

DEEP YELLOW

FINANCIAL REPORT

2005

DEEP YELLOW LIMITED
ABN 97 006 391 948

CORPORATE INFORMATION

REGISTERED OFFICE

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West Perth, Western Australia 6005
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AUDITORS

Ernst & Young
Chartered Accountants
11 Mounts Bay Road
Perth, Western Australia 6000

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St George's Terrace
Perth, Western Australia 6000
Telephone: (08) 9323 2000
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STOCK EXCHANGE LISTING

The Company's securities are quoted on the official list of the Australian Stock Exchange Ltd, the home branch being Perth.

ASX Code: DYL

CONTENTS

	Page No.
Directors' Report	1
Statement of Corporate Governance Practices	10
Statements of Financial Performance	15
Statements of Financial Position	16
Statements of Cash Flows	17
Notes to the Financial Statements	18
Directors' Declaration	41
Auditor's Independence Declaration	42
Independent Audit Report	43

DIRECTORS' REPORT

In accordance with a resolution of the directors, the following report is submitted in respect of the results of the Company and the consolidated entity constituted by the Company and the entities it controlled during all or part of, or at the end of, the financial year ended 30 June 2005, together with the state of affairs of the consolidated entity as at that date.

DIRECTORS

The names, qualifications, experience and special responsibilities of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for the periods stated.

Current directors:

Dr Leon Pretorius

Dr Pretorius is a geochemist and brings to Deep Yellow 34 years experience and an intimate knowledge of the uranium industry in both Australia and Africa. Until April this year he served for two years as an Executive Director of Paladin Resources Limited. He will continue his relationship with Paladin as a consultant.

Dr Pretorius was appointed a Non-executive Director of the Company on 7 June 2005 and remains in that position as at the date of this report. The appointment of Dr Pretorius significantly enhances Deep Yellow's ability to grow its business in uranium exploration and development through Dr Pretorius' experience, contacts and technical expertise.

Mr James Pratt

James Pratt holds a Bachelor of Science degree with Honours from the University of Western Australia as well as a Graduate Diploma in Finance and Investment with the Securities Institute of Australia. Mr Pratt has fourteen years experience in the mining industry incorporating both open cut and underground mining environments as well as exploration and recoverable resource estimation. Mr Pratt was appointed on 9 December 2004 and remains a director as at the date of this report.

Mr Pratt was a director of Green Rock Energy Limited a company listed on ASX, appointed 22 October 2004 and resigned on 25 February 2005.

Mr Gary Steinepreis

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

Mr Steinepreis was appointed on 20 August 2004 and remains a director of the Company as at the date of this report.

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

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

DIRECTORS' REPORT *(cont'd)*

Former directors:

Mr David Steinepreis

David Steinepreis is a Chartered Accountant and former partner of an international accounting firm where he specialised in strategic corporate advice and taxation for listed companies. He entered commerce as a Director, adviser and major shareholder of a number of listed companies in the gold, diamonds, oil and new mining technology sectors. Mr Steinepreis is also chairman of Ascent Capital Pty Ltd. Mr Steinepreis was appointed to the board on 20 August 2004 and resigned on 7 January 2005.

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

Name of Company	Appointed	Resigned
Fusia Limited	24/12/2003	15/12/2004
Black Range Minerals Limited	08/01/2004	22/08/2005
M Health Limited	16/04/2004	Current
Green Rock Energy Limited	21/09/2000	10/05/2005
OBJ Limited	13/02/2004	08/12/2004
Salus Technologies Limited	18/08/2003	27/06/2005
Extract Resources Limited	04/09/2003	20/01/2004
Medivac Limited	15/09/2003	19/01/2004
Aeris Technologies Limited	01/08/2000	24/07/2002
Copperco Limited	11/02/2002	08/05/2002
Resonance Health Limited	18/10/2002	11/11/2003
View Resources Limited	14/03/2002	13/06/2003
IM Medical Limited	28/11/2003	16/09/2004
Service Stream Limited	20/11/2003	27/07/2004
Peninsular Minerals Limited	07/05/2003	22/03/2004
Imugene Limited	29/01/2002	30/08/2002
Australian Ethanol Limited	01/02/2002	05/12/2002

Mr Hugh Warner

Hugh Warner holds a Bachelor of Economics Degree from the University of Western Australia. Mr Warner has been involved with a number of private and publicly listed companies in Australia, UK and Canada involved in the oil and gas, gold, diamonds and technology sectors. He contributes general corporate and company secretarial management skills along with a strong knowledge of both the Australian and UK Stock Exchange requirements. Mr Warner is a Director of Ascent Capital Pty Ltd. Mr Warner was appointed to the board on 20 August 2004 and resigned on 18 July 2005.

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

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

DIRECTORS' REPORT *(cont'd)****Mr Rick Crabb***

Mr Crabb joined the Board on 11 April 2003 and resigned on 20 August 2004. He holds degrees of Bachelor of Jurisprudence (Honours), Bachelor of Laws and Master of Business Administration from the University of Western Australia. Mr Crabb is currently a director of Paladin Resources Ltd (since 1994), Port Bouvard Ltd (since 1996), Ashburton Minerals Ltd (since 1999), Thundelarra Exploration Ltd (since 2003) and Ottoman Energy Ltd (since 2004). In the last three years he was a former director of ST Synergy Ltd (from 2001 to 2005) and Aldershot Resources Ltd (from 2004 to 2005).

Dr Alistair Cowden

Dr Cowden joined the Board on 11 April 2003 and resigned on 20 August 2004. Dr Cowden has a BSc (Hons), Geology from the University of Edinburgh and a PhD in Geology from the University of London. He is currently a director of Vulcan Resources Limited, Rox Resources Limited and Australis Aquaculture Limited. During the last three years, Dr Cowden has also served as a director of Magnetic Minerals Limited and Australian Cancer Technology Limited.

Mr Brett Dickson

Mr Dickson joined the Board and was appointed Company Secretary on 11 April 2003 and resigned on 20 August 2004. Mr Dickson is a Certified Practising Accountant with a Bachelors degree in Economics and Finance from Curtin University. Mr Dickson is currently a director of Vulcan Resources Limited and during the last three years he has also served on the board of Australian Cancer Technology Limited.

Mr John Blue

Mr Blue was appointed to the Board on 29 June 1992 and resigned on 20 August 2004. He is a graduate in law from the University of Western Australia. Mr Blue does not hold any other public company directorships.

COMPANY SECRETARY

The Company has joint company secretaries:

Mr Gary Steinepreis

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

Mr Paul Hearne

Mr Hearne holds a Bachelor of Commerce Degree from the University of Western Australia. He has worked in most aspects of commercial business, in Australia, South East Asia, Europe, Africa and North America. His experience includes management roles within a variety of industries, which has covered areas such as product and technology marketing, budgeting, contract management and international contracting and licensing. He provides corporate, management and accounting advice to a number of corporations involved in the resource, technology and industrial sectors. Mr Hearne was previously company secretary of Green Rock Energy Limited.

Interests in the Shares and Options of the Company

At the date of this report the interests of the directors in the shares and other equity securities of the Company were:

	<u>Ordinary Shares</u>	<u>Unlisted Options</u>
James Pratt	3,125,000	10,000,000
Leon Pretorius	15,000,000	15,000,000
Gary Steinepreis	5,000,000	-

LOSS PER SHARE

	<u>Cents</u>
Basic loss per share	0.32
Diluted loss per share	0.32

DIRECTORS' REPORT *(cont'd)*

DIVIDENDS

No dividend was paid or declared by the Company in the period since the end of the previous financial year, and up to the date of this report. The directors do not recommend that any amount be paid by way of dividend for the financial year ended 30 June 2005.

CORPORATE STRUCTURE

Deep Yellow Limited, the parent entity, is a company limited by shares that is incorporated and domiciled in Australia. Deep Yellow Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are outlined in Note 9 of the financial statements.

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the financial year were the exploration and mining over several different exploration targets, which were principally uranium and gold.

CONSOLIDATED RESULTS

The consolidated net loss of the consolidated entity for the financial year after income tax was \$660,696 (2004: \$2,955,239).

REVIEW OF OPERATIONS AND SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The review of operations covers the reasons which lead to the recapitalisation of the Company and continued business. The prior operations of the Company are not relevant as a result of the Deed of Company Arrangement. During mining of the Mikado Gold Deposit difficulties arose due to poor continuity and highly variable gold distribution, problems with the ore body grade control and dilution during mining around stopes. As a result of these difficulties, the returns were significantly lower than the mine model predictions and the Company did not have sufficient working capital to continue operations.

On 22 June 2004, the Directors of Deep Yellow Limited (Deep Yellow or the Company) appointed Christopher Munday and Bryan Hughes of Pitcher Partners as Joint and Several Administrators (Administrator) of the Company under Section 436A of the Corporations Act. On 23 June 2004 the Company's securities were suspended from trading on the Official List of Australian Stock Exchange Limited.

At a meeting of creditors held on 20 July 2004, creditors voted in favour of the Company entering into a deed of company arrangement with Ascent Capital Pty Ltd ("Ascent Capital") in order for Ascent Capital to recapitalise the Company ("Recapitalisation Proposal"). On 10 August 2004, the Deed of Company Arrangement was executed by the relevant parties and nominees of Ascent Capital being David Steinepreis, Hugh Warner and Gary Steinepreis were appointed Directors of the Company on 20 August 2004.

The Deed of Company Arrangement, subject to conditions being met, required that an amount of \$500,000, the issue of 10,000,000 shares at a deemed issue price of 1 cent and certain assets and rights of the Company be made available for the satisfaction of the claims of creditors and to meet the costs of the Administrator and Deed Administrator. Ascent Capital provided the additional funding to meet the costs associated with the Notice of General Meeting and arranged \$500,000 in additional loan funds, via a conditional loan agreement, to enable the Company to meet the terms of the Deed of Company Arrangement.

The proposal from Ascent Capital required members in a General Meeting which was held on 27 October 2004 to vote on and pass resolutions to enable the Company to satisfy the terms of the Deed of Company Arrangement.

The shareholders passed the resolutions and the Company raised equity funds of \$1,751,000 and settled the Deed of Company Arrangement via the payment of \$500,000. The Company was reinstated to trading on the ASX on 1 December 2004.

On 9 December 2004, the Company acquired two advanced Uranium projects from Paladin Energy Minerals NL, a wholly owned subsidiary of Paladin Resources Ltd (Paladin). The projects are known as Napperby and Northeast Arunta and both are located in the Northern Territory.

DIRECTORS' REPORT *(cont'd)*

REVIEW OF OPERATIONS AND SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS *continued*

The consideration paid by Deep Yellow to Paladin comprised:

- 1) \$100,000 cash; and
- 2) 2% gross royalty; and
- 3) 15,000,000 ordinary shares in Deep Yellow; and
- 4) 25,000,000 options, each option granting Paladin the right to acquire one ordinary share in Deep Yellow exercisable at 1 cent each on or before 31 December 2007.

The Company has focussed on the development of its Uranium projects and raised \$2,990,000 of further equity capital in two separate placements. On 29 June 2005, the Company announced that it had entered into a conditional agreement to acquire the rights to Tanami Gold NL's and Tanami Exploration NL's entire interest in any uranium minerals in their tenements in the Tanami-Arunta Province covering both the Northern Territory and Western Australia. The acquisition was subject to shareholder approval, which was obtained on 30 August 2005, and regulatory and third party consents. The consideration for the acquisition is 30,000,000 Shares, 15,000,000 of which are subject to escrow for 18 months, together with \$400,000. This acquisition will provide Deep Yellow with access to an extensive exploration package containing numerous prospective targets for uranium exploration and builds on the Company's existing commitment to exploration in the Northern Territory via its Napperby and Northeast Arunta Projects. The contract settled on 15 September 2005.

On 7 June 2005, the Company announced the appointment of Dr Leon Pretorius as a non-executive Director of the Company. As part of the consideration for Dr Pretorius joining the board, the board resolved to issue Dr Pretorius with 15,000,000 Executive Options. The issue was subject to shareholder approval, which was obtained on 30 August 2005 and the options were issued on 8 September 2005.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

The financial effect of the non-adjusting significant events after the balance date will be the same under both current AGAAP and AIFRS.

Shareholder approval to the Tanami Gold transaction, as mentioned above, was obtained on 30 August 2005. The contract settled on 15 September 2005.

On 18 July 2005, the Company announced that it had entered into a conditional agreement to acquire A1 Mineral Ltd's applications for exploration licences in the Ponton region of Western Australia and sell the Company's interest in the Mikado Gold Joint Venture. The agreement was subject to shareholder approval, which was obtained on 30 August 2005, approval of the trustee of creditors of the Deep Yellow Creditors Trust and regulatory consents. The consideration for the acquisition is 3,000,000 Shares together with transfer of the Company's 50% interest in the Mikado Gold Joint Venture and settlement of the Priority Deed. The areas the subject of the exploration licence applications contain tertiary palaeochannels, considered highly prospective for uranium and which connect the Mulga Rocks uranium deposit, discovered to the north, with the Paladin Ponton project to the south. The contract settled on 15 September 2005.

On 18 July 2005, the Company announced that it had entered into a conditional agreement to acquire Paladin Resources Ltd's 90% interest in the Siccus Joint Venture which relates to an exploration licence in the Frome Basin of South Australia and database on the Frome Basin. The agreement was subject to shareholder approval, which was obtained on 30 August 2005, and issue of the consideration in accordance with the Corporations Act. The consideration for the acquisition is 7,500,000 Shares and 12,500,000 Options. The acquisition is the Company's first foray into the South Australian uranium exploration province. The contract settled on 15 September 2005.

On 18 July 2005, the Company agreed to sell its Tanzanian prospecting licences to Uranium Resources plc (Uranium Resources), a company listed on the London Stock Exchange's AIM market, in consideration for £50,000 in cash and 6,000,000 shares valued at approximately £180,000 (a total consideration of approximately A\$575,000). The contract settled on 15 September 2005.

The resource definition drilling on Deep Yellow's 100% owned Napperby Project (150km northwest of Alice Springs) has been completed and the rig demobilised from site. There were 569 holes drilled with each hole being about 10 metre (m) deep. In excess of 2,500 samples have been collected and submitted for chemical analysis. Radiometric logging of the holes has been carried out however disequilibrium factors will require chemical verification. Following receipt of the assays, a new resource estimate for Napperby will be undertaken by independent geological consultants.

DIRECTORS' REPORT *(cont'd)*

SIGNIFICANT EVENTS AFTER THE BALANCE DATE *continued*

Other than the above, there has not been any matter or circumstance that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The directors have excluded from this report any further information on the likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years, as the directors believe that it would be likely to result in unreasonable prejudice to one or more entities in the consolidated entity.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The consolidated entity carries out operations in Western Australia, the Northern Territory and South Australia that are subject to environmental regulations under both Commonwealth and State legislation in relation to exploration activities. The consolidated entity has formal procedures in place to ensure regulations are adhered to. During the financial year there has been no significant breach of these regulations.

SHARE OPTIONS

Issued during the year and exercisable over ordinary shares in Deep Yellow:

- (a) 30,000,000 unlisted options issued under a prospectus dated 1 November 2004. Options are exercisable at 1 cent each at any time before 31 December 2007.
- (b) 25,000,000 unlisted options issued under a prospectus dated 9 December 2004. Options are exercisable at 1 cent each at any time before 31 December 2007.
- (c) 10,000,000 unlisted options issued on 4 March 2005. Options are exercisable at 2 cents each at any time before 31 December 2007.

Expired during the year and exercisable over ordinary shares in Deep Yellow:

- (a) 102,500 unlisted options over ordinary shares in the Company issued to employees on 15 March 2000. Of these, 82,500 were exercisable at \$2.50 each, 20,000 were exercisable at \$2.70 cents each. All options expired on 16 February 2005.
- (b) 20,000 unlisted options to subscribe for ordinary shares in the Company issued to an employee on 15 November 2000 at an exercise price of \$2 cents each. All options expired on 15 November 2004.

Exercised during the year and exercisable over ordinary shares in Deep Yellow:

- (a) 7,500,000 unlisted options exercised at a price of 1 cent per option exercised on 9 February 2005.
- (b) 3,750,000 unlisted options exercised at a price of 1 cent per option exercised on 21 February 2005.
- (c) 3,000,000 unlisted options exercised at a price of 1 cent per option exercised on 26 April 2005.

Issued since the end of the year and exercisable over ordinary shares in Deep Yellow:

- (a) 10,000,000 unlisted options issued on 8 September 2005. Options are exercisable at 5 cents each at any time before 31 December 2007.
- (b) 5,000,000 unlisted options issued on 8 September 2005. Options are exercisable at 7.5 cents each at any time before 31 December 2008.
- (c) 12,500,000 unlisted options issued on 15 September 2005. Options are exercisable at 12 cents each at any time before 31 July 2008.

Exercised since the end of the year and exercisable over ordinary shares in Deep Yellow:

- (a) 15,750,000 unlisted options exercised at a price of 1 cent per option exercised on 5 September 2005.

DIRECTORS' REPORT (cont'd)**SHARE OPTIONS** continued

Outstanding at the date of this report:

- (a) 160,000 unlisted options to subscribe for ordinary shares in the Company issued to staff and contractors at an exercise price of 35 cents each. All options expire on 1 January 2007.
- (b) 1,500,000 unlisted options issued under a Memorandum of Understanding dated 11 February 2003. Options are exercisable at 50 cents each at any time before 31 December 2005.
- (c) 25,000,000 unlisted options issued under a prospectus dated 9 December 2004. Options are exercisable at 1 cent each at any time before 31 December 2007.
- (d) 10,000,000 unlisted options issued on 4 March 2005. Options are exercisable at 2 cents each at any time before 31 December 2007.
- (e) 10,000,000 unlisted options issued on 8 September 2005. Options are exercisable at 5 cents each at any time before 31 December 2007.
- (f) 5,000,000 unlisted options issued on 8 September 2005. Options are exercisable at 7.5 cents each at any time before 31 December 2008.
- (g) 12,500,000 unlisted options issued on 15 September 2005. Options are exercisable at 12 cents each at any time before 31 July 2008.

Options carry no rights to dividends and no voting rights. Each option is convertible into one ordinary share.

REMUNERATION REPORT**Remuneration Policy**

The full Board is responsible for determining and reviewing compensation arrangements for the directors. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. The Company does not link the nature and amount of the emoluments of such officers to the Company's financial or operational performance. There are no management contracts. Non-executive directors are remunerated on a fixed fee basis.

Details of the nature and amount of each element of the emolument of each director of the Company are as follows:

Directors'	Annual Emoluments Salary	Superannuation	Consulting Fees	Executive Options	TOTAL
	\$	\$	\$	\$	\$
Leon Pretorius	-	-	5,000 (a)	-	5,000
James Pratt	50,000	4,500	-	396,162 (d)	450,662
Gary Steinepreis	-	-	40,000 (b)	-	40,000
David Steinepreis	-	-	40,000 (c)	-	40,000
Hugh Warner	36,697	3,303	-	-	40,000
R W Crabb	-	-	-	-	-
A Cowden	-	-	-	-	-
B D Dickson	-	-	-	-	-
J L Blue	-	-	-	-	-

Other than the directors, there were no executive officers of the Company directly accountable and responsible for the operational management and strategic direction of the Company and the consolidated entity.

- a) Consulting fees relating to Leon Pretorius were paid to Opaline Pty Ltd, an entity associated with Dr Pretorius.
- b) Consulting fees relating to Gary Steinepreis were paid to LeisureWest Consulting Pty Ltd, an entity associated with Mr Steinepreis.
- c) Consulting fees relating to David Steinepreis were paid to Ord Street Services, an entity associated with Mr Steinepreis.
- d) Executive options – non cash benefit

Mr James Pratt was granted executive options during the period which are considered to be a non-cash benefit and subject to a vesting period. A fair value has been assessed using the Black-Scholes option pricing model. The total fair value was assessed as \$482,740 however, only 50% have vested as at 30 June 2005 and therefore a pro-rata amount of \$396,162 has been disclosed, being the vested portion. The amount of \$396,162 represents 88% of Mr Pratt's total remuneration. The factors taken into account by the Black-Scholes option pricing model, which provides a theoretical value, include the following:

DIRECTORS' REPORT *(cont'd)***REMUNERATION REPORT** continued

Grant date:	4 March 2005
Number of options granted:	10,000,000
Vesting date:	5,000,000 on grant, 5,000,000 six months from grant
Exercise price:	2 cents
Term of the option:	exercisable on or before 31/12/07
Market price of shares when valued:	6.2 cents
Volatility of the underlying share	80%
Risk-free interest rate	5.25%
Value per option at grant date:	4.827 cents

MEETINGS OF THE COMPANY'S DIRECTORS

Name	Number of Meetings held and able to attend	Number of Meetings attended
Dr. Leon Pretorius	-	-
Mr. James Pratt	5	5
Mr. Gary Steinepreis	8	7
Mr. David Steinepreis	8	8
Mr. Hugh Warner	5	5
Mr. Rick Crabb	-	-
Mr. Alastair Cowden	-	-
Mr. Brett Dickson	-	-
Mr. John Blue	-	-

EMPLOYEES

The consolidated entity employed two employees at 30 June 2005 (2004: 1 employee).

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Company has made an agreement indemnifying all the directors and officers of the Company against all losses or liabilities incurred by each director or officer in their capacity as directors or officers of the Company, excluding wilful misconduct. The Company did not make any payments for premiums for directors and officers insurance during the financial year.

NON-AUDIT SERVICES AND AUDITOR'S REMUNERATION

During the year the following fees were paid or are payable for services provided by the auditor of the Company:

	2005	2004
	\$	\$
Audit or review of financial reports of the entity	39,550	34,250
Taxation Services	-	26,688
Total remuneration	39,550	60,938

Note: It is the entity's policy to employ Ernst & Young on assignments additional to their statutory audit duties where Ernst & Young's expertise and experience with the entity are important. These assignments are principally tax and advisory services. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. No non-audit services were provided by Ernst & Young during the year.

CORPORATE GOVERNANCE

The entity's corporate governance statement is contained in the following section of this annual report.

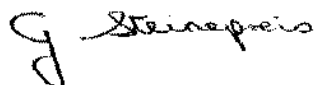
DIRECTORS' REPORT *(cont'd)*

AUDITOR'S INDEPENDENCE DECLARATION

The Company has obtained an independence declaration from its auditors, Ernst and Young, and that declaration forms part of this report and is included at page 42 of this report.

Signed in accordance with a resolution of the directors.

On behalf of the directors.

A handwritten signature in black ink, appearing to read 'G Steinepreis', with a stylized 'G' and a long horizontal stroke.

Gary Steinepreis
Director
West Perth
28 September 2005

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Company has considered the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations*.

In line with the above the Board approved the adoption of a board charter on 30 September 2004. This charter sets out the way forward for the Company in its implementation of its Principles of Good Corporate Governance and Best Practice Recommendations. The approach taken by the board was to set a blueprint for the Company to follow as it introduces elements of the governance process. Due to the current size of the Company and the scale of its operations it is neither practical nor economic for the adoption of all of the recommendations approved via the board charter. Where the Company has not adhered to the recommendations it has stated that fact in the annual report however has set out a mandate for future compliance when the size of the Company and the scale of its operations warrants the introduction of those recommendations.

1. Board of Directors

1.1 Role of the Board

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

To assist the Board to carry out its functions, it has developed a Code of Conduct to guide the Directors.

1.2 Composition of the Board

To add value to the Company the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties. The names of the Directors and their qualifications and experience are stated in the Directors' Report on page 1 along with the term of office held by each of the Directors. Directors are appointed based on the specific skills required by the Company and on their decision-making and judgment.

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. Currently one director is considered Non-Executive. The Directors therefore do not meet the following criteria for independence adopted by the Company.

An Independent Director:

1. is a Non-Executive Director and;
2. is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
3. within the last three years has not been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
4. within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member. Or an employee materially associated with the service provided;
5. is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
6. has no material contractual relationship with the Company or other group member other than as a Director of the Company;
7. has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
8. is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Materiality for the purposes of points 1 to 8 above is determined on the basis of both quantitative and qualitative aspects with regard to the independence of directors. An amount over 5% of the Company's expenditure or 10% of the particular directors annual gross income is considered to be material. A period of more than six years as a director would be considered material when assessing independence.

1.3 Responsibilities of the Board

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following.

1. **Leadership of the Organisation:** overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board.
2. **Strategy Formulation:** to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
3. **Overseeing Planning Activities:** the development of the Company's strategic plan.
4. **Shareholder Liaison:** ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
5. **Monitoring, Compliance and Risk Management:** the development of the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.
6. **Company Finances:** approving expenses and approving and monitoring acquisitions, divestitures and financial and other reporting.
7. **Human Resources:** appointing as well as reviewing and monitoring the performance of senior management in their implementation of the Company's strategy.
8. **Ensuring the Health, Safety and Well-Being of Employees:** in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.
9. **Delegation of Authority:** delegating appropriate powers to the Company Secretary to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board.

Full details of the Board's role and responsibilities are contained in the Board Charter, a copy of which is available for inspection at the Company's registered office.

1.4 Board Policies

1.4.1 Conflicts of Interest

Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the Corporations Act, absent himself or herself from the room when discussion and/or voting occurs on matters about which the conflict relates.

1.4.2 Commitments

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

1.4.3 Confidentiality

In accordance with legal requirements and agreed ethical standards, Directors and key executives of the Company have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

1.4.4 Continuous Disclosure

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the *ASX Listing Rules* the Company immediately notifies the ASX of information:

1. concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
2. that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

1.4.5 Education and Induction

It is the policy of the Company that new Directors undergo an induction process in which they are given a full briefing on the Company. Where possible this includes meetings with key executives, tours of the premises, an induction package and presentations. Information conveyed to new Directors include:

- details of the roles and responsibilities of a Director;
- formal policies on Director appointment as well as conduct and contribution expectations;
- a copy of the Board Charter; and
- a copy of the Constitution of the Company.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development.

1.4.6 Independent Professional Advice

The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, to assist them to carry out their responsibilities.

1.4.7 Related Party Transactions

Related party transactions include any financial transaction between a Director and the Company. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

1.4.8 Shareholder Communication

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

1. communicating effectively with shareholders through releases to the market via ASX, information mailed to shareholders and the general meetings of the Company;
2. giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
3. making it easy for shareholders to participate in general meetings of the Company; and
4. requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company.

1.4.9 Trading in Company Shares

The Company has a Share Trading Policy which states that Directors, members of senior management, certain other employees and their associates likely to be in possession of unpublished price sensitive information may not trade in the Company's securities prior to that unpublished price sensitive information being released to the market via the ASX.

Unpublished price sensitive information is information regarding the Company, of which the market is not aware, that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

1.4.10 Performance Review / Evaluation

It is the policy of the Board to conduct evaluation of its performance. The evaluation process was introduced via the Board Charter adopted on 30 June 2004 and was implemented for the financial year ended 30 June 2005. The objective of this evaluation will be to provide best practice corporate governance to the Company.

1.4.11 Attestations by CEO and CFO

It is the Board's policy, that the CEO and the CFO make the attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing the Annual Report. These roles, for the purpose of the attestations, will be performed by James Pratt as CEO and Gary Steinepreis as CFO.

2. Board Committees

2.1 Audit Committee

Due to the size and scale of operations of the Company, the Company does not have an Audit Committee.

2.2 Remuneration Committee

2.2.1 Role

The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees.

As the whole Board only consists of three (3) members, the Company does not have a remuneration committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

2.2.2 Remuneration Policy

The full Board is responsible for determining and reviewing compensation arrangements for the directors. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. The Company does not link the nature and amount of the emoluments of such officers to the Company's financial or operational performance. There are no management contracts.

2.2.2.1 Non-Executive Director Remuneration Policy

Non-Executive Directors are to be paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses and do not participate in equity schemes of the Company.

Non-Executive Directors are entitled to but not necessarily paid statutory superannuation.

2.2.3 Current Director Remuneration

Full details regarding the remuneration of Directors, is included in the Directors' Report.

2.3 Nomination Committee

2.3.1 Role

The role of a Nomination Committee is to help achieve a structured Board that adds value to the Company by ensuring an appropriate mix of skills are present in Directors on the Board at all times.

As the whole Board only consists of three (3) members, the Company does not have a nomination committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

2.3.2 Criteria for selection of Directors

Directors are appointed based on the specific governance skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least one Director with experience appropriate to the Company's target market. In addition, Directors should have the relevant blend of personal experience in:

- Accounting and financial management; and
- Director-level business experience.

3. Company Code of Conduct

As part of its commitment to recognising the legitimate interests of stakeholders, the Company has established a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders. These stakeholders include employees, clients, customers, government authorities, creditors and the community as a whole. The Company Code of Conduct was adopted by resolution of the Board on 30 September 2004. This Code includes the following:

Responsibilities to Shareholders and the Financial Community Generally

The Company complies with the spirit as well as the letter of all laws and regulations that govern shareholders' rights. The Company has processes in place designed to ensure the truthful and factual presentation of the Company's financial position and prepares and maintains its accounts fairly and accurately in accordance with the generally accepted accounting and financial reporting standards.

Responsibilities to Clients, Customers and Consumers

The Company has an obligation to use its best efforts to deal in a fair and responsible manner with each of the Company's clients, customers and consumers and is committed to providing clients, customers and consumers with fair value.

Employment Practices

The Company policy is to endeavour to provide a safe workplace in which there is equal opportunity for all employees at all levels of the Company. The Company does not tolerate the offering or acceptance of bribes or the misuse of Company assets or resources. As at the date of this report there are no employees who are not also directors.

Obligations Relative to Fair Trading and Dealing

The Company aims to conduct its business fairly and to compete ethically and in accordance with relevant competition laws. The Company strives to deal fairly with the Company's customers, suppliers and competitors.

Responsibilities to the Community

As part of the community the Company is committed to conducting its business in accordance with applicable environmental laws and regulations.

Responsibility to the Individual

The Company is committed to keeping private information from employees, clients, customers, consumers and investors confidential and protected from uses other than those for which it was provided.

Conflicts of Interest

Directors and Employees must avoid conflicts as well as the appearance of conflicts between personal interests and the interests of the Company.

How the Company Complies with Legislation Affecting its Operations

Within Australia, the Company strives to comply with the spirit and the letter of all legislation affecting its operations. Outside Australia, the Company will abide by local laws in all countries in which it operates. Where those laws are not as stringent as the Company's operating policies, particularly in relation to the environment, workplace practices, intellectual property and the giving of "gifts", Company policy will prevail.

How the Company Monitors and Ensures Compliance with its Code

The Board of the Company is committed to implementing this Code of Conduct and each individual is accountable for such compliance. Disciplinary measures may be imposed for violating the Code.

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2005

	NOTE	CONSOLIDATED ENTITY		PARENT ENTITY	
		2005	2004	2005	2004
		\$	\$	\$	\$
Sales revenue	2 (a)	170,780	487,146	170,780	487,146
Cost of sales	3 (a)	(126,382)	(3,329,774)	(126,382)	(3,329,774)
Gross profit / (loss)		<u>44,398</u>	<u>(2,842,628)</u>	<u>44,398</u>	<u>(2,842,628)</u>
Other revenues from ordinary activities	2 (b)	102,389	1,994,669	102,389	58,669
Loss on restructure of company pursuant to deed of company arrangement	2 (c)	(132,046)	-	(132,046)	-
Marketing expenses		(9,080)	(15,769)	(9,080)	(15,769)
Occupancy expenses		(45,236)	(123,374)	(45,236)	(123,374)
Administrative expenses		(172,838)	(524,494)	(172,838)	(524,493)
Other (expenses) / income from ordinary activities	3 (a)	<u>(448,283)</u>	<u>(1,443,643)</u>	<u>(459,546)</u>	<u>504,160</u>
Loss from ordinary activities before income tax expense		<u>(660,696)</u>	<u>(2,955,239)</u>	<u>(671,959)</u>	<u>(2,943,435)</u>
Income tax expense relating to ordinary activities	4 (a)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss from ordinary activities after income tax expense		<u>(660,696)</u>	<u>(2,955,239)</u>	<u>(671,959)</u>	<u>(2,943,435)</u>
Net loss attributable to members of the parent company		<u>(660,696)</u>	<u>(2,955,239)</u>	<u>(671,959)</u>	<u>(2,943,435)</u>
Share issue costs	15	(129,808)	(82,787)	(129,808)	(82,787)
Total revenues, expenses and valuation adjustments attributable to members of Deep Yellow Limited and recognised directly in equity		<u>(129,808)</u>	<u>(82,787)</u>	<u>(129,808)</u>	<u>(82,787)</u>
Total changes in equity other than those resulting from transactions with owners as owners attributable to members of Deep Yellow Limited		<u>(790,504)</u>	<u>(3,038,026)</u>	<u>(801,767)</u>	<u>(3,026,222)</u>
Basic (loss) per share (cents per share)	22	(0.32)	(1.28)		
Diluted (loss) per share (cents per share)	22	(0.32)	(1.28)		

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2005

	NOTE	CONSOLIDATED ENTITY		PARENT ENTITY	
		2005	2004	2005	2004
		\$	\$	\$	\$
CURRENT ASSETS					
Cash assets	5	3,536,679	177,507	3,536,679	177,507
Receivables	6	79,000	379,588	79,000	281,850
Inventories	7	-	280,069	-	280,069
Other financial assets	8	-	948,500	-	948,500
Plant and equipment	11	-	15,414	-	15,414
TOTAL CURRENT ASSETS		<u>3,615,679</u>	<u>1,801,078</u>	<u>3,615,679</u>	<u>1,703,340</u>
NON-CURRENT ASSETS					
Plant and equipment	11	1,367	-	1,367	-
Deferred exploration expenditure	12	1,050,000	400,000	1,050,000	400,000
TOTAL NON-CURRENT ASSETS		<u>1,051,367</u>	<u>400,000</u>	<u>1,051,367</u>	<u>400,000</u>
TOTAL ASSETS		<u>4,667,046</u>	<u>2,201,078</u>	<u>4,667,046</u>	<u>2,103,340</u>
CURRENT LIABILITIES					
Payables	13	45,968	2,408,368	45,968	2,408,367
Provisions	14	-	114,628	-	5,628
TOTAL CURRENT LIABILITIES		<u>45,968</u>	<u>2,522,996</u>	<u>45,968</u>	<u>2,413,995</u>
TOTAL LIABILITIES		<u>45,968</u>	<u>2,522,996</u>	<u>45,968</u>	<u>2,413,995</u>
NET ASSETS / (LIABILITIES)		<u>4,621,078</u>	<u>(321,918)</u>	<u>4,621,078</u>	<u>(310,655)</u>
EQUITY					
Contributed equity	15	36,047,812	30,835,120	36,047,812	30,835,120
Reserves	16	391,000	-	391,000	-
Accumulated losses	17	(31,817,734)	(31,157,038)	(31,817,734)	(31,145,775)
TOTAL EQUITY/(DEFICIENCY)		<u>4,621,078</u>	<u>(321,918)</u>	<u>4,621,078</u>	<u>(310,655)</u>

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2005

	NOTE	CONSOLIDATED ENTITY		PARENT ENTITY	
		2005	2004	2005	2004
		\$	\$	\$	\$
Cash flows from operating activities					
Receipts from customers		170,780	487,146	170,780	487,146
Payment to administrator and deed administrator		(193,494)	-	(193,494)	-
Interest received		52,389	30,759	52,389	30,759
Tenement acquisitions		-	(400,000)	-	(400,000)
Sale of exploration interests		-	601,000	-	1,000
Exploration and evaluation expenditure		(133,258)	(184,123)	(133,258)	(158,283)
Payments to suppliers and employees		(446,816)	(2,099,499)	(446,816)	(2,071,498)
Cash transferred to trust established for the benefit of creditors		(110,247)	-	(110,247)	-
Payment for deed of company arrangement		(500,000)	-	(500,000)	-
Net operating cash (outflows)	18 (b)	<u>(1,160,646)</u>	<u>(1,564,717)</u>	<u>(1,160,646)</u>	<u>(2,110,876)</u>
Cash flows from investing activities					
Proceeds from sale of property, plant & equipment		-	23,709	-	23,709
Proceeds from the sale of listed investments		-	89,645	-	89,645
Proceeds from the sale of mineral properties		50,000	-	50,000	-
Payments for property, plant and equipment		(1,367)	(2,888)	(1,367)	(2,888)
Payment for tenement acquisition		(100,000)	-	(100,000)	-
Repayment of loans from subsidiary		-	-	-	582,661
Payments for security deposits		(5,000)	(167,000)	(5,000)	(167,000)
Proceeds from redemption of security deposits		-	36,500	-	-
Net investing cash (outflows) / inflows		<u>(56,367)</u>	<u>(20,034)</u>	<u>(56,367)</u>	<u>526,127</u>
Cash flows from financing activities					
Proceeds from issue of shares and options		4,883,500	1,504,000	4,883,500	1,504,000
Share issue costs		(129,808)	(82,787)	(129,808)	(82,787)
Net financing cash inflows		<u>4,753,692</u>	<u>1,421,213</u>	<u>4,753,692</u>	<u>1,421,213</u>
Net increase / (decrease) in cash held		3,536,679	(163,538)	3,536,679	(163,536)
Cash transferred to Administrator		(177,507)	-	(177,507)	-
Cash at the beginning of the financial year		<u>177,507</u>	<u>341,045</u>	<u>177,507</u>	<u>341,043</u>
Cash at the end of the financial year	18 (a)	<u>3,536,679</u>	<u>177,507</u>	<u>3,536,679</u>	<u>177,507</u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, including applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report has been prepared in accordance with the historical cost convention and no account is taken of the changing value of money.

(b) Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous year.

(c) Principles of Consolidation

The consolidated financial statements are those of the consolidated entity, comprising Deep Yellow Limited (the parent company) and all entities that Deep Yellow Limited controlled from time to time during the year and at reporting date.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Where control of an entity is obtained during a financial year its results are included in the consolidated statement of financial performance from the date of which control commences. Subsidiary acquisitions are accounted for using the purchase method of acquisition. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

(d) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods

Sales revenue is recognised when the control of goods passes to the customer.

Interest

Interest is brought to account as income over the term of each deposit in direct proportion to the amounts invested in the relevant accounting period.

(e) Taxes

Income taxes

The Company follows the principles of tax effect accounting whereby income tax is regarded as an expense and is calculated on the accounting result after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*cont'd*)

(e) Taxes (cont'd)

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(f) Joint Ventures

Interests in Joint Venture Operations have been incorporated in the financial statements by including the consolidated entity's proportion of joint venture costs, assets and liabilities under the appropriate headings. Details of major joint venture interests and the sum of the consolidated entity's interest in joint venture assets and liabilities are set out in Note 10.

The consolidated entity's share of capital expenditure commitments and contingent liabilities relating to joint venture interests is disclosed in Notes 19 and 21.

(g) Cash and Cash Equivalents

Cash comprises cash at bank, on hand and held in term deposits, and is stated at nominal value.

For the purpose of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

(h) Receivables

Trade debtors are recorded at amounts due less any provision for doubtful debts. Secured deposits are recorded at the initial amount placed on deposit with interest capitalised as credited to the deposit account.

(i) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is assigned on a first-in first-out basis.

(j) Investments

Investments in controlled entities are carried at lower of cost and recoverable amount and investments in listed entities are carried at the lower of cost and net realisable value.

(k) Assessment of Recoverable Amounts

The carrying amounts of all non-current assets are reviewed at least annually to determine whether they exceed their recoverable amount. All non-current assets that exceed their recoverable amount are written down to recoverable amounts. The recoverable amounts of all non-current assets have been determined using net cash flows that have not been discounted to their present values.

(l) Plant and Equipment

The cost of each item of buildings, plant and equipment is written off over its expected economic life to the consolidated entity. The economic life of plant and equipment has due regard both to physical life limitations and to present assessments of economically recoverable reserves and possible future variations of these assessments. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessment for major items.

Items of property, plant and equipment are initially recorded at cost and depreciated as outlined below.

Depreciation and amortisation

Items of property, plant and equipment are depreciated using either the straight-line method or the diminishing value method over their estimated useful lives.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*cont'd*)

(l) Plant and Equipment (*cont'd*)

The depreciation rates used for each class of asset, for the current and previous years, are as follows:

Plant and equipment 15 – 40% (either straight-line or diminishing value)

(m) Exploration and Evaluation Expenditure

Exploration, evaluation and relevant acquisition costs are accumulated separately in respect to clearly identifiable areas of interest. They comprise acquisition costs, direct exploration and evaluation cost and an appropriate portion of related overhead expenditure. They do not include general overhead or expenditure not having a specific nexus with a particular area of interest.

These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in which:

- (i) such costs are expected to be recouped through successful development and exploitation or from sale of the area; or
- (ii) exploration and evaluation activities in the area have not, at balance date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

Where revenue from production is earned, the exploration and evaluation expenditure for that area of interest is amortised on units of production basis over the life of the economically-recoverable reserves for the period of production.

Exploration and evaluation expenditure that does not satisfy these criteria is written off. Economically recoverable reserves are defined as the estimated quantity of product in an area of interest, which can be expected to be profitably extracted, processed and sold under current and foreseeable economic conditions.

(n) Payables

Liabilities for trade creditors and other amounts are carried at cost, which is the fair value of the consideration to be paid in the future for the goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

(o) Employee Benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, and compensated absences.

Liabilities arising in respect of wages and salaries, compensated absences and any other employee benefits expected to be settled within 12 months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled.

Employee benefits expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, compensated absences; and
- other types of employee benefits

are charged against profits on a net basis in their respective categories.

(p) Provisions

Provisions are recognised when the consolidated entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(g) Retirement Benefits

Contributions made by the consolidated entity to existing employee contributory superannuation funds (to provide benefits for employees and their dependants on retirement, disability or death) are charged to the statement of financial performance.

(r) Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(s) Foreign Currency Transactions

Foreign currency items are translated to Australian currency on the following bases:

- transactions are converted at exchange rates approximating those in effect at the date of each transaction;
- amounts payable and receivable are translated at the prevailing exchange rate at balance date; and
- the financial statements of all foreign operations are translated using the temporal method as they are considered integrated.

Exchange differences relating to monetary items are included in the Statement of Financial Performance, as exchange gains or losses, in the period when the exchange rates change.

(t) Provision for Rehabilitation

Provision is made for anticipated costs of rehabilitation necessitated by disturbance arising from production activity in respect of certain tenements in the period in which the disturbance occurred. The provision for tenement rehabilitation is provided in respect of a performance guarantee under Department of Industry and Resources obligations over site restoration requirements over certain tenements.

Rehabilitation costs are accumulated in the provision on a production output basis, commencing in the period that disturbance occurs. In determining the rehabilitation obligations, the entity has assumed no significant changes will occur in the relevant Federal and State legislation in relation to rehabilitation of the disturbances arising from production activity in respect of those tenements.

(u) Financial Instruments included in Equity

Ordinary contributed equity bears no special terms or conditions affecting income or capital entitlements of the shareholders.

(v) Financial Instruments included in Assets

Trade debtors are initially recorded at the amount of contracted sales proceeds.

Bank deposits are carried at cost. Interest revenue is recognised on an effective yield basis. Purchases and sales of investments are recognised on the trade date.

(w) Loss Per Share

Basic loss per share is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) divided by the weighted average number of ordinary shares, adjusted for any bonus element.

DEEP YELLOW LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*cont'd*)

(w) Loss Per Share continued

Diluted loss per share is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues and expenses during the period that would result from dilution of potential ordinary shares.

Divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(x) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2005	2004	2005	2004
	\$	\$	\$	\$
2. REVENUE FROM ORDINARY ACTIVITIES				
(a) Revenues from operating activities:				
Gold sales	170,780	487,146	170,780	487,146
(b) Revenues from non-operating activities:				
Interest received	52,389	33,960	52,389	33,960
Proceeds on sale of plant and equipment	-	23,709	-	23,709
Proceeds on sale of tenements (3(b))	50,000	1,937,000	50,000	1,000
Total other revenues	102,389	1,994,669	102,389	58,669
Total revenue from ordinary activities	273,169	2,481,815	273,169	545,815
(c) Loss on restructure of company pursuant to deed of company arrangement				
The net impact of the restructure is as follows:				
Liabilities transferred as a result of debt forgiveness				
- Ordinary unsecured creditors	2,408,367	-	2,408,367	-
- Provisions	5,628	-	5,628	-
Total Liabilities	2,413,995	-	2,413,995	-
Less: Assets transferred				
- Receivables	(198,350)	-	(198,350)	-
- Property, plant and equipment	(15,414)	-	(15,414)	-
- Inventories	(280,069)	-	(280,069)	-
- Investments	(948,500)	-	(948,500)	-
- Deferred exploration	(200,000)	-	(200,000)	-
Total Assets	(1,642,333)	-	(1,642,333)	-
Less: Costs incurred				
- Payment for DOCA	(600,000)	-	(600,000)	-
- Payment to creditors trust (includes opening cash)	(110,214)	-	(110,214)	-
- Payment to administrator	(193,494)	-	(193,494)	-
Total costs incurred	(903,708)	-	(903,708)	-
Net loss on reconstruction	(132,046)	-	(132,046)	-

DEEP YELLOW LIMITED
NOTES TO THE FINANCIAL STATEMENTS

		CONSOLIDATED ENTITY		PARENT ENTITY	
		2005	2004	2005	2004
		\$	\$	\$	\$
3.	EXPENSES AND LOSSES				
(a)	Expenses				
	Cost of sales:				
	Mining costs	126,382	3,329,774	126,382	3,329,774
	Depreciation and amortisation				
	Depreciation of property, plant and equipment	-	5,022	-	5,022
	Other (expenses) / income from ordinary activities				
	Operating expenses	(88,509)	-	(99,772)	-
	Payments to consultants and employees	(229,500)	-	(229,500)	-
	Exploration expenditure written off	(130,274)	(521,679)	(130,274)	(521,748)
	Provision for employee benefits	-	(4,874)	-	(4,874)
	Provision for diminution in investment	-	(387,500)	-	(387,500)
	Written down value of mining tenements sold	-	(515,720)	-	-
	Provision for gain / (loss) on loans to controlled entities	-	-	-	1,431,612
	Loss on disposal of subsidiary	-	(540)	-	-
	Written down value of plant and equipment sold	-	(13,330)	-	(13,330)
		<u>(448,283)</u>	<u>(1,443,643)</u>	<u>(459,546)</u>	<u>504,160</u>
(b)	Specific disclosure items :				
	Proceeds on sale of tenements	50,000	1,937,000	50,000	1,000
	Gain on sale of tenements	50,000	1,421,280	50,000	1,000
	Gain on sale of Property, Plant and Equipment	-	10,379	-	10,379
4.	TAXATION				
	The difference between income tax expense provided in the financial statements and the prima facie income tax expense is reconciled as follows:				
(a)	Operating loss before income tax	<u>(660,696)</u>	<u>(2,955,239)</u>	<u>(671,959)</u>	<u>(2,943,435)</u>
	Prima facie income tax benefit at 30%	198,209	886,572	201,588	883,031
	Tax effect of permanent differences:				
	Loss on restructure of company pursuant to deed of company arrangement	(39,614)	-	(39,614)	-
	Provision for diminution in investment	-	(56,250)	-	(56,250)
	Profit on tenement sale	-	298,684	-	298,684
	Exploration expenditure	-	76,667	-	76,040
	Other items	-	(59,553)	-	(59,553)
	Net future income tax benefit not brought to account	<u>(158,595)</u>	<u>(1,146,120)</u>	<u>(161,974)</u>	<u>(1,141,952)</u>
	Total income tax benefit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

DEEP YELLOW LIMITED
NOTES TO THE FINANCIAL STATEMENTS

4. TAXATION continued

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2005	2004	2005	2004
	\$	\$	\$	\$
(b) The directors estimate that at 30 June 2005 the potential future income tax benefit in respect of tax losses not taken to account at 30% (2004: 30%) is:	<u>528,650</u>	<u>4,078,989</u>	<u>539,913</u>	<u>3,718,573</u>

This amount relates to capital and revenue losses that can only be utilised when capital and/or trading profits are made in the future.

- (c) The benefit of these tax losses will only be obtained in the future if:
- (i) the consolidated entity derives future assessable income of a nature and an amount sufficient to enable the benefit from the tax losses to be realised;
 - (ii) the consolidated entity has complied with and continues to comply with the conditions for deductibility imposed by tax legislation; and
 - (iii) no changes in tax legislation adversely affect the consolidated entity realising the benefit from the deductions for the losses.

Tax Consolidation

Deep Yellow Limited and its 100% owned subsidiaries have not formed a tax consolidated group.

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2005	2004	2005	2004
	\$	\$	\$	\$
5. CASH ASSETS				
Cash at bank and on hand	<u>3,536,679</u>	<u>177,507</u>	<u>3,536,679</u>	<u>177,507</u>
6. RECEIVABLES – CURRENT				
Trade debtors	-	114,850	-	114,850
Tenement bond	5,000	-	-	-
Secured deposits	<u>74,000</u>	<u>264,738</u>	<u>79,000</u>	<u>167,000</u>
	<u>79,000</u>	<u>379,588</u>	<u>79,000</u>	<u>281,850</u>

- (a) Terms and conditions
Terms and conditions relating to the above financial instruments:
- (i) Trade debtors are non-interest bearing and generally on 30 day terms.
 - (ii) Other debtors are non-interest bearing and generally on 30 day terms.

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2005	2004	2005	2004
	\$	\$	\$	\$
7. INVENTORIES				
ROM Stockpile	-	109,289	-	109,289
Gold Bullion - net realisable value	<u>-</u>	<u>170,780</u>	<u>-</u>	<u>170,780</u>
	<u>-</u>	<u>280,069</u>	<u>-</u>	<u>280,069</u>

DEEP YELLOW LIMITED
NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2005	2004	2005	2004
	\$	\$	\$	\$
8. OTHER FINANCIAL ASSETS				
Listed options	-	36,000	-	36,000
Listed shares	-	1,300,000	-	1,300,000
Provision for diminution	-	(387,500)	-	(387,500)
	<u>-</u>	<u>948,500</u>	<u>-</u>	<u>948,500</u>

At 30 June 2004 these investments in Ausmet Resources Limited and Rox Resources Limited had a market value of \$948,500.

9. CONTROLLED ENTITIES

The consolidated financial statements at 30 June 2005 include the following controlled entities. The financial years of all controlled entities are the same as that of the parent entity.

	Country of Incorporation	Percentage of equity interest held by the consolidated entity		Investment	
		2005	2004	2005	2004
		%	%	\$	\$
Parent Entity					
Deep Yellow Limited	Australia				
Controlled Entities					
Deep Yellow Tanzania Limited	Tanzania (a)	100	-	-	-
Julia Gold Pty Ltd	Australia (b)	-	100	-	10,000
Goongarrie Gold Pty Ltd	Australia (b)	-	100	-	2
Less: Provision for diminution				-	(10,002)
				<u>-</u>	<u>-</u>

(a) Deep Yellow Tanzania Limited was incorporated on 1 February 2005 with 2 ordinary shares of Tanzanian Schillings 1,000 each. The Company has not been audited however, its operations have been funded by the parent entity.

(b) The ownership of these subsidiary companies was transferred to the Trust created for the benefit of creditors as part of the Deed of Company Arrangement.

10. JOINT VENTURE OPERATIONS

Joint venture name and principal activities	Interest held in output			
	2005	2004		
Mikado Gold Joint Venture	50%	-		
Mt Lebanon – gold exploration	-	40%		
Assets employed in Joint Venture operations	2005	2004	2005	2004
	\$	\$	\$	\$
Assets employed – Secured deposits – Note 6	74,000	-	74,000	-
Exploration expenditure – Note 12	<u>200,000</u>	<u>-</u>	<u>200,000</u>	<u>-</u>

No significant field-work was carried out at the Mikado Joint Venture since the completion of the recapitalisation and commencement of the Joint Venture. Deep Yellow has not deployed any assets, nor incurred any liabilities or commitments to these joint ventures other than our interests in the underlying tenements which are carried within the Statement of Financial Position and detailed in Note 6 and Note 12. The principal activity of the Mikado Joint Venture is gold exploration and development. This sale of this joint venture interest was completed on 15 September 2005.

DEEP YELLOW LIMITED
NOTES TO THE FINANCIAL STATEMENTS

		CONSOLIDATED ENTITY		PARENT ENTITY	
		2005	2004	2005	2004
		\$	\$	\$	\$
11.	PLANT AND EQUIPMENT				
	CURRENT				
	Plant, vehicles and equipment				
	At cost				
	Opening balance	178,830	285,089	177,923	284,182
	Additions	-	2,888	-	2,888
	Disposals	(178,830)	(109,147)	(177,923)	(109,147)
	Closing balance	-	178,830	-	177,923
	Accumulated depreciation				
	Opening balance	(163,416)	(254,211)	(162,509)	(253,304)
	Depreciation for the year	-	(5,022)	-	(5,022)
	Disposals	163,416	95,817	162,509	95,817
	Closing balance	-	(163,416)	-	(162,509)
	Net book value	-	15,414	-	15,414
	Total property, plant and equipment, at cost	-	178,830	-	177,923
	Total property, plant and equipment, net	-	15,414	-	15,414
	NON-CURRENT				
	Plant, vehicles and equipment				
	At cost				
	Opening balance	-	-	-	-
	Additions	1,367	-	1,367	-
	Disposals	-	-	-	-
	Closing balance	1,367	-	1,367	-
	Accumulated depreciation				
	Opening balance	-	-	-	-
	Depreciation for the year	-	-	-	-
	Disposals	-	-	-	-
	Closing balance	-	-	-	-
	Net book value	1,367	-	1,367	-
	Total property, plant and equipment, at cost	1,367	-	1,367	-
	Total property, plant and equipment, net	1,367	-	1,367	-
12.	DEFERRED EXPLORATION EXPENDITURE				
	In exploration and/or evaluation stage:				
	- Accumulated expenditure brought forward	400,000	1,267,027	400,000	774,215
	- Sales of tenements	-	(515,721)	-	-
	- Purchase of tenements	850,000	-	850,000	-
	- Expenditure transferred as part of Deed of Company Arrangement – refer note 2(c)	(200,000)	-	(200,000)	-
	- Expenditure capitalised	-	135,906	-	112,997
	- Expenditure written off	-	(487,212)	-	(487,212)
	Total exploration and evaluation expenditure	1,050,000	400,000	1,050,000	400,000

Ultimate recoupment of exploration and evaluation expenditure carried forward is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas.

DEEP YELLOW LIMITED
NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2005	2004	2005	2004
	\$	\$	\$	\$
13. PAYABLES - CURRENT				
Trade creditors – unsecured (a) (i)	45,968	2,096,988	45,968	2,096,987
Related parties (a)(ii)	-	311,380	-	311,380
	<u>45,968</u>	<u>2,408,368</u>	<u>45,968</u>	<u>2,408,367</u>

(a) Terms and Conditions

Terms and conditions relating to the above financial instruments:

(i) Trade creditors are non-interest bearing and generally on 30 day terms.

(ii) Related party creditors are directors or companies associated with directors. These amounts are non-interest bearing and settled on 90 day terms.

14. PROVISIONS – CURRENT

Provision for employee benefits	-	5,628	-	5,628
Provision for tenement rehabilitation	-	109,000	-	-
	<u>-</u>	<u>114,628</u>	<u>-</u>	<u>5,628</u>

(a) Provision for tenement rehabilitation

The provision for tenement rehabilitation is provided in respect of a performance guarantee under Department of Industry and Resources obligations over site restoration requirements over certain tenements. This guarantee is secured by funds on deposit of \$- (2004: \$50,000). The maximum liability for work is estimated to be \$nil (2004: \$109,000) as the tenements were held in subsidiary companies, which ownership was transferred as part of the Deed of Company Arrangement.

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2005	2004	2005	2004
	\$	\$	\$	\$
(b) Movements in provisions				
(i) Tenement rehabilitation				
Carrying amount at the beginning of the financial year	109,000	140,000	-	-
Additional provision	-	-	-	-
Amounts utilised during the year	-	(31,000)	-	-
Reversal of unused provision – due to company restructure	(109,000)	-	-	-
Carrying amount at the end of the financial year	<u>-</u>	<u>109,000</u>	<u>-</u>	<u>-</u>

15. CONTRIBUTED EQUITY

	2005	2004
	\$	\$
(a) Issued and paid-up capital		
Fully paid ordinary shares	<u>36,047,812</u>	<u>30,835,120</u>

Terms and conditions on contributed equity

Ordinary Shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of, and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

DEEP YELLOW LIMITED
NOTES TO THE FINANCIAL STATEMENTS

15. CONTRIBUTED EQUITY continued

Movements in contributed equity for the year

	Number of Ordinary Shares		2005	2004
			\$	\$
On issue at start	258,173,629	194,173,629	30,835,120	29,413,907
Consolidation of capital – 1 for 10 basis	(232,356,046)	-	-	-
Shares on issue post consolidation of capital	25,817,583	194,173,629		
Issued during the year at 0.25 cents per share	60,000,000	-	150,000	-
Issued during the year at 0.5 cents per share	60,000,000	-	300,000	-
Issued during the year at 1 cent per share	130,000,000	-	1,300,000	-
Issued during the year at 1 cent per share to the trustee for the benefit of creditors	10,000,000	-	100,000	-
Issued during the year to acquire exploration tenements to Paladin Energy Minerals NL	15,000,000	-	360,000	-
Issued during the year at 3 cents per share on 11 March 2005	33,000,000	-	990,000	-
Issued due to a conversion of options	14,250,000	-	142,500	-
Issued at 5 cents per share via a Prospectus dated 15 May 2005	40,000,000	-	2,000,000	-
Issued during the year at 2.1 cents per share	-	24,000,000	-	504,000
Issued during the year at 2.5 cents per share	-	40,000,000	-	1,000,000
Issue costs	-	-	(129,808)	(82,787)
Closing balance	388,067,583	258,173,629	36,047,812	30,835,120

	2005	2004
(b) Share options	Number	Number
Options over ordinary shares	52,410,000	17,825,000

Movements in options during the year

On issue at start	17,825,000	90,411,814
Consolidation of capital – 1 for 10 basis	(16,042,500)	-
On issue following consolidation of capital	1,782,500	90,411,814
Issued during the year:		
Unlisted options issued pursuant to recapitalisation proposal	30,000,000	-
Unlisted options issued to acquire exploration tenements to Paladin Energy Minerals NL	25,000,000	-
Unlisted options issued to managing director	10,000,000	-
Unlisted options issued to staff and contractors	-	1,600,000
Expired during the year unexercised	(122,500)	(74,186,814)
Exercised during the year	(14,250,000)	-
Closing balance	52,410,000	17,825,000

15. CONTRIBUTED EQUITY continued

Details of options:

Issued during the year and exercisable over ordinary shares in Deep Yellow:

- (a) 30,000,000 unlisted options issued under a prospectus dated 1 November 2004. Options are exercisable at 1 cent each at any time before 31 December 2007.
- (b) 25,000,000 unlisted options issued under a prospectus dated 9 December 2004. Options are exercisable at 1 cent each at any time before 31 December 2007.
- (c) 10,000,000 unlisted options issued on 4 March 2005. Options are exercisable at 2 cents each at any time before 31 December 2007.

Expired during the year and exercisable over ordinary shares in Deep Yellow:

- (a) 102,500 unlisted options over ordinary shares in the Company issued to employees on 15 March 2000. Of these, 82,500 were exercisable at \$2.50 each, 20,000 were exercisable at \$2.70 each. All options expired on 16 February 2005.
- (b) 20,000 unlisted options to subscribe for ordinary shares in the Company issued to an employee on 15 November 2000 at an exercise price of \$2.00 each. All options expired on 15 November 2004.

Exercised during the year and exercisable over ordinary shares in Deep Yellow:

- (a) 7,500,000 unlisted options exercised at a price of 1 cent per option exercised on 9 February 2005.
- (b) 3,750,000 unlisted options exercised at a price of 1 cent per option exercised on 21 February 2005.
- (c) 3,000,000 unlisted options exercised at a price of 1 cent per option exercised on 26 April 2005.

Issued since the end of the year and exercisable over ordinary shares in Deep Yellow:

- (a) 10,000,000 unlisted options issued on 8 September 2005. Options are exercisable at 5 cents each at any time before 31 December 2007.
- (b) 5,000,000 unlisted options issued on 8 September 2005. Options are exercisable at 7.5 cents each at any time before 31 December 2008.
- (c) 12,500,000 unlisted options issued on 15 September 2005. Options are exercisable at 12 cents each at any time before 31 July 2008.

Exercised since the end of the year and exercisable over ordinary shares in Deep Yellow:

- (a) 15,750,000 unlisted options exercised at a price of 1 cent per option exercised on 5 September 2005.

Outstanding at the date of this report:

- (a) 160,000 unlisted options to subscribe for ordinary shares in the Company issued to staff and contractors at an exercise price of 35 cents each. All options expire on 1 January 2007.
- (b) 1,500,000 unlisted options issued under a Memorandum of Understanding dated 11 February 2003. Options are exercisable at 50 cents each at any time before 31 December 2005.
- (c) 25,000,000 unlisted options issued under a prospectus dated 9 December 2004. Options are exercisable at 1 cent each at any time before 31 December 2007.
- (d) 10,000,000 unlisted options issued on 4 March 2005. Options are exercisable at 2 cents each at any time before 31 December 2007.
- (e) 10,000,000 unlisted options issued on 8 September 2005. Options are exercisable at 5 cents each at any time before 31 December 2007.
- (f) 5,000,000 unlisted options issued on 8 September 2005. Options are exercisable at 7.5 cents each at any time before 31 December 2008.
- (g) 12,500,000 unlisted options issued on 15 September 2005. Options are exercisable at 12 cents each at any time before 31 July 2008.

Options carry no rights to dividends and no voting rights. Each option is convertible into one ordinary share.

DEEP YELLOW LIMITED
NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2005	2004	2005	2004
	\$	\$	\$	\$
16. RESERVES				
Option premium reserve	<u>391,000</u>	<u>-</u>	<u>391,000</u>	<u>-</u>
Option premium reserve				
<i>(i) Nature and purpose of reserve</i>				
The option reserve is used to record the issue of options. When the options expire they are transferred to accumulated losses.				
<i>(ii) Movements in reserve</i>				
Balance at the beginning of year	-	-	-	-
Issued as part of recapitalisation	1,000	-	1,000	-
Issued to acquire tenements	390,000	-	390,000	-
Transfer to accumulated losses	-	-	-	-
Balance at the end of the year	<u>391,000</u>	<u>-</u>	<u>391,000</u>	<u>-</u>

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2005	2004	2005	2004
	\$	\$	\$	\$
17. ACCUMULATED LOSSES				
Accumulated losses	<u>(31,817,734)</u>	<u>(31,157,038)</u>	<u>(31,817,734)</u>	<u>(31,145,775)</u>
Accumulated losses				
Balance at the beginning of the year	(31,157,038)	(28,201,799)	(31,145,775)	(28,202,340)
Net loss attributable to members of the parent entity	<u>(660,696)</u>	<u>(2,955,239)</u>	<u>(671,959)</u>	<u>(2,943,435)</u>
Balance at the end of the year	<u>(31,817,734)</u>	<u>(31,157,038)</u>	<u>(31,817,734)</u>	<u>(31,145,775)</u>

18. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash

For the purposes of the statements of cash flows, cash includes on hand and in banks, and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statement of financial position as follows:

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2005	2004	2005	2004
	\$	\$	\$	\$
Cash at bank and on hand	<u>3,536,679</u>	<u>177,507</u>	<u>3,536,679</u>	<u>177,507</u>

DEEP YELLOW LIMITED
NOTES TO THE FINANCIAL STATEMENTS

18. NOTES TO THE STATEMENT OF CASH FLOWS continued

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2005	2004	2005	2004
	\$	\$	\$	\$
(b) Reconciliation of operating (loss) after income tax to net cash (outflow) from operating activities				
Operating (loss) after income tax	(660,696)	(2,955,239)	(671,959)	(2,943,435)
Adjustments for non-cash income and expense items:				
Issue and allotment of shares as part settlement of Deed of Company Arrangement	100,000	-	100,000	-
Effect of restructure on assets and liabilities as a result of Deed of Company Arrangement	(645,918)	-	(634,655)	-
Depreciation and amortisation	-	5,022	-	5,022
Net loss/(profit) on sale of non-current assets	-	(10,379)	-	(10,379)
Provision for diminution on investments	-	387,500	-	387,500
Exploration expenditure written off	-	-	-	487,212
Profit on tenement sale	-	(1,421,280)	-	-
Provision for loss on loans to related entities	-	-	-	(1,431,612)
Net loss on disposal of controlled entities	-	540	-	-
Changes in assets and liabilities net of effects from disposal of controlled entities:				
Exploration expenditure capitalised	-	867,027	-	374,215
Decrease in receivables	-	24,968	-	63,310
(Increase) in inventories	-	(280,069)	-	(280,069)
Increase in payables	45,968	1,844,657	45,968	1,847,656
(Decrease) / increase in provisions	-	(27,464)	-	3,536
Net operating cash outflows	<u>(1,160,646)</u>	<u>(1,564,717)</u>	<u>(1,160,646)</u>	<u>(2,110,876)</u>
(c) Non-Cash and Financing and Investing Activities				

During the financial period the company was recapitalised. Part of the consideration of the Deed of Company arrangement was the issue and allotment of 10,000,000 ordinary shares at a deemed issue price of 1 cent each to the trustee for creditors. Refer to Note 2 (c).

The Company also acquired uranium exploration and development interests from Paladin Energy Minerals NL which was satisfied, in part, by the issue and allotment of 15,000,000 ordinary shares at a deemed issue price of 1 cents each and the grant of 25,000,000 options exercisable at 1 cent each on or before 31 December 2007.

19. EXPENDITURE COMMITMENTS

Commitments for exploration expenditure:

The consolidated entity has certain obligations to perform minimum exploration work and expend minimum amounts of money on mineral exploration tenements and also obligations in regard to its share of joint venture contractual commitments for mining and exploration work. Due to the nature of the exploration operations of the consolidated entity and that there are no contractually obligated commitments of the consolidated entity beyond one year, the directors are not able to determine the expenditure commitments beyond 30 June 2006.

DEEP YELLOW LIMITED
NOTES TO THE FINANCIAL STATEMENTS

19. EXPENDITURE COMMITMENTS continued

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2005	2004	2005	2004
	\$	\$	\$	\$
Due within one year	<u>150,500</u>	<u>10,000</u>	<u>150,500</u>	<u>10,000</u>

At the date of this report no commitments have been made for subsequent years.

20. EMPLOYEE BENEFITS

Employee Benefits

The aggregate employee benefit liability is comprised of:

Provisions (current)	<u>-</u>	<u>5,628</u>	<u>-</u>	<u>5,628</u>
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21. CONTINGENT LIABILITIES

The consolidated entity has indemnified related entities in respect to guarantee performance under Department of Industry and Resources obligations over site restoration requirements over certain tenements. These guarantees are secured by funds on deposit of \$148,000 (2004: \$264,738) and relate to Mikado Joint Venture of which the company has a 50% beneficial interest. This interest was disposed of subsequent to year end.

22. LOSS PER SHARE

The following reflects the data used in the calculations of basic and diluted loss per share:

	2005	2004
Loss used in calculating basic and diluted loss per share	<u>(660,696)</u>	<u>(2,955,239)</u>
Number of Shares		
Weighted average number of ordinary shares used in calculating basic loss per share	<u>207,856,624</u>	<u>230,973,629</u>
Weighted average number of ordinary shares used in calculating diluted loss per share	<u>207,856,624</u>	<u>230,973,629</u>

	2005	2004
Basic (loss) per share (cents per share)	(0.32)	(1.28)
Diluted (loss) per share (cents per share)	(0.32)	(1.28)

15,750,000 ordinary shares were issued subsequent to the end of the financial year as a result of the exercise of options.

Options:

Some of the options on issue are potential ordinary shares as the exercise price is less than the market price of ordinary shares. 1,660,000 are not considered to be dilutive. Details of options issued are referred to in Note 16, which includes options issued subsequent to the end of the financial year.

23. DIRECTOR AND EXECUTIVE DISCLOSURE

(a) Details of Specified Directors and Specified Executives

(i) Specified Directors

Dr Leon Pretorius	Non-executive director	Appointed 7 June 2005
James Pratt	Managing director	Appointed 9 December 2004
Gary Steinepreis	Director	Appointed 20 August 2004
David Steinepreis	Director	Appointed 20 August 2004, resigned 7 January 2005
Hugh Warner	Director	Appointed 20 August 2004, resigned 18 July 2005
R W Crabb	Non-executive director	Resigned 20 August 2004
J L Blue	Non-executive director	Resigned 20 August 2004
A Cowden	Director	Resigned 20 August 2004
B D Dickson	Director	Resigned 20 August 2004

(ii) Specified Executives

There were no specified executives during the financial year other than the Directors.

(b) Remuneration of Specified Directors

(i) Remuneration Policy

The full Board is responsible for determining and reviewing compensation arrangements for the directors. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. The Company does not link the nature and amount of the emoluments of such officers to the Company's financial or operational performance. There are no management contracts.

(ii) Remuneration of Specified Directors and Specified Executives

Details of the nature and amount of each element of the emolument of each director of the Company are as follows:

Directors		Annual Emoluments		Consulting	Executive	TOTAL
		Salary	Superannuation	Fees	Options	
		\$	\$	\$	\$	\$
Leon Pretorius	2005	-	-	5,000 (a)	-	5,000
	2004	-	-	-	-	-
James Pratt	2005	50,000	4,500	-	396,162 (e)	450,662
	2004	-	-	-	-	-
Gary Steinepreis	2005	-	-	40,000 (b)	-	40,000
	2004	-	-	-	-	-
David Steinepreis	2005	-	-	40,000 (c)	-	40,000
	2004	-	-	-	-	-
Hugh Warner	2005	36,697	3,303	-	-	40,000
	2004	-	-	-	-	-
R W Crabb	2005	-	-	-	-	-
	2004	-	-	12,000 (d)(i)	-	12,000
A Cowden	2005	-	-	-	-	-
	2004	-	-	26,600 (d)(ii)	-	26,600
B D Dickson	2005	-	-	-	-	-
	2004	-	-	20,000 (d)(iii)	-	20,000
J L Blue	2005	-	-	-	-	-
	2004	-	-	12,896 (d)(iv)	-	12,896
Total remuneration	2005	86,697	7,803	85,000	396,162	575,662
	2004	-	-	71,496	-	71,496

DEEP YELLOW LIMITED
NOTES TO THE FINANCIAL STATEMENTS

23. DIRECTOR AND EXECUTIVE DISCLOSURE (cont'd)

(ii) Remuneration of Specified Directors and Specified Executives (cont'd)

- (a) Consulting fees relating to Leon Pretorius were paid to Opaline Pty Ltd, an entity associated with Dr Pretorius.
- (b) Consulting fees relating to Gary Steinepreis were paid to LeisureWest Consulting Pty Ltd, an entity associated with Mr Steinepreis.
- (c) Consulting fees relating to David Steinepreis were paid to Ord Street Services, an entity associated with Mr Steinepreis.
- (d) Prior year director transactions - these directors do not receive any direct remuneration but were paid on a consultancy basis as detailed below.
 - (i) Mr R W Crabb is a director and shareholder in Chatsworth Stirling Pty Ltd. The Company entered into a contract with Chatsworth Stirling Pty Ltd for the provision of corporate advice. Fees accrued during 2004 at normal commercial rates were \$48,000.
 - (ii) Dr A Cowden is a director and shareholder in Drumfrochar Pty Ltd. The Company entered into a contract with Drumfrochar Pty Ltd for the provision of management services. Fees accrued during 2004 at normal commercial rates were \$132,000.
 - (iii) Mr B D Dickson is a director and shareholder in Coolform Investments Pty Ltd. The Company entered into a contract with Coolform Investments Pty Ltd for the provision of corporate accounting and secretarial services. Fees accrued during 2004 at normal commercial rates were \$99,000.
 - (iv) Mr J L Blue is a shareholder in Resolute Securities Pty Ltd. The Company has entered into a contract with Resolute Securities Pty Ltd for the provision of corporate advice. Fees paid during 2004 at normal commercial rates were \$20,277.

(d) Executive options – non cash benefit

Mr James Pratt was granted executive options during the period which are considered to be a non-cash benefit and subject to a vesting period. A fair value has been assessed using the Black-Scholes option pricing model. The total fair value was assessed as \$482,740 however, only 50% have vested as at 30 June 2005 and therefore a pro-rata amount of \$396,162 has been disclosed, being the vested portion. The amount of \$396,162 represents 88% of Mr Pratt's total remuneration. The factors taken into account by the Black-Scholes option pricing model, which provides a theoretical value, include the following:

Grant date:	4 March 2005
Number of options granted:	10,000,000
Vesting date:	5,000,000 on grant, 5,000,000 six months from grant
Exercise price:	2 cents
Term of the option:	exercisable on or before 31/12/07
Market price of shares when valued:	6.2 cents
Volatility of the underlying share	80%
Risk-free interest rate	5.25%
Value per option at grant date:	4.827 cents

Other than the directors, there were no specified executives of the Company directly accountable and responsible for the operational management and strategic direction of the Company and the consolidated entity

(c) Directors' Shareholdings and Optionholdings

Number of shares held by Directors at 30/6/2005 (directly and indirectly)

	Balance 30/6/04	Issue and allotment of shares	Net Change Other (i)	Balance 30/6/05
Dr L Pretorius	-	-	15,000,000	15,000,000
J Pratt	-	3,125,000 (a)	-	3,125,000
G Steinepreis	-	36,579,166 (a) (b)	-	36,579,166
D Steinepreis	-	29,079,166 (a) (b)	(6,000,000)	23,079,166
H Warner	-	34,579,166 (a) (b)	-	34,579,166

(i) Net change other refers to shares purchased and/or sold during the financial year.

DEEP YELLOW LIMITED
NOTES TO THE FINANCIAL STATEMENTS

23. DIRECTOR AND EXECUTIVE DISCLOSURE *(cont'd)*

Number of options held by Directors (directly and indirectly)

	Balance 30/6/04	Granted as non cash benefit	Granted during the year	Exercised during the year	Balance 30/6/05	Vested and exercisable at the end of the year
Dr L Pretorius	-	-	-	-	-	-
J Pratt	-	10,000,000 (d)	-	-	10,000,000	5,000,000
G Steinepreis	-	-	9,000,000 (a) (b) (c)	-	9,000,000	9,000,000
D Steinepreis	-	-	9,000,000 (a) (b) (c)	3,000,000	6,000,000	6,000,000
H Warner	-	-	9,000,000 (a) (b) (c)	-	9,000,000	9,000,000

Notes:

- (a) Securities were issued pursuant to shareholder approval and under a Prospectus, as part of the recapitalisation proposal.
- (b) Each relevant interest of these directors includes the shares and options held by Ascent Capital Pty Ltd, an entity of which they are directors and 1/3 shareholders.
- (c) Options issued under Prospectus dated 1 November 2004 to subscribe for 1 ordinary share in the capital of the Company on or before 31 December 2007 at an exercise price of 1 cent each for an issue price of 0.003 cents per option. Options carry no rights to dividends and no voting rights. Each option is convertible into one ordinary share.
- (d) Options issued on 4 March 2005 to subscribe for 1 ordinary share in the capital of the Company on or before 31 December 2007 at an exercise price of 2 cents each for nil consideration paid. Options carry no rights to dividends and no voting rights. Each option is convertible into one ordinary share.

The directors in office as at 30 June 2004 held the following interests in securities:

Post-consolidation and recapitalisation	<u>Shares</u>	<u>Unlisted Options</u>
R W Crabb - directly	-	-
- indirectly	341,674	18,537
A Cowden - directly	800,000	666,667
- indirectly	200,000	-
B D Dickson - directly	111,011	200,000
- indirectly	185,400	-
J L Blue - directly	-	-
- indirectly	20,957	-

(e) Other transactions with specified directors:

- (i) A director, Mr. D C Steinepreis, is a principal of Ord Street Services. During the year, office rent of \$26,400 (2004: nil) was paid for the provision of office accommodation on normal commercial terms and conditions.
- (ii) Directors, Mr. D C Steinepreis, Mr. G C Steinepreis and Mr. H D Warner are also directors of Ascent Capital Pty Ltd. During the year, fees were paid to Ascent Capital Pty Ltd in the amount of \$50,000 (2004: nil) for the provision of the services of Mr. D C Steinepreis, Mr. G C Steinepreis and Mr. H D Warner in the reconstruction and relisting of the Company on normal commercial terms and conditions.
- (iii) As disclosed in Note 28 – significant events after balance date, the Company disposed of its interest in Tanzanian prospecting licences to Uranium Resources plc on normal commercial terms and conditions. Mr Hugh Warner, former director of the Company, and Dr Leon Pretorius are directors of Uranium Resources plc.

DEEP YELLOW LIMITED
NOTES TO THE FINANCIAL STATEMENTS

		CONSOLIDATED ENTITY		PARENT ENTITY	
		2005	2004	2005	2004
		\$	\$	\$	\$
24.	AUDITOR'S REMUNERATION				
	Amount received or due and receivable by Ernst & Young Australia for:				
(a)	An audit or review of the financial report of the entity and any other entity in the consolidated entity	39,550	34,250	39,550	34,250
(b)	Other services in relation to the entity and any other entity in the consolidated entity - tax compliance	-	26,688	-	26,688

25. RELATED PARTY TRANSACTIONS

(a) Transaction with Related Parties in the Wholly-Owned Group

The parent entity entered into the following transactions during the year with related parties in the wholly-owned group:

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2005	2004	2005	2004
Transaction Type	\$	\$	\$	\$
Loans to other related parties				
Loans repaid	-	-	-	1,482,761

All loans to other related parties are unsecured and non-interest bearing.

Amounts due to and receivable from other related parties are set out in the respective notes to the financial statements.

(b) Ultimate Controlling Entity

The ultimate and immediate controlling entity of the consolidated entity is Deep Yellow Limited.

26. FINANCIAL REPORTING BY SEGMENTS

The consolidated entity operated only in one business segment being mining and exploration. The mining and exploration segment carries out exploration for uranium, gold and other minerals that, where successful, it develops into a producing site or sells to other producers.

The consolidated entity operated primarily in the single geographic segment of Australia. The consolidated entity undertook exploration activities in Tanzania, for which costs of \$83,796 have been charged as exploration expenditure and \$30,100 as payments to consultants and employees in the Statement of Financial Performance. The Company has, subsequent to the end of the financial year disposed of the Tanzanian subsidiary. Refer to Note 28 for further details.

DEEP YELLOW LIMITED
NOTES TO THE FINANCIAL STATEMENTS

27. FINANCIAL INSTRUMENTS

(a) Interest Rate Risk Exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities comprises:

2005		Floating interest rate	Fixed interest rate maturing in one year or less	Non-interest bearing	Total	Average interest rate	
	Note	\$	\$	\$	\$	Floating	Fixed
Financial assets							
Cash	5	3,536,679	-	-	3,536,679	4.8%	N/A
Secured deposits	6	-	79,000	-	79,000	N/A	5.51%
		<u>3,536,679</u>	<u>79,000</u>	<u>-</u>	<u>3,615,679</u>		
Financial liabilities							
Trade creditors	13	-	-	(45,968)	(45,968)	N/A	N/A
		<u>-</u>	<u>-</u>	<u>(45,968)</u>	<u>(45,968)</u>		
Net financial assets		3,516,679	79,000	(45,968)	3,569,711		

Reconciliation of net financial assets to net assets:

	Reference Note	\$
Net financial assets as above		3,569,711
Non financial assets and liabilities:		
Property, plant and equipment	11	1,367
Deferred exploration expenditure	12	<u>1,050,000</u>
Net assets per balance sheet		<u><u>4,621,078</u></u>

2004		Floating interest rate	Fixed interest rate maturing in one year or less	Non-interest bearing	Total	Average interest rate	
	Note	\$	\$	\$	\$	Floating	Fixed
Financial assets							
Cash	5	177,507	-	-	177,507	3.80%	-
Other debtors	6	-	-	114,850	114,850	-	-
Listed shares and options	8	-	-	948,500	948,500	-	-
Secured deposits	6	-	264,738	-	264,738	-	5.35%
		<u>177,507</u>	<u>264,738</u>	<u>1,063,350</u>	<u>1,505,595</u>		
Financial liabilities							
Trade creditors	13	<u>-</u>	<u>-</u>	<u>(2,408,368)</u>	<u>(2,408,368)</u>	-	-
		<u>-</u>	<u>-</u>	<u>(2,408,368)</u>	<u>(2,408,368)</u>		
Net financial assets		177,507	264,738	(1,345,018)	(902,773)		

DEEP YELLOW LIMITED

NOTES TO THE FINANCIAL STATEMENTS

27. FINANCIAL INSTRUMENTS continued

(a) Interest Rate Risk Exposures (cont'd)

Reconciliation of net financial assets to net assets:

	Reference Note	\$
Net financial assets as above		(902,773)
Non financial assets and liabilities:		
Inventories	7	280,069
Property, plant and equipment	11	15,414
Deferred exploration expenditure	12	400,000
Provision for employee benefits	14	(5,628)
Provision for tenement rehabilitation	14	(109,000)
Net assets per balance sheet		<u>(321,918)</u>

(b) Credit Risk Exposures

Credit risk refers to the risk that a counterpart will default on its contractual obligations, resulting in financial loss to the consolidated entity. The consolidated entity has adopted the policy of only dealing with credit worthy counterparts and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

The consolidated entity does not have any significant credit risk exposure to any single counterpart or any group of counterparts having similar characteristics. The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the consolidated entity's maximum exposure to credit risk.

(c) Net Fair Values of Financial Assets and Liabilities

The carrying amounts of financial assets and liabilities equal their estimated net fair value.

28. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

The financial effect of the non-adjusting significant events after the balance date will be the same under both current AGAAP and AIFRS.

On 7 June 2005, the Company announced the appointment of Dr Leon Pretorius as a non-executive Director of the Company. As part of the consideration for Dr Pretorius joining the board, the board resolved to issue Dr Pretorius with 15,000,000 Executive Options. The issue was subject to shareholder approval, which was obtained on 30 August 2005 and the options were issued on 8 September 2005.

On 29 June 2005, the Company announced that it had entered into a conditional agreement to acquire the rights to Tanami Gold NL's and Tanami Exploration NL's entire interest in any uranium minerals in their tenements in the Tanami-Arunta Province covering both the Northern Territory and Western Australia. The acquisition was subject to shareholder approval, which was obtained on 30 August 2005, and regulatory and third party consents. The consideration for the acquisition was 30,000,000 Shares, 15,000,000 of which are subject to escrow for 18 months, together with \$400,000. The contract settled on 15 September 2005.

On 18 July 2005, the Company announced that it had entered into a conditional agreement to acquire A1 Mineral Ltd's applications for exploration licences in the Ponton region of Western Australia and sell the Company's interest in the Mikado Gold Joint Venture. The agreement is subject to shareholder approval, which was obtained on 30 August 2005, approval of the trustee of creditors of the Deep Yellow Creditors Trust and regulatory consents. The consideration for the acquisition is 3,000,000 Shares together with transfer of the Company's 50% interest in the Mikado Gold Joint Venture and settlement of the Priority Deed. The contract settled on 15 September 2005.

On 18 July 2005, the Company announced that it had entered into a conditional agreement to acquire Paladin Resources Ltd's 90% interest in the Siccus Joint Venture which relates to an exploration licence in the Frome Basin of South Australia and database on the Frome Basin. The agreement is subject to shareholder approval, which was obtained on 30 August 2005, and issue of the consideration in accordance with the Corporations Act. The consideration for the acquisition is 7,500,000 Shares and 12,500,000 Options. The contract settled on 15 September 2005.

28. SIGNIFICANT EVENTS AFTER THE BALANCE DATE continued

On 18 July 2005, the Company agreed to sell its Tanzanian prospecting licences to Uranium Resources plc (Uranium Resources), a company listed on the London Stock Exchange's AIM market, in consideration for £50,000 in cash and 6,000,000 shares valued at approximately £180,000 (a total consideration of approximately A\$575,000). The contract settled on 15 September 2005.

Other than the above, there has not been any matter or circumstance that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

29. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company has allocated internal resources to conduct impact assessments to isolate key areas that will be impacted by the transition to the Australian equivalents to International Financial Reporting Standards (AIFRS). As a result of this assessment priority has been given to considering the preparation of an opening balance sheet in accordance with AIFRS as at 1 July 2004. This will form the basis of accounting for AIFRS in the future, and is required when the Company prepares its first fully AIFRS compliant financial report for the year ended 30 June 2006.

Preliminary assessments have been made to identify the key areas that will be impacted and these have been summarised below. Management has not yet reached a point where it is practical to provide reliable estimates of the financial effects of the transition to AIFRS. To date, management has focussed on the recapitalisation of the company and development of Deep Yellow as a uranium exploration and development company. The directors expect the management team to complete the transition process in the second quarter of the 2005/06 year.

Impairment of Assets

Under AASB 136 *Impairment of Assets* the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the group's current accounting policy which determines the recoverable amount of an asset on the basis of undiscounted cash flows. Under the new policy it is likely that impairment of assets will be recognised sooner and that the amount of write-downs will be greater. The financial effect of this change in accounting policy has not yet been reliably estimated.

Share Based Payments

Under AASB 2 *Share Based Payments*, the Company will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial Performance. This standard is not limited to options and also extends to other forms of equity based remuneration. It applies to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2005. The adjustment to be made on transition to AIFRS has not yet been quantified.

Income Taxes

Under AASB 112 *Income Taxes*, the Company will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Statement of Financial Position or a tax-based balance sheet. The adjustment to be made on transition to AIFRS has not yet been quantified.

Exploration

AASB 6 "Exploration for the Evaluation of Mineral Resources" will require the Company to apply "area of interest" accounting to exploration and evaluation expenditures, effectively grandfathering the treatment currently used by the Company under AASB 1022 "Accounting for the Extractive Industries". Under AASB 6, if facts and circumstances suggest that the carrying amount of any recognised exploration and evaluation assets may be impaired, the Company must perform impairment tests on those assets in accordance with AASB 136 "Impairment of Assets".

Impairment of exploration and evaluation assets is to be assessed at a cash generating unit or group of cash generating units level provided this is no larger than the area of interest. Any impairment loss is to be recognised as an expense in accordance with AASB 136.

The adoption of AASB 6 is not expected to lead to a change in the Company's accounting policy with respect to exploration and evaluation expenditure.

29. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS continued

Rehabilitation Provision

AASB 137 "Provisions, Contingent Liabilities and Contingent Assets" requires that the present value of restoration obligations associated with mining operations be recognised as a non-current liability and the costs of future restoration be capitalised as part of the relevant project. The capitalised cost is then amortised over the life of the project and the provision is accredited periodically as the discounting of the liability unwinds. The unwinding of the discount is recorded as an interest expense. This differs to the current accounting policy where the consolidated entity accrues the liability for restoration costs to the Statement of Financial Position progressively over the life of mine, based on the present value of the estimated cost of restoration for disturbance that has occurred up to balance date. Adjustments may be required to the liability recognised where the amount accrued at the date of transaction under Australian GAAP differs from that required under IFRS. The adjustments that may be required have not yet been determined.

Financial Instruments

Deep Yellow will be taking advantage of the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 July 2005. This allows the Company to apply previous Australian generally accepted accounting principles (AGAAP) to the comparative information of financial instruments within the scope of AASB 132 and AASB 139 for the 30 June 2006 financial report.

Under AASB 139, and AASB 132, recognition and measurement of all financial instruments at fair value is required. The effect of adopting this standard has not yet been quantified.

DIRECTORS' DECLARATION

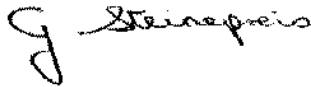
In the opinion of the Directors of Deep Yellow Limited:

- (a) The financial statements and notes of the Company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company and of the consolidated entity at 30 June 2005 and their performance, as represented by their results and cash flows, for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Act 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the Company and the consolidated entity will be able to pay their debts as and when they become due and payable.

The directors have been given the declarations by the chief executive officer and chief financial officer as required by section 295A of the Corporations Act 2001.

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

On behalf of the Directors



Gary Steinepreis

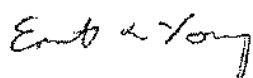
Director

West Perth

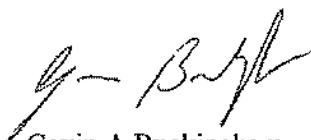
28 September 2005

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 financial year ended 30 June 2005, 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 stylized signature of the Ernst & Young firm, written in cursive.

Ernst & Young

A handwritten signature of Gavin A Buckingham, written in cursive.

Gavin A Buckingham
Partner

28 September 2005

Independent audit report to members of Deep Yellow Limited

GPO Box M939
Perth WA 6843

Scope

The financial report, remuneration disclosures and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Deep Yellow Limited (the company) and the consolidated entity, for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the Corporations Regulations 2001. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

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

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

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

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

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

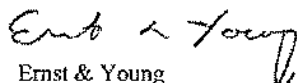
Independence

We are independent of the company and the consolidated entity and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.


Audit opinion

In our opinion the financial report of Deep Yellow Limited is in accordance with:

- (a) 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 2005 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



Gavin A Buckingham
Partner
Perth
28 September 2005