giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- ii complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



R A Kirkby
Partner
Perth

11 March 2011