

12 December 2007

**Deep Yellow Ltd and Dragon Energy Ltd  
Agree to a Farm-in and Establishment of a  
Joint Venture on Five Uranium Projects in Queensland**

The Boards of Deep Yellow Ltd (ASX code "DYL") and Dragon Energy Ltd (Dragon) are pleased to announce they have reached agreement for the Farm-in by Dragon of a majority interest in five DYL uranium projects located in Queensland (covering some 2,600 sq km and spread across nine tenements – refer attachment 1).

Essentially, the proposal provides Dragon with the opportunity to acquire 75% of each of the DYL properties by sole funding certain expenditure on the Tenements on the terms and conditions set out in the Agreement. Furthermore Dragon will have the opportunity to maximise its ownership of the properties in the future by paying for the proven in-ground resource on terms referred to below.

Finalisation of the transaction is subject to normal commercial terms and the proposed admission of Dragon to the Official List of the ASX no later than 28<sup>th</sup> June 2008.

While these properties are prospective, they were acquired during a period when DYL was putting an extensive land portfolio together and prior to its present Board's decision to concentrate efforts in select exploration areas where the Company now holds large tracts of land under tenure and bases have been established. This left the projects subject to this agreement somewhat geographically isolated and the divestment is in accordance with DYL's previously stated strategy of focusing its management and resources on the chosen priority exploration areas in Mt Isa, Gawler Craton and Namibia.

DYL will continue to benefit from the opportunity provided to Dragon, which as a new company will be able to better focus on and fully evaluate and explore the tenements. If this is successful it will result in significant returns to DYL shareholders. Dragon will benefit from a focused and energetic evaluation of a portfolio of potential uranium exploration opportunities.

The principal commercial terms are as follows:

**A. CONSIDERATION**

1. A\$500,000 in cash made up as follows:
  - a) Dragon has made an upfront payment of A\$50,000 in cash on the signing of the Farm-in and Joint Venture Agreement.
  - b) A final cash payment of A\$450,000 will be paid by Dragon out of the financial proceeds realised from the proposed listing on the ASX.
2. During the Sole Funding Period, Dragon may earn a 75% interest in the Tenements by spending \$3,000,000 on the following terms:
  - a) An initial 25% beneficial interest in the Tenements by incurring Expenditure of \$1,000,000;
  - b) A 50% beneficial interest in the Tenements by incurring an additional \$1,000,000 of Expenditure; and
  - c) A 75% legal and beneficial interest in the Tenements by incurring a further \$1,000,000 of Expenditure.

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, 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.

**B. OTHER RELEVANT ITEMS**

1. A joint venture agreement (JVA) will be entered into once Dragon has reached the full earn in of 75%. Dragon will be the Manager of that JVA.
2. Effective immediately Dragon will pay all outgoings and maintain all the tenements and keep them in good standing. DYL will provide all relevant assistance until the transaction is completed and ownership can be transferred.
3. DYL will have no representation on the board of Dragon.
4. Upon completion of a bankable feasibility study (BFS) each party will have the right to decide whether to participate in mining operations within the area that is the subject of the study. If one party decides not to participate in mining operations then the other party will have the right to acquire the relevant JVA interest for 15% of the in-ground value of the uranium as referenced (defined by JORC Code in lbs and multiplied by the current uranium spot price per lb) in the BFS. At election the consideration may be any combination of cash and shares, shares held by either party to be limited to no more than 19.9% of the issued share capital of the other party at the time.

The DYL Board's rationale for the sale of these tenements is 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 and personnel throughout Australia. In addition DYL will be able 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.

"As previously stated, the DYL Board recognises that it makes sense for DYL to focus on its' main priority projects and give a new company the opportunity to focus on and aggressively advance prospects that might not otherwise get the levels of attention and funding that they require." Deep Yellow's Managing Director, Leon Pretorius said today.

"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."

Dragon Energy Ltd is an Australian exploration company which is preparing for an IPO on the ASX with a focus on uranium in Australia and the Asia Pacific region. It has a highly qualified board of directors with specific experience in uranium exploration and the development of mineral projects worldwide. "We are delighted to sign this agreement with Deep Yellow and secure this exciting exploration venture. We look forward to completing Dragon Energy's IPO objectives in early 2008 as well as advancing these projects with Deep Yellow", Dragon Energy's non-executive Chairman, Mr Nigel Clark, said today from Beijing.

**COMPANY CONTACTS:**



**Deep Yellow Limited**  
Leon Pretorius +618 9286 6999  
Martin Kavanagh +618 9286 6999  
Email: [admin@deepyellow.com.au](mailto:admin@deepyellow.com.au)

**Dragon Energy Limited**  
Anthony Ho +618 9226 2688  
Email: [anthony@anthonyho.com.au](mailto:anthony@anthonyho.com.au)

**ATTACHMENT 1 - TENEMENTS**

(5 tenements)

Tenement	Registered Holder
EPM 15615	90% DYL 10% Superior
EPM 15620	90% DYL 10% Superior
EPM 15621	90% DYL 10% Superior
EPM 15622	90% DYL 10% Superior
EPM 15624 <sup>#</sup>	90% DYL 10% SRL

(4 tenements)

Tenement	Registered Holder
EPM 16008* (pending)	100% Superior
EPM 15072	100% Superior
EPM 15194	100% Superior
EPM 15249	100% Superior

\* Means the tenement is an application

# Superior Resources Limited (SRL) has agreed to transfer its 10% interest to Superior Uranium Pty Ltd.

Superior Uranium Pty Ltd (Superior) is a wholly owned subsidiary of Deep Yellow Limited.

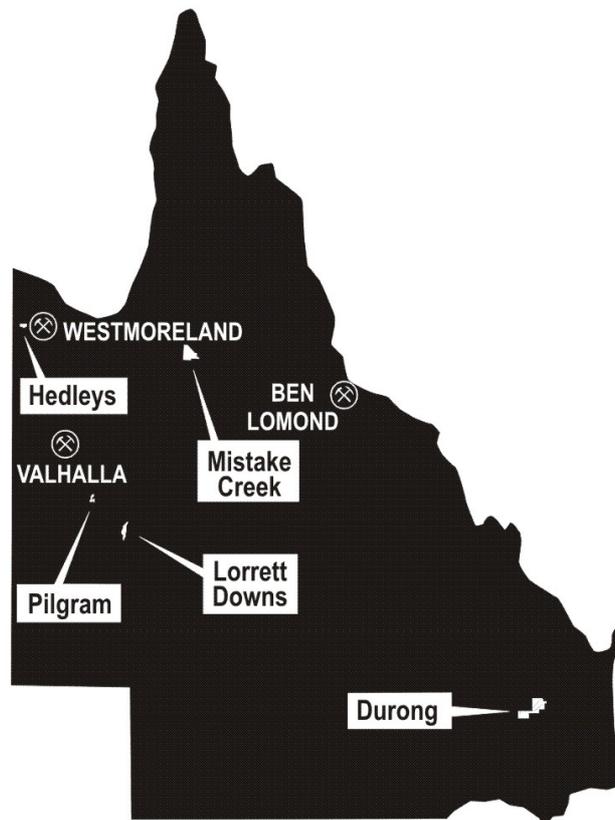


Figure 1: DYL/Dragon Farm-in Project Locations

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