

# DEEP YELLOW LIMITED

ACN 006 391 948

## NOTICE OF ANNUAL GENERAL MEETING

## EXPLANATORY MEMORANDUM

**Date of Meeting:** 28 November 2007

**Time of Meeting:** 4.00 pm

**Place of Meeting:** The University Club, Hacket Drive,  
Entrance 1, Car Park 3,  
Crawley, Western Australia

For personal use only

DEEP YELLOW LIMITED  
ACN 006 391 948

Level 1 329 Hay Street Subiaco  
Western Australia 6008  
Telephone: + 61 8 9286 6999 Fax: + 61 8 9286 6969

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of the members of Deep Yellow Limited ("**Company**") will be held at The University Club, Hacket Drive, Entrance 1, Car Park 3, Crawley, Western Australia on 28 November 2007 at 4:00 pm for the purpose of transacting the following business.

## AGENDA

### BUSINESS

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

### ORDINARY BUSINESS

#### FINANCIAL REPORT

To receive and consider the financial report for the year ended 30 June 2007, and the Directors' and Auditors' Reports thereon as included in the 2007 Annual Report.

#### RESOLUTION 1 RE-ELECTION OF MR RUDOLF BRUNOV'S

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

*"That Mr Rudolf Brunov's who retires in accordance with clause 3.3 of the Company's Constitution and being eligible offers himself for re-election; be re-elected as a Director of the Company."*

#### RESOLUTION 2 RE-ELECTION OF MR TONY MCDONALD

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

*"That Mr Tony McDonald who retires in accordance with clause 3.3 of the Company's Constitution and being eligible offers himself for re-election; be re-elected as a Director of the Company."*

#### RESOLUTION 3 RE-ELECTION OF MS GILLIAN SWABY

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

*"That Ms Gillian Swaby who retires in accordance with clause 3.6 of the Company's Constitution and being eligible offers herself for re-election; be re-elected as a Director of the Company."*

#### RESOLUTION 4 REMUNERATION REPORT

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

*"That the Remuneration Report for the year ended 30 June 2007, be adopted."*

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

**SPECIAL BUSINESS**

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

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

"That pursuant to section 208 of the Corporations Act and Listing Rule 10.11, and for all other purposes, the Directors be and are hereby authorised to grant and issue up to 5,000,000 options for no consideration, exercisable on or before 30 November 2010 at an exercise price equating to 150% of the volume weighted average price of the Company's ordinary shares on the Australian Stock Exchange for the 10 trading days prior to the date of this Annual General Meeting, but in any event not less than \$0.55, to Mr Martin Kavanagh or his nominee, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting (including Annexure A to the Explanatory Memorandum)".

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

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

"That pursuant to section 208 of the Corporations Act and Listing Rule 10.11, and for all other purposes, the Directors be and are hereby authorised to grant and issue up to 7,500,000 options for no consideration, exercisable on or before 30 November 2010 at an exercise price equating to 150% of the volume weighted average price of the Company's ordinary shares on the Australian Stock Exchange for the 10 trading days prior to the date of this Annual General Meeting, but in any event not less than \$0.55, to Dr Leon Pretorius or his nominee, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting (including Annexure A to the Explanatory Memorandum)".

**RESOLUTION 7 AMENDMENTS TO THE CONSTITUTION**

To consider and, if thought fit, to pass the following resolution as a special resolution:

"That pursuant to section 136 of the Corporations Act, the Company's Constitution be amended as set out in the Explanatory Memorandum accompanying this Notice of Meeting."

**RESOLUTION 8 REMUNERATION OF NON EXECUTIVE DIRECTORS**

To consider and, if thought fit, to pass the following resolution as a special resolution:

"That for the purpose of Listing Rule 10.17 and all other purposes, the maximum aggregate remuneration payable to Directors as Directors fees in any financial year be increased by \$160,000 to \$250,000.

**GENERAL NOTES**

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

**ENTITLEMENT TO VOTE**

**Snapshot date**

It has been determined that under the Corporations Regulations 2001 (Cth) regulation 7.11.37, for the purposes of the annual general meeting, shares will be taken to be held by the persons who are the registered holders at 4:00pm (WST) on 26 November 2007. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

DEEP YELLOW LIMITED  
ACN 006 391 948

**Voting exclusions**

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

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

The company will disregard any votes on resolution 8 by all of the Directors and any of their associates.

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

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

**PROXIES**

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

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

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

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

A Proxy Form accompanies this Notice of Meeting and to be effective must be received at the company's corporate registry/registered office **by no later than 4.00 pm on 26 November 2007**:

Computershare Investor Services  
GO Box D182  
Perth, Western Australia, 6840

OR

By facsimile: + 61 8 9323 2033

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

OR

By facsimile: + 61 8 9286 6969

**OTHER BUSINESS**

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

By order of the Board



**Mark Pitts**  
Company Secretary

Dated: 15<sup>th</sup> October 2007

## EXPLANATORY MEMORANDUM

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

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

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

### ORDINARY BUSINESS

#### Annual Accounts and Reports

Appropriate time will be devoted to the consideration of the Financial Statements and Reports of the Company for the year ended 30 June 2007.

The Company's auditor will be in attendance to take questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

#### Resolution 1 and 2 Re-Election of Directors Appointed During the Year

As announced on 8 August 2007, the Company is going through a significant growth phase and as a result has appointed two new Independent Non-Executive Directors to the Board.

Resolution 1 seeks the re-election of Mr Rudolf Brunovs.

Mr Rudolf Brunovs is a former audit partner of the International Chartered Accounting firm Ernst & Young and practised in a number of offices in Australia and overseas. For a total period of twelve years he held the position of Managing Partner of the Parramatta NSW and subsequently the Perth office of the firm. He was a member of the Minerals and Energy division within Ernst & Young.

The directors recommend that shareholders vote **in favour** of the re-election of Mr Brunovs.

Resolution 2 seeks the re-election of Mr Tony McDonald.

Mr Tony McDonald is a lawyer and has been in private practice in Queensland for over 20 years. In the last seven years he has focused on the natural resources industry in management and as a legal advisor. Until March 2007 he was an executive director and corporate secretary of Kings Minerals NL, an ASX listed company. He is also Non-Executive Director of ASX listed Planet Gas Limited.

The directors recommend that shareholders vote **in favour** of the re-election of Mr McDonald.

#### Resolution 3 Re-Election of Director

Ms Gillian Swaby retires from office in accordance with the Constitution. Being eligible she now submits herself for re-election.

The directors recommend that shareholders vote **in favour** of the re-election of Ms Swaby.

#### Resolution 4 Remuneration Report

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

The Remuneration Report forms part of the Directors' Report, included in the 2007 Annual Report. The Report:

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

**SPECIAL BUSINESS**

**Resolutions 5 and 6 Grant of Options to Directors**

Shareholder approval is being sought in Resolutions 5 and 6 to grant a total of 12,500,000 Options to the Executive Directors of the Company (Mr Martin Kavanagh and Dr Leon Pretorius). The options will not vest immediately on grant, 50% of the options will vest with the allottee 12 months from the date of issue and 50% 24 months from the date of issue. The terms and conditions are set out in Annexure A which forms part of this Explanatory Statement.

The grant of Options is designed to encourage the recipients to have a greater involvement in the achievement of the Company's objectives and to provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through share ownership. These Options do not vest immediately, but vest over the coming 12-24 months. The Board regards this period as critical in the development of the Company and has introduced this term.

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

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

- The Directors wish to ensure that the remuneration offered is competitive with market standards and where appropriate, based upon share price performance hurdles.
- The exercise price of the Options has been set at 150% of the volume weighted average price of the Company's ordinary shares on the Australian Stock Exchange for the 10 trading days prior to this Annual General Meeting, but in any event not less than \$0.55.
- The Directors believe it is appropriate to provide equity incentives in order to attract and ensure continuity of service of Directors who have appropriate knowledge and expertise in the industry in which the Company operates.
- The Directors consider the proposed number and terms of Options to be issued will ensure that the Directors' overall remuneration is in line with market standards.

In the 12 month period before the date of this Notice of Meeting, the highest price at which the Company's shares traded on the ASX was \$0.7091 on 17 April 2007 and the lowest price was \$0.1366 on 15 October 2006. The volume weighted average price of the Company's shares on the ASX over the 10 trading days prior to the date of this Notice of Meeting was \$0.49. The closing price on the trading day prior to the date of the Notice of Meeting was \$0.485.

In the event the Options are exercised, and the minimum price of \$0.55 is applied, the following amounts will need to be paid to the Company by the Directors.

Director	To be paid
Mr Martin Kavanagh	\$2,750,000
Dr Leon Pretorius	\$4,125,000

**Related Party Transactions Generally**

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

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

For the purposes of Chapter 2E, each of the Directors is considered to be a related party of the Company.

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

**Current Holdings**

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

Directors	Direct Holdings and those of Associates	
	Shares	Options
Mr Martin Kavanagh <sup>(1)</sup>	450,000	10,000,000 <sup>(2)</sup>
Dr Leon Pretorius	65,000,000	5,000,000 <sup>(3)</sup>

**Notes:**

1. 450,000 shares are held by Conway Bay Pty Ltd as trustee for Kavanagh Family Trust of which Mr Kavanagh is a beneficiary.
2. Options shown consist of 5,000,000 options expiring on 31 December 2008 and exercisable as to 3,000,000 options at \$0.211 and 2,000,000 at \$0.311. The balance of 5,000,000 expire on 30 November 2009 and are exercisable by payment of \$0.551.
3. Options shown consist of 5,000,000 options exercisable on or before 30 November 2009 by payment of \$0.551.

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

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

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

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

Name of Related Party	Number of Options
Mr Martin Kavanagh	5,000,000
Dr Leon Pretorius	7,500,000
Total	12,500,000

In respect of the 12,500,000 Options to be granted to the Directors, the exercise price is to be calculated based on a 150% of the volume weighted average price of the Company's ordinary shares on the Australian Stock Exchange for the 10 trading days prior to this Annual General Meeting, but in any event not less than \$0.55.

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

**The nature of the financial benefit**

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

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

For the reasons noted above:

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

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

The proposed ordinary resolutions 5 and 6 would have the effect of giving power to the Directors to grant up to 12,500,000 Options on the terms and conditions as set out in Annexure A to this Explanatory Memorandum and as otherwise mentioned above. The Company presently has 1,108,726,958 issued shares and 43,500,000 unlisted Options.

If all Options granted as proposed above are exercised, together with the existing unlisted options on issue, the effect would be to dilute the shareholding of existing shareholders by 5.05%. The market price of the Company's shares during the period of the Options will normally determine whether or not Option holders exercise the Options. At the time any Options are exercised and shares are issued pursuant to the exercise of the Options, the Company's ordinary shares may be trading at a price which is higher than the exercise price of the Options.

The Directors' base salaries per annum and the total financial benefit to be received by them in this current period as a result of the grant of Options the subject of resolutions 5 and 6 are as follows:

Director	Base salary p.a. (\$)	Superannuation p.a. (\$)	Value of options to be issued (\$)	Total Financial Benefit (\$)
Mr Martin Kavanagh	222,000	20,000	810,500	1,052,500
Dr Leon Pretorius	275,000	-	1,215,750	1,490,750

**Valuation of Options**

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

Variable	Inputs
Share price	\$0.51
Exercise price	\$0.72
Risk Free Interest Rate	6.25%
Volatility	70%
Time (years) to expiry	3 years

For the purposes of this valuation, the Company has assumed that the issue date of the Options will be on or around 30 November 2007. For the share price, the closing price for the Company's shares on ASX on the day of the valuation (being 10 October 2007) was \$0.51. The VWAP for the ten days prior to the valuation date was \$0.48 based on this price an exercise price of \$0.72 per Option was used together with an assumed volatility level of 70% given the industry in which the Company operates, the Company's financial position and the volatility of listed shares of other companies comparable to Deep Yellow. Based on these assumptions and advice from the Company's advisors, the Company has estimated the value of Options to be issued to the Directors to be \$0.1621 per Option.

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

This will result in an amount of \$2,026,250 being booked to the Company's income statements based on the Cox, Ross and Rubinstein Binomial Tree Pricing Model calculated at the date of this notice.

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

**Timing of Issue**

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

**Listing Rule 7.1**

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



**Resolution 7 Amendments to Constitution**

Resolution 7 seeks approval to amend the Company's Constitution as explained below.

It is proposed to insert a new sub-clause 14.11 into the Constitution. The proposed new clause 14.11 will enable registered shareholders to vote directly, as an alternative to appointing a proxy to vote on their behalf, should the Company wish to provide this facility in the future. Direct voting is similar to voting by postal vote in an election.

This amendment will not affect or diminish the right of shareholders to vote by proxy at shareholder meetings. Beneficial shareholders will continue to have the right to demand a proxy from an intermediary who holds securities of the Company on behalf of the beneficial owner.

The proposed amendments to the Company's Constitution under Resolution 7 are as follows:

**Amendment:** Insert after sub-clause 14.10 a new sub-clause 14.11 as follows:

*14.11 "The directors may determine that at any general meeting or class meeting, a member who is entitled to attend that meeting is entitled to a direct vote. A direct vote' includes a vote delivered to the company by post, fax or other electronic means approved by the directors. The directors may specify the form, method and timing of giving a direct vote at a meeting in order for the vote to be valid".*

The Directors recommend that Shareholders vote in **favour** of this resolution.

**Resolution 8 Remuneration of Non Executive Directors**

Resolution 8 seeks approval to increase the aggregate amount of fees payable to Non Executive Director's as explained below.

Listing Rule 10.17 and clause 10.2 of the Constitution provide that the maximum aggregate amount of the remuneration payable as Directors' fees to Non Executive Directors is to be determined by Shareholders in General Meeting.

The current maximum level of Directors fees payable to Non Executive Directors is \$90,000 including superannuation contributions payable by the Company. This amount has not been increased for many years and is now inadequate given the recent expansion of the Board. The increased amount in aggregate of \$250,000 could be apportioned between the Non Executive Directors as determined by Board resolution.

If approved, the increase will be effective from 1 July 2007.

The Directors recommend that Shareholders vote in **favour** of this resolution. All Directors and their associates are excluded from voting on the resolution.

**GLOSSARY**

"ASIC" means the Australian Securities and Investments Commission;

"ASX" means the Australian Stock Exchange Limited;

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

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

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

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

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

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

"Listing Rules" means the Listing Rules of ASX;

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

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

**ANNEXURE A**

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

1. No monies will be payable for the issue of the Options.
2. A notice will be issued for the Options.
3. The Options shall expire on 30 November 2010.
4. Options issued will vest on the following basis:
  - 50% on the date that is 12 months from the issue date; and
  - 50% on the date that is 24 months from the issue date.
5. Each Option shall carry the right in favour of an Eligible Person to subscribe for one DYL Share.
6. Options may be exercised in whole or in part. An exercise of only some Options shall not affect the rights of the Option Holder to the balance of the Options held by him.
7. The issue price of DYL Shares the subject of the Options shall be payable in full on exercise of the Options – and will be 150% of the volume weighted average price of the shares for the 10 trading days preceding the AGM or \$0.55 whichever is greater.
8. Options shall be exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the Option Holder to exercise all or a specified number of Options held by him accompanied by an Option certificate and a cheque made payable to the Company for the subscription monies for the DYL Shares.
9. The Company shall allot the resultant DYL Shares and deliver the share certificates within five (5) business days of the exercise of the Option.
10. Options shall not be listed for Official Quotation on ASX.
11. An Option Holder may not, except with the approval of the Board of Directors (in its sole and absolute discretion), sell, transfer, assign, give or otherwise dispose of, in equity or in law, the benefit of the Options. The approval of the Board of Directors may be given subject to satisfaction of certain conditions in which event such approval will be deemed not to occur until any such conditions have been satisfied. In particular the Board of Directors may require the proposed new holder of Options to enter into a covenant with the Company pursuant to which the proposed new holder acknowledges and agrees to be bound by the termination provisions contained in this Plan. Nothing in this clause enables the Board of Directors to refuse to register a proper transfer of Options.
12. DYL Shares allotted pursuant to an exercise of Options shall rank, from the date of allotment, equally with existing DYL Shares of the Company in all respects.
13. The Company shall, in accordance with Listing Rule 2.8, make application to have DYL Shares allotted pursuant to an exercise of Options listed for Official Quotation.
14. If the Options are exercised before the record date of an entitlement, the Option Holder can participate in a pro rata issue to the holders of the underlying securities in the Company. The Company must notify the Option Holder of the proposed issue at least nine (9) business days before the record date. Option Holders do not have a right to participate in new issues without exercising their options in accordance with Listing Rule 6.19.
15. In the event of any reorganisation of capital of the Company, all rights of the Option Holder will be changed to the extent necessary to comply with the Listing Rules applying to a re-organisation of capital at the time of the re-organisation in accordance with the Listing Rules.
16. The Options will not give any right to participate in dividends until DYL Shares are allotted pursuant to the exercise of the relevant Options.

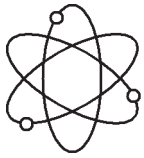
17. In the event that a pro rata issue is made to the holders of the underlying securities in the Company, the exercise price of the Options may be reduced according to the following formula:

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

Where:

- O'** = the new exercise price of the Option.  
**O** = the old exercise price of the Option.  
**E** = the number of underlying securities in the Company into which one option is exercisable.  
**P** = the average market price per security (weighted by reference to volume) of the underlying securities in the Company during the five (5) trading days ending on the day before the ex rights date or ex entitlements date.  
**S** = the Subscription price for a security under the pro rata issue.  
**D** = the Dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue).  
**N** = the Number of securities with rights or entitlements that must be held to receive a right to one new security in the Company.

18. The number of DYL Shares to be issued pursuant to the exercise of Options will be adjusted for bonus issues made prior to exercise of Options. The effect will be that upon exercise of the Options the number of DYL Shares received by the Option Holder will include the number of bonus DYL Shares that would have been issued if the Options had been exercised prior to the record date for bonus issues. The exercise price of the Options shall not change as result of any such bonus issue.
19. The Company shall notify each Option Holder and ASX within one (1) month after the record date for a pro-rata bonus or cash issue of the adjustment to the number of DYL Shares over which the Option exists and/or the adjustment to the exercise price.
20. The terms and conditions of the Employees and Other Permitted Persons Option Plan apply to these Options.



**DEEP  
YELLOW  
LIMITED**

ABN 97 006 391 948

**DEEP YELLOW LIMITED**  
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**TO LODGE A PROXY FORM:**  
Computershare Investor Services Pty Limited  
GPO Box D182 Perth  
Western Australia 6840 Australia  
Facsimile 61 8 9323 2033

**FOR ALL ENQUIRIES CALL:**  
(within Australia) 1300 557 010  
(outside Australia) 61 3 9415 4000

**MR JOHN SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030**

 **FOR YOUR VOTE TO BE EFFECTIVE IT MUST BE RECEIVED BY 4:00PM (WDT) ON MONDAY 26 NOVEMBER 2007**



**YOUR ANNUAL REPORT IS AVAILABLE ONLINE, SIMPLY VISIT:  
[www.deeptyellow.com.au](http://www.deeptyellow.com.au)**

- Access your annual report**
- Review and update your securityholding**

**YOUR SECURE ONLINE ACCESS INFORMATION**

**SRN/HIN:** 11234567890  
**POST CODE:** 1234

**!** FOR SECURITY REASONS IT IS  
IMPORTANT THAT YOU KEEP  
YOUR SRN/HIN CONFIDENTIAL.

**HOW TO COMPLETE THIS PROXY FORM** *Please read these notes prior to completion of the voting form.*

**VOTES ON ITEMS OF BUSINESS**

**Voting 100% of your holding.** You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

**Voting a portion of your holding.** You may indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. The sum of the votes cast on each item or the percentages for and against an item must not exceed your voting entitlement or 100%.

**A proxy need not be a securityholder of the Company.**

**APPOINTMENT OF A SECOND PROXY**

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the proportion or number of votes each proxy may exercise, otherwise each proxy may exercise half of the votes. Fractions of votes will be disregarded. A separate Proxy Form should be used for each proxy. You can obtain additional forms by telephoning the company's share registry or you may copy this form. If you lodge two proxies please lodge both forms together.

**SIGNING INSTRUCTIONS**

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

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

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

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


If a representative of a corporate securityholder or proxy is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained by telephoning the company's share registry or at [www.computershare.com](http://www.computershare.com).

**LODGEMENT OF A PROXY FORM.** This form (and any Power of Attorney under which it is signed) must be received at an address given above no later than 48 hours before the commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

## STEP 1 APPOINT A PROXY TO VOTE ON YOUR BEHALF

I/We being a member/s of Deep Yellow Limited hereby appoint

the Chairman of the Meeting **OR**

 Please leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Deep Yellow Limited to be held at The University Club, Hackett Drive, Crawley, Western Australia on Wednesday, 28 November 2007 at 4:00PM (AWDT) and at any adjournment of that meeting.

**IMPORTANT FOR ITEM 8 BELOW** If the Chairman of the Meeting is your nominated proxy, or may be appointed by default, and you have not directed your proxy how to vote on Item 8 below, please place a mark in this box. By marking this box you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of that Item and that votes cast by him, other than as proxy holder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Item 8 and your votes will not be counted in computing the required majority if a poll is called on this Item. The Chairman of the Meeting intends to vote undirected proxies in favour of Item 8.

## STEP 2 ITEMS OF BUSINESS

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

ORDINARY BUSINESS		For	Against	Abstain
Item 1	Re-Election of Mr Rudolf Brunovs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 2	Re-Election of Mr Tony McDonald	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3	Re-Election of Ms Gillian Swaby	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4	Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5	Grant of Options to Mr Martin Kavanagh	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 6	Grant of Options to Dr Leon Pretorius	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 7	Ammendment to Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 8	Increase in Directors Fees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

In addition to the intention advised above, the Chairman of the Meeting intends to vote undirected proxies in favour of each of the other items of business.

## SIGN SIGNATURE OF SECURITYHOLDER(S) *This section must be completed.*

<p>Individual or Securityholder 1</p> <input style="width: 100%; height: 25px;" type="text"/> <p>Sole Director and Sole Company Secretary</p>	<p>Securityholder 2</p> <input style="width: 100%; height: 25px;" type="text"/> <p>Director</p>	<p>Securityholder 3</p> <input style="width: 100%; height: 25px;" type="text"/> <p>Director/Company Secretary</p>
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MR JOHN SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

**Change of name and/or address.** If your name and/or address is incorrect, please mark this box and make the correction on this form. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes. *Please note, you cannot change ownership of your securities using this form.*