

# DEEP YELLOW LIMITED

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30 October 2007

## QUARTERLY REPORT - FOR THE PERIOD ENDING 30 SEPTEMBER 2007

### HIGHLIGHTS

#### NAMIBIA

- Reptile Uranium Namibia (100% owned Deep Yellow subsidiary) continues to RC percussion grid-drill the Tubas historic resource area discovered by Anglo American with some surprisingly high grade intersections averaging more than 1,000 ppm  $U_3O_8$  over widths of 10 and more metre. Initial JORC Code resource estimates are expected this coming quarter and will be built upon on a regular basis as drilling progresses.

#### AUSTRALIA

- Assay results received from a 47 hole RC percussion drill programme at its 100% owned Queens Gift Prospect (Mt Isa) have confirmed the presence of broad zones of uranium mineralisation within haematite-quartz breccia altered rock. Significant drill intersections include:

-	DQRC-0006	9 m	at	818 ppm	$U_3O_8$	from	35 m
-	DQRC-0013	4 m	at	2,225 ppm	$U_3O_8$	from	19 m
-	DQRC-0018	3 m	at	2,330 ppm	$U_3O_8$	from	7 m
-	DQRC-0032	50 m	at	400 ppm	$U_3O_8$	from	1 m
-	DQRC-0033	69 m	at	467 ppm	$U_3O_8$	from	8 m
-	DQRC-0041	23 m	at	409 ppm	$U_3O_8$	from	108 m
-	DQRC-0043	43 m	at	362 ppm	$U_3O_8$	from	37 m
-	DQRC-0045	22 m	at	348 ppm	$U_3O_8$	from	31 m
-	DQRC-0047	37 m	at	538 ppm	$U_3O_8$	from	41 m

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

- Assay results from a regional sampling and mapping programme have identified drill targets for follow-up in 2007 and early 2008 (Mt Isa).
- RC percussion drilling commenced on the Miranda Prospect (Mt Isa).



## CORPORATE

- A one for twelve Non Renounceable Entitlement Issue at 50 cents which closed on 20 July raised a total of \$26,614,062 with a take-up by 63% of shareholders. The shortfall of some \$15,836,975 was placed with Paladin Resources Limited, resulting in a successful fund raising totalling \$42,451,037.
- Deep Yellow now has cash reserves and liquid assets of approximately \$70 million to fund its ambitious exploration programmes in Namibia and Australia.
- The Directors have approved exploration budgets totalling ~A\$12 million for the 2007/2008 financial year.
- Two new Independent Non-Executive Directors joined the Deep Yellow Board in August. A Board restructure saw Mr Mervyn Greene assume the position of Non-Executive Chairman and Dr Leon Pretorius that of Managing Director. This reflects the rapid growth in the Company and will allow the Executive Directors to accelerate the exploration and development of the Company's projects.

## OUTLOOK

- In the past twelve months Deep Yellow has given a high priority to accumulating quality projects. The Directors believe that the projects in Namibia and Australia now provide an excellent base from which to develop the Company into a significant participant in the uranium supply industry.

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**EXPLORATION ACTIVITIES**

**NAMIBIA**

**REPTILE URANIUM NAMIBIA (RUN) PROJECT**

**Summary**

RUN holds 100% of four contiguous Exclusive Prospecting Licences (EPLs) covering approximately 2,872 km<sup>2</sup> of ground that is highly prospective for various styles of uranium mineralisation. Historically (in the 1970s and early 1980s) major international companies such as Anglo American, Falconbridge, General Mining and Elf-Aquitaine undertook exploration in the area which outlined extensive close to surface zones of secondary uranium mineralisation.

RUN has been systematically grid drilling the Tubas resource discovered by Anglo American to achieve JORC Code resource estimates. These should start flowing during the next quarter.

To end September a total of 14,431 m had been drilled in total for 573 holes. As can be seen in the Figure 1 below mineralisation is being found well outside areas drilled by Anglo.

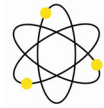
**Tubas Prospect**

A total of 307 holes for 8,052 m were completed during the quarter with very encouraging results in that the previous drilling by Anglo American intersected 1 to 4 m thick mineralisation rarely averaging more than 300 ppm U<sub>3</sub>O<sub>8</sub> whereas RUN's present drilling is regularly intersecting thicker zones of up to 13 m at much higher grades, notably:-

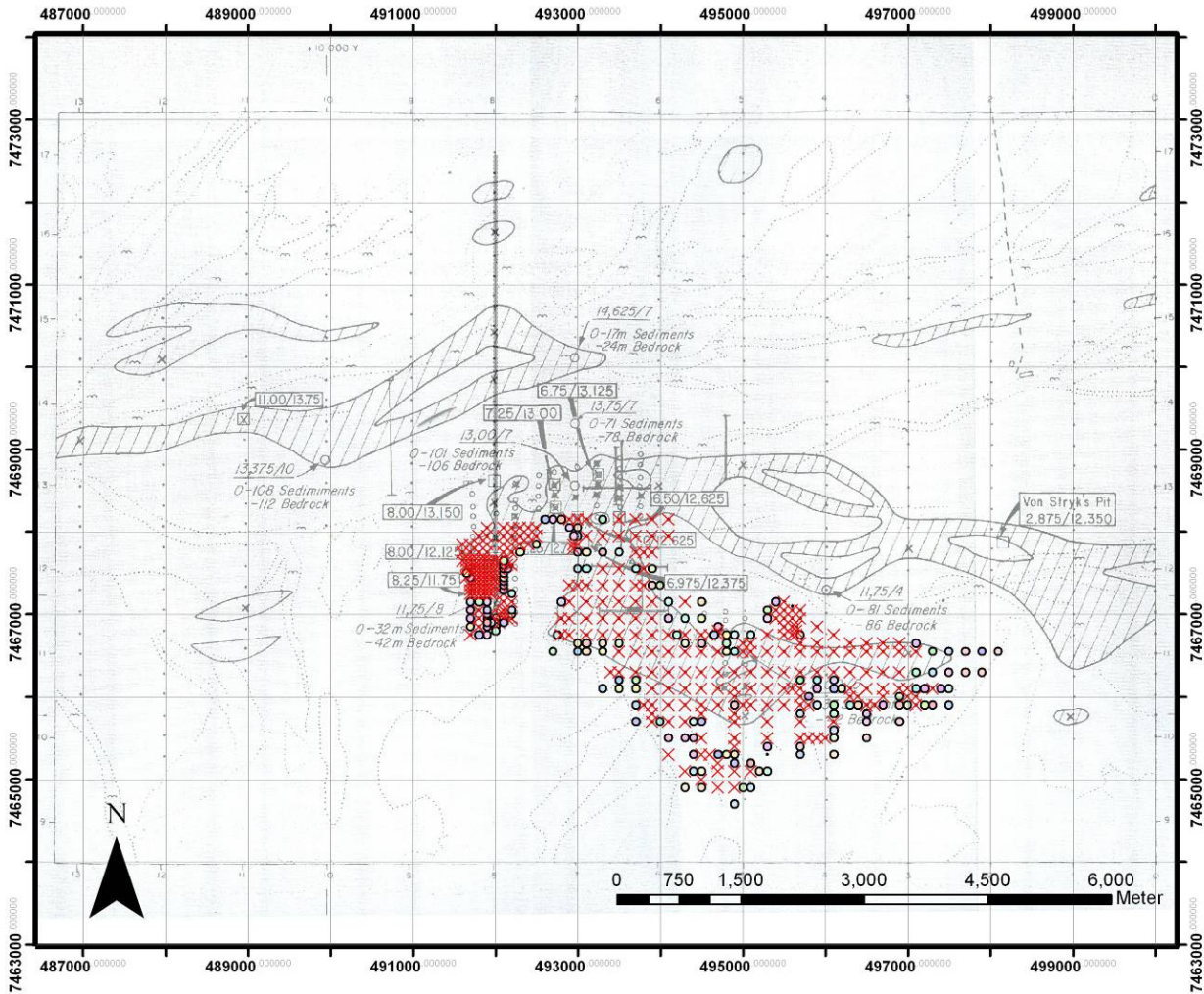
Hole No.	Depth (m)	Interval (m)	Lithology	U <sub>3</sub> O <sub>8</sub> (ppm)
A2.80/7.5	0 to 10	10	Red sand	1,638
A4.80/5.5	3 to 15	12	Brown sand	1,036
A6.50/0.5	7 to 20	13	Brown sand	1,050

All drill holes are being radiometrically logged with a calibrated total count radiometric probe (inside the drill rods immediately after drilling); drill chips over every one metre interval are isolated from other anomalous samples and checked with a hand held scintillometer; at the Company's Swakopmund laboratory anomalous samples are checked in a sealed lead discriminator box and total radioactivity measured; and, finally all anomalous samples (above a nominal 100 ppm eU<sub>3</sub>O<sub>8</sub> cut-off) are chemically assayed by powder XRF by an external contract ISO/SANAS accredited laboratory.

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Although still work in progress (statistically),  $U_3O_8$  chemical assays indicate a smaller amount of uranium present than shown by  $eU_3O_8$  from logging. Once this factor is fully determined it will be applied and will make it possible for RUN to release  $eU_3O_8$  results for the drilling programme.



**Figure 1:** Drilled holes on the Tubas EPL overlain on historical Anglo American data (shaded area equals 100 ppm of Anglo American). Crosses (X in red) indicate a value in hole of  $\geq 100$  cps over 0.05m in rods ( $\geq 106$  ppm  $eU_3O_8$ ) obtained by RUN.

RUN has a fully functional sample preparation and wet chemical laboratory at its Swakopmund base and has ordered a new energy dispersive XRF machine to enable daily evaluation of drill samples to better plan ongoing resource drilling.

In order to fast track the redrilling of the historic resource areas and new areas being found, RUN is sourcing additional drill rigs and will make an announcement once contracts have been signed.

From fieldwork and interpretation of remote sensed data it is increasingly evident that there is potential for three styles of uranium mineralisation to occur on the RUN tenements, namely: -

1. Secondary uranium mineralisation in Tertiary and Quaternary sediments as discovered by previous explorers is located at varying depths from surface to 33 m in a number of lithological units including red sand, yellow brown sand, calcrete as well as in the Damara metamorphic basement.

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2. Deep palaeochannel type mineralisation (Langer Heinrich style) to be targeted by the upcoming AEM survey.
3. Primary mineralisation (Rossing style) to be targeted by the completed airborne magnetics and radiometrics.

### **Airborne Radiometric and Magnetic Survey**

Data from a recently completed RUN contracted 16,800 line kilometre low-level radiometric and magnetic survey on 200 m spaced lines at a nominal height of 80 m has been merged with similar recent Government acquired data to produce a 100 m line spaced dataset over the entire area of the four contiguous EPLs.

The objective of this survey was to map in greater detail any near surface radiometric anomalies with the magnetics being used to map potential uraniferous granitic host rocks and structures beneath the desert sand cover similar to the alaskites that host the Rössing uranium mine 50 kilometre to the north. Interpretation of this data is presently underway.

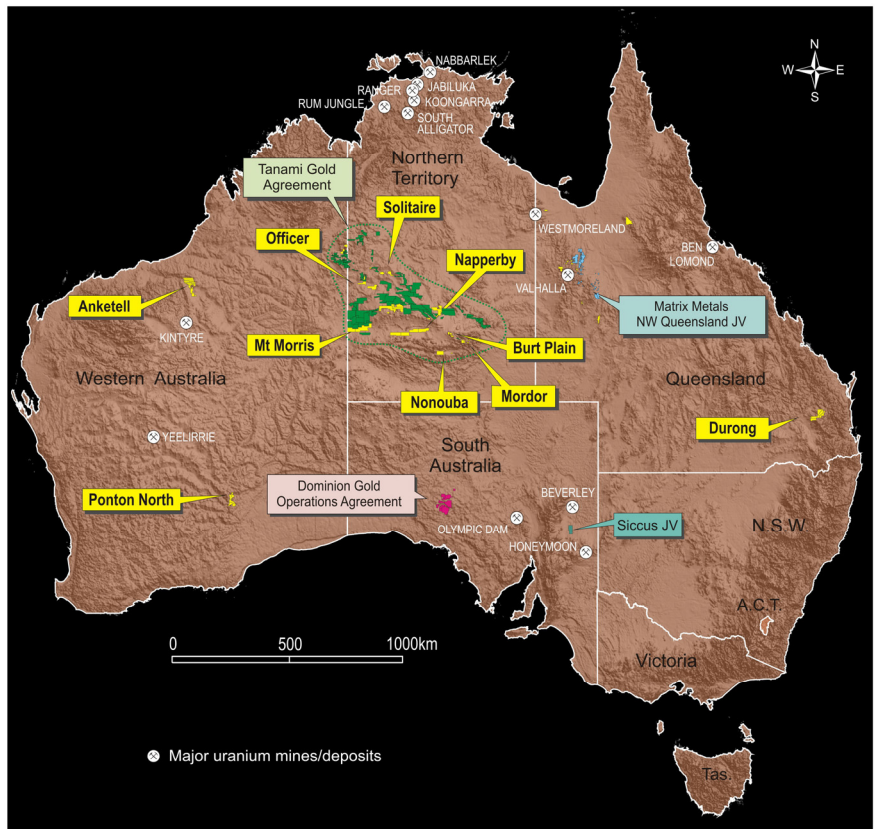
The radiometric responses from the survey are very encouraging. Not only do they correspond closely to historic exploration sites, but they also indicate that less than 50% of the anomalies were drill tested in the past. Ground checking of these anomalies will be undertaken from late November by helicopter supported field teams.

### **Airborne Electromagnetic (AEM) Survey**

In Australia the uranium industry in general and Deep Yellow in particular has been flying AEM surveys and successfully delineating target palaeochannels at depth below surficial cover. RUN has contracted Aeroquest (UTH) to fly an AEM survey over its four EPLs to better define the known mineralised shallow channels and to test for new deeper channels (palaeochannels) such as the one located during the drilling along the 4 km orientation line north of the Tubas channel. Once delineated, these palaeochannels will then be targeted for Langer Heinrich style mineralisation. Aeroquest's equipment is on site in the RUN storage shed and they expect the survey helicopter to be available November.



**AUSTRALIA**



**Figure 2: Australian Projects**

**NORTHERN TERRITORY**

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

In May this year, Toro and Deep Yellow Ltd executed legal documentation for the Napperby Option Agreement that allows Toro a 3 year option-style period to advance the Napperby Project and acquire 100% equity under certain conditions.

In July, all legal pre-conditions to this Agreement were fulfilled and Toro became the operator. As part of the finalisation of the Napperby purchase option agreement, approximately 3.07 million shares in Toro Energy were issued to Deep Yellow Ltd.

Napperby’s current Inferred Resource under the JORC code, defined by Deep Yellow and announced to the ASX on the 13<sup>th</sup> December 2006, is 1.9 million tonnes at 0.036% for 670 contained tonnes of U<sub>3</sub>O<sub>8</sub>. This resource was obtained via an auger drilling campaign in 2006 over an area of 0.6km<sup>2</sup> within the much larger mineralised system defined by Uranerz in previous exploration phases. This larger mineralised system is referred to by Toro as the ‘Historic Deposit Area’.

Within this Historic Deposit Area, Toro has now outlined a ‘mineralised zone’ based on interpolation of anomalous drillholes in the Uranerz grid. It is this zone that will be the focus of resource definition drilling by Toro over the coming field seasons.

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### **Current Activities**

Exploration and resource drilling at the Napperby Project, 150 kilometres northwest of Alice Springs commenced on 17 September 2007, signalling the start of an extensive resource definition campaign.

At the end of September, auger sampling, gamma logging and water sampling were all taking place and the gamma logging results were as per expectations. Subsequent to quarter end a sonic drill method was employed at Napperby.

At 30 September, 25 auger holes had been completed for a total of 250 metres drilling. The sonic drill rig has also begun operations and has been achieving about 5 drill holes per day producing a drill core that will provide excellent sample recoveries and qualitative information. While the auger drilling rate has been slower than expected due to start-up issues, this is expected to pick up and improve over the next few weeks.

The use of sonic core holes is a first in Australia's uranium exploration sector. It is a patented method being introduced at Napperby to improve the integrity of sample recovery from the project's poorly consolidated sediments.

In addition to the maiden drill program, Toro will be initiating more detailed studies at Napperby including preliminary metallurgical testing, biogeochemical and hydrological sampling and airborne geophysical surveys.

### **Tanami-Arunta Project**

Deep Yellow's exposure to the highly prospective Tanami - Arunta uranium province totals approximately 45,255 km<sup>2</sup>.

During the Quarter six exploration licence applications totalling 3,024 km<sup>2</sup> were granted. Deep Yellow's tenement holdings in the Northern Territory now comprise:

- 26 granted exploration licences covering 9,204 km<sup>2</sup> held 100%.
- 17 exploration licence applications covering 5,054 km<sup>2</sup> held 100%.
- 100% of the uranium rights to a further 30,997 km<sup>2</sup> of granted exploration licences and applications held by Tanami Gold NL (TGNL).

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

The five tenements recently granted in the Mt Doreen area (ELs 25698, 25701, 25702, 25941 and 25954) are on the Mt Doreen pastoral lease. The Company will apply for clearance for exploration through the Aboriginal Area Protection Authority (AAPA) with fieldwork expected to commence after the wet season break.

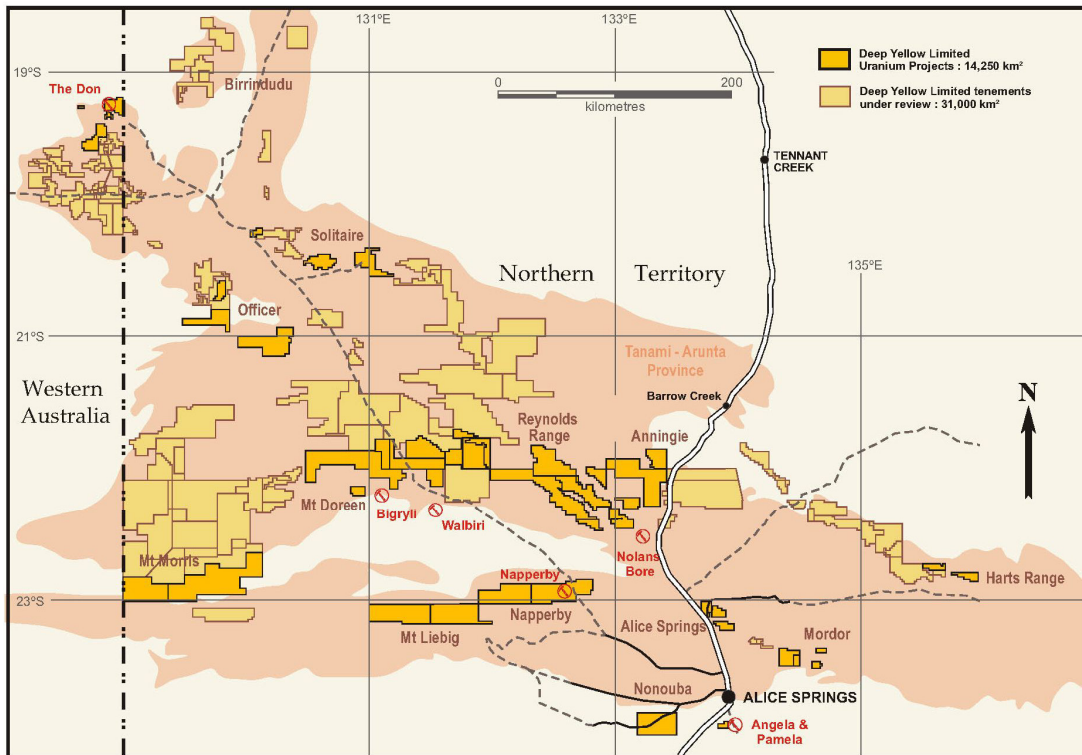


Figure 3: Northern Territory Tenements and Projects

### Reynolds Range Project

The Reynolds Range Project comprises Deep Yellow's ELs 23923, 23924 and 23991 and the uranium rights in TGNL's EL 23888 and EL 23655. These granted tenements are subject to two Native Title agreements specifically for gold exploration. Deep Yellow submitted a proposal to the Central Land Council (CLC) to carry out uranium exploration on the tenements in October 2006 and presented its proposal for exploration and possible future mining on the Project tenements to the Traditional Owners at three meetings convened by the CLC in June 2007. The CLC have notified the Company that the Traditional Owners have agreed to allow Deep Yellow access to explore and mine for uranium on the Reynolds Range tenements subject to finalising an Exploration Agreement. A draft of the Exploration Agreement has been received and is currently under review.

### Nonouba

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

The Nonouba ground was previously explored for uranium by Uranerz from 1972-1983. Uranerz identified two prospects, "Daria" and "Nonouba", and returned assays up to 1900 ppm U<sub>3</sub>O<sub>8</sub> over 0.5 m, hosted by carbonaceous - pyritic Undandita Sandstone. The target is roll front uranium mineralisation as delineated at Angela-Pamela.

The Company hopes to commence exploration early in 2008 following site clearance by the Aboriginal Areas Protection Authority.

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## Angela and Pamela

Deep Yellow has also made a submission, ELA 25767 (together with some 36 other companies) to Department of Primary Industry, Fisheries and Mines (DPIFM) to acquire the Angela and Pamela uranium deposits 25 km to the south of Alice Springs where drilling by Uranerz (1973-81) outlined an historic resource estimate for the Angela deposit.

The DPIFM advised on 25<sup>th</sup> October 2007 that the Appeal by McCleary Investments Pty Ltd affecting the Angela and Pamela uranium prospects was dismissed leaving the way clear for the Department to assess the 37 submissions and award the successful tender in early 2008.

## Alice Springs Joint Venture (DYL 100% reducing to 30%)

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

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

Rum Jungle's application to list on the ASX has been approved with a planned November listing date.

## QUEENSLAND

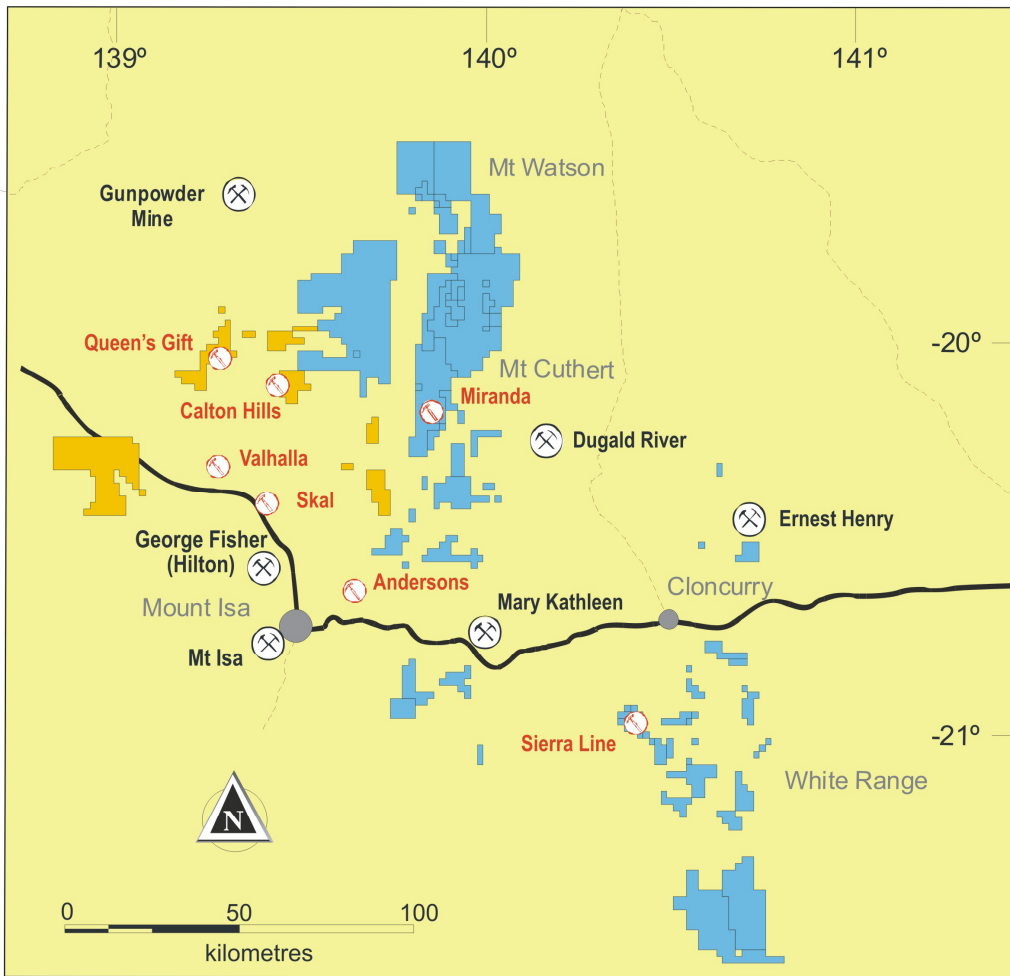
### MT ISA DISTRICT

#### Queens Gift Prospect (100% DYL)

The Queens Gift Prospect is located 70 km north of Mt Isa within EPM 15070 (see Figure 4). All outstanding assay results except Hole DQRC-0044 from the recently completed RC percussion drill programme on the Queens Gift Prospect, 75 km north of Mt Isa, Queensland have now been received.

Significant assay results are highlight below and a full listing of drill intercepts is given in Table 1.

•	<b>DQRC-0006</b>	<b>9 m</b>	<b>at</b>	<b>818 ppm</b>	<b>U<sub>3</sub>O<sub>8</sub></b>	<b>from</b>	<b>35 m</b>
•	<b>DQRC-0013</b>	<b>4 m</b>	<b>at</b>	<b>2,225 ppm</b>	<b>U<sub>3</sub>O<sub>8</sub></b>	<b>from</b>	<b>19 m</b>
•	<b>DQRC-0014</b>	<b>3 m</b>	<b>at</b>	<b>1,407 ppm</b>	<b>U<sub>3</sub>O<sub>8</sub></b>	<b>from</b>	<b>41 m</b>
•	<b>DQRC-0016</b>	<b>13 m</b>	<b>at</b>	<b>438 ppm</b>	<b>U<sub>3</sub>O<sub>8</sub></b>	<b>from</b>	<b>41 m</b>
•	<b>DQRC-0018</b>	<b>3 m</b>	<b>at</b>	<b>2,330 ppm</b>	<b>U<sub>3</sub>O<sub>8</sub></b>	<b>from</b>	<b>7 m</b>
•	<b>DQRC-0028</b>	<b>8 m</b>	<b>at</b>	<b>424 ppm</b>	<b>U<sub>3</sub>O<sub>8</sub></b>	<b>from</b>	<b>34 m</b>
•	<b>DQRC-0032</b>	<b>50 m</b>	<b>at</b>	<b>400 ppm</b>	<b>U<sub>3</sub>O<sub>8</sub></b>	<b>from</b>	<b>1 m</b>
•	<b>DQRC-0036</b>	<b>22 m</b>	<b>at</b>	<b>325 ppm</b>	<b>U<sub>3</sub>O<sub>8</sub></b>	<b>from</b>	<b>82 m</b>
•	<b>DQRC-0038</b>	<b>20 m</b>	<b>at</b>	<b>260 ppm</b>	<b>U<sub>3</sub>O<sub>8</sub></b>	<b>from</b>	<b>40 m</b>
•	<b>DQRC-0041</b>	<b>23 m</b>	<b>at</b>	<b>409 ppm</b>	<b>U<sub>3</sub>O<sub>8</sub></b>	<b>from</b>	<b>108 m</b>
•	<b>DQRC-0044</b>	<b>11 m</b>	<b>at</b>	<b>485 ppm</b>	<b>U<sub>3</sub>O<sub>8</sub></b>	<b>from</b>	<b>119m</b>
•	<b>DQRC-0045</b>	<b>22 m</b>	<b>at</b>	<b>348 ppm</b>	<b>U<sub>3</sub>O<sub>8</sub></b>	<b>from</b>	<b>31 m</b>
•	<b>DQRC-0047</b>	<b>37 m</b>	<b>at</b>	<b>538 ppm</b>	<b>U<sub>3</sub>O<sub>8</sub></b>	<b>from</b>	<b>41 m</b>



**Figure 4: Mt Isa Project- Tenements**

The drill programme totalling 47 holes for 4,930 metre was carried out over 800 m strike of the outcropping area of the 1.3 km strike radiometric anomaly with the best results coming from the Central and North anomalies (see Figure 5).

The South anomaly area was only drilled to shallow depth and in the light of the excellent results from the Central and Northern areas it will be tested by deeper drilling in 2008.

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

It is important to note that within some of the wider 400 ppm U<sub>3</sub>O<sub>8</sub> intercepts (Table 1), intervals with average grades in excess of 700 ppm U<sub>3</sub>O<sub>8</sub> can be achieved which approximates the resource grade of the Valhalla deposit. As illustrated in Figure 6, uranium mineralisation is associated with intense haematite-magnetite alteration with a sharp western and a gradational eastern contact.

Within the North anomaly the deepest intersection is 11 m at 585 ppm U<sub>3</sub>O<sub>8</sub> from 119 m downhole (Figure 6) the centre of this intercept is 120 metre below surface with mineralisation being open to depth.

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

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The Company intends to carry out a 3 to 4 hole ~ 1,200 metre HQ core drilling programme in late November in order to provide structural information and confirm down plunge direction and continuity.

A complete hole listing with selected significant intercepts returned from the drilling programme is given in Table 1.

**Table 1 – Queens Gift Drill Intercepts**

Drillhole	From	To	Width	U <sub>3</sub> O <sub>8</sub> ppm
DQRC-0001	-	-	-	NSR
DQRC-0002	-	-	-	NSR
DQRC-0003	-	-	-	NSR
DQRC-0004	-	-	-	NSR
DQRC-0005	-	-	-	NSR
DQRC-0006	12	14	2	1,050
DQRC-0006	35	44	9	818
incl	38	43	5	1,246
DQRC-0007	39	40	1	700
DQRC-0008	8	9	1	440
DQRC-0008	59	62	3	440
DQRC-0009	19	25	6	482
DQRC-0010	40	44	4	525
DQRC-011	-	-	-	NSR
DQRC-0012	9	10	1	480
DQRC-0013	19	23	4	2,225
DQRC-0013	58	60	2	665
DQRC-0014	41	44	3	1,407
DQRC-0014	69	73	4	620
DQRC-0015	11	12	1	430
DQRC-0015	23	24	1	450
DQRC-0016	41	54	13	438
incl	49	54	4	655
incl	51	53	2	1,075
DQRC-0017	49	52	3	560
DQRC-0018	7	10	3	2,330
DQRC-0019	27	28	1	420
DQRC-0020	16	20	4	350
DQRC-0020	18	20	2	445
DQRC-0020	23	24	1	550
DQRC-0020	33	34	1	1,400
DQRC-0020	33	35	2	767
DQRC-0021	16	21	5	316
DQRC-0022	75	76	1	420
DQRC-0023	-	-	-	NSR
DQRC-0024	118	123	5	414
DQRC-0025	-	-	-	NSR

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Drillhole	From	To	Width	U <sub>3</sub> O <sub>8</sub> ppm
DQRC-0026	-	-	-	NSR
DQRC-0027	-	-	-	NSR
DQRC-0028	34	42	8	424
DQRC-0029	-	-	-	NSR
DQRC-0030	54	55	1	450
DQRC-0031	89	96	7	441
DQRC-0032	1	51	50	400
incl	24	29	5	650
DQRC-0033	8	77	69	467
incl	23	29	6	792
incl	21	30	9	680
incl	53	61	8	838
incl	53	66	13	749
DQRC-0034	0	34	34	195
DQRC-0035	58	66	8	449
DQRC-0035	81	84	3	437
DQRC-0035	103	114	11	255
DQRC-0036	82	104	22	325
incl	82	86	4	410
incl	95	104	9	417
DQRC-0036	106	107	1	490
DQRC-0037	74	80	6	715
DQRC-0037	102	124	22	234
DQRC-0038	12	19	7	225
DQRC-0038	40	60	20	260
DQRC-0038	134	136	2	420
DQRC-0039	57	62	5	505
DQRC-0040	50	54	4	555
DQRC-0041	108	131	23	409
incl	117	131	14	517
incl	117	120	3	967
DQRC-0042	Abandoned			
DQRC-0043	37	80	43	362
incl	37	40	3	727
incl	55	62	7	500
incl	72	80	8	606
DQRC-0044	119	130	11	485
DQRC-0045	31	53	22	348
incl	39	53	14	419
DQRC-0046	74	80	6	552
DQRC-0047	41	78	37	538
incl	62	77	15	807

NSR - No Significant Results

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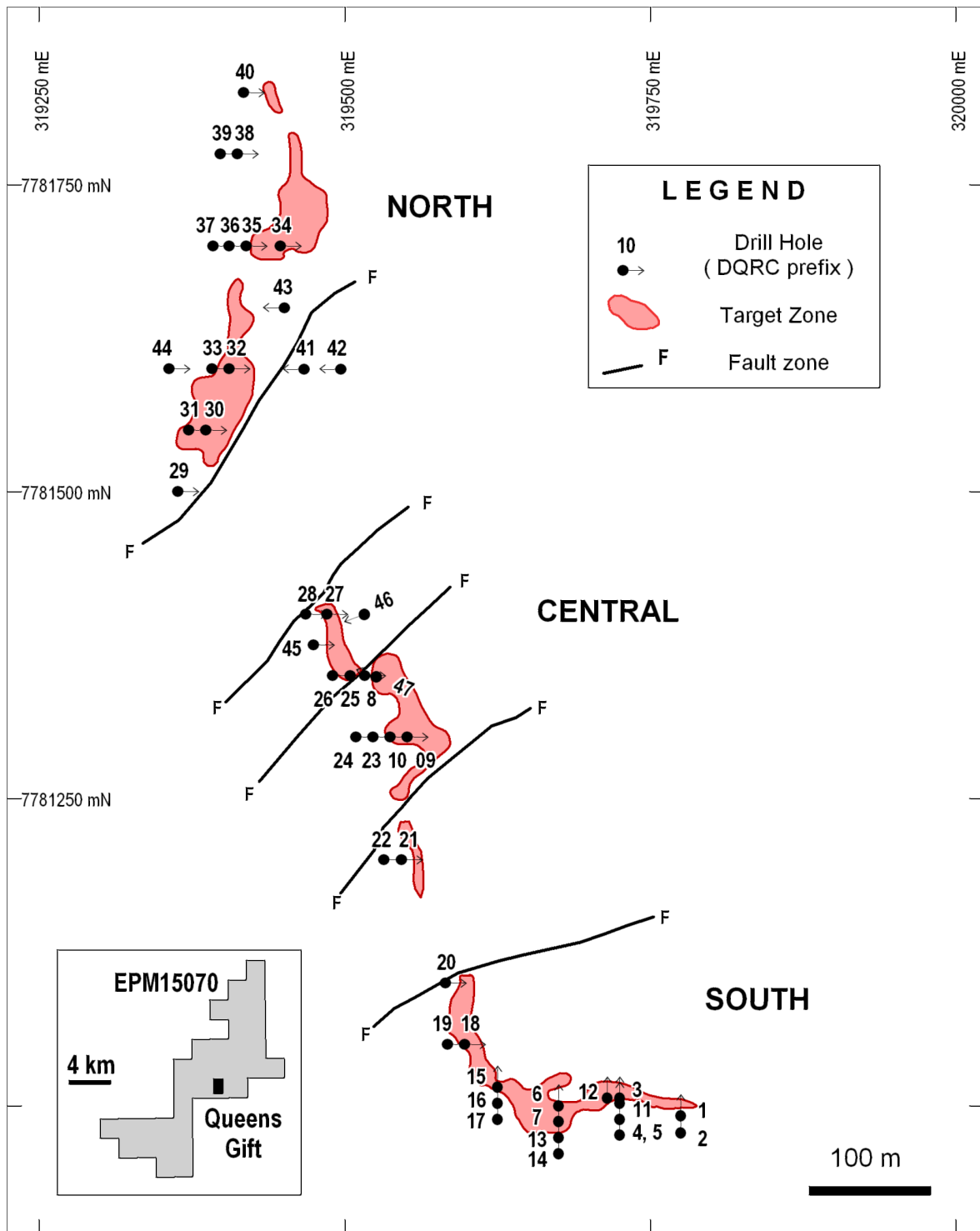
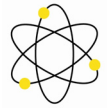


Figure 5: Queens Gift - Drill Hole Locations

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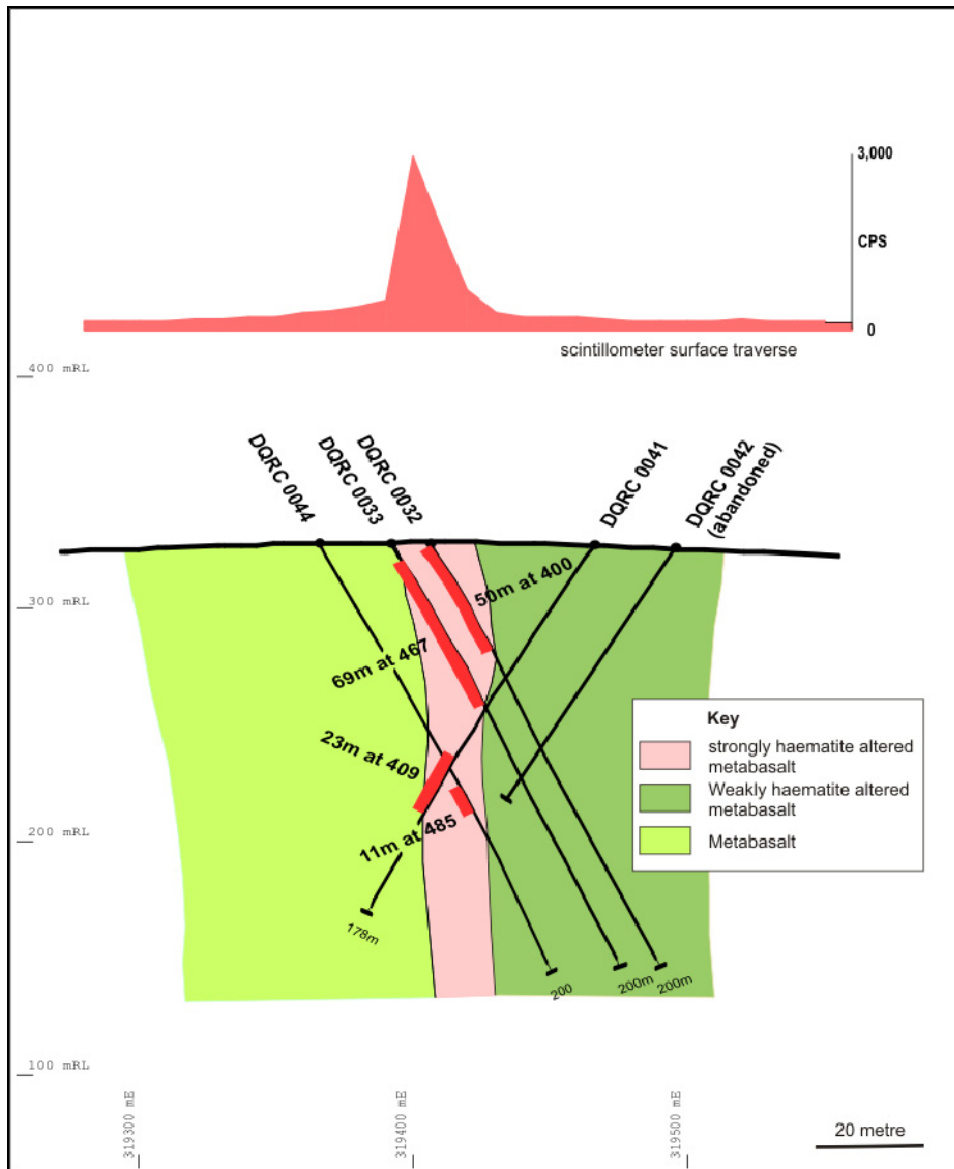


Figure 6: Queens Gift Section 600 N - Intersections in ppm U<sub>3</sub>O<sub>8</sub>

### Mt Isa Regional Programme

In May 2007 Deep Yellow contracted UTS Geophysics to fly 5,470 line kilometre of low level radiometrics and magnetics over nine selected target areas within its tenement holdings in the Mt Isa district.

The 100 metre line spaced data greatly enhanced the definition and delineation of uranium anomalous zones within Deep Yellow’s original 400 metre line spaced data set. The newly acquired data was processed in-house and a series of targets developed for ground checking/reconnaissance mapping. A total of 109 anomalies were identified on a first-pass review of the data.

Following the completion of surface mapping and sampling of the Queens Gift Prospect Deep Yellow’s geologists and field assistants commenced a helicopter supported ‘**anomaly validation programme**’ (see ASX 5 October 2007). To date a total of 56 of the 109 anomalies generated within a 100 km radius north and northeast of Mt Isa have been inspected, mapped and sampled as warranted.

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At each anomaly, the centre of the airborne uranium anomaly was targeted as an initial datum. Rapid ground traversing with a hand held scintillometer was undertaken in order to identify peak values and possible visible mineralisation. Samples for assay were collected at the peak uranium site. These samples are positively biased and not representative of the entire outcrop/anomaly area however, they are being used as a 'driver' to identify potential scout drill sections.

The field checking also provided information on the style of mineralisation, alteration, rock types and the local extent of 'mineralisation' as indicated by ground scintillometer traversing. Within **EPM 14916** located 85 km north of Mt Isa and 35 km northeast of Deep Yellow's Queens Gift Prospect uranium mineralisation at the various prospects is hosted by basalts and siltstones of the Eastern Creek Volcanics sequence which hosts both the Queens Gift and the Valhalla uranium deposits. Mineralisation is associated with intense haematite alteration with weak to intense breccia development. All of the above features together with the assay values have been used to prioritise anomalies for drilling in 2007 (see Figure 7).

Within **EPM 14281** uranium mineralisation is hosted by chloritic shear zones developed through granite. The Miranda North Prospect is located 450 metres north of the Deep Yellow's Miranda Prospect. RC percussion drilling has commenced on the existing Miranda and Miranda Northwest Prospects within EPM 14281 it will then test the new Miranda North Prospect prior to moving to EPM 14916.

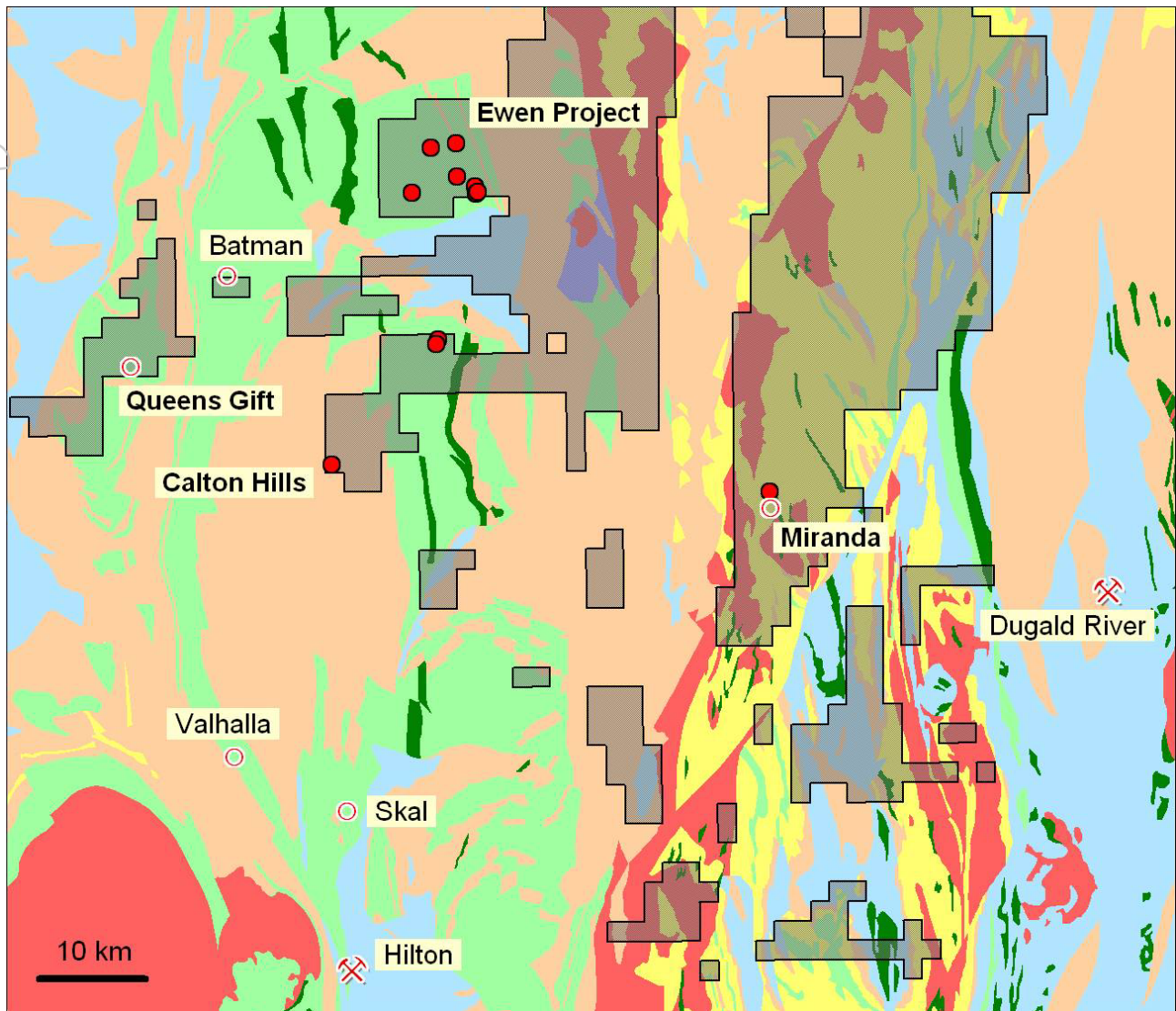
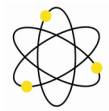
Of the 56 targets inspected, 12 were ranked as immediate drill targets; 12 requiring follow-up mapping and prospecting in 2007; 11 follow-up targets for 2008, and 21 anomalies were down graded as being due to lithological responses typical of the relatively high uranium background in the Mt Isa district.

The targets highlighted for immediate drill follow-up are highlighted in Table 2 and shown in Figure 7.



**Crystal – 1 Prospect. Highly anomalous haematitic soils over siltstone. Samples DH 017 and 018 site.**

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**Figure 7:** Ewen Project Drill Targets

The assay results together with geological mapping have clearly identified EPM's 14916, 14281 held by Matrix Metals as containing a number of priority drill targets. Under Agreement with Matrix Metals through the NW Queensland Joint Venture, Deep Yellow is earning 80% interest in the uranium rights to these tenements and has the right to 100% by buying out Matrix's retained 20% on each individual deposit (ASX 20 February 2006).

In preparation for the planned RC percussion drill programme over the regional targets access tracks were graded into the following prospect areas; Anomalies H094, H007, H110, H005, H112 (Ewen Prospect) and H101 (Miranda North).

The Kalkadoon People have cleared all prospect areas for drilling.

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Table 2 – Rock Chip Sampling Data For Assays Over 1,000 ppm U<sub>3</sub>O<sub>8</sub>

Sample No.	EPM	Helicopter Anomaly No.	Prospect	U <sub>3</sub> O <sub>8</sub> ppm	%
DH_005	15070 *	H105	Follow-up 2007	1,650	0.165
DH_009	14916	H020	Conquest North / Drill	1,950	0.195
DH_010	14916	H121	Conquest Central / Drill	2,200	0.22
DH_013	14916	H125	Conquest East / Drill	1,000	0.10
DH_015	14916	H007	Wahn / Drill	3,200	0.32
DH_016	14916	H005	Bluestone / Drill	5,200	0.52
DH_017	14916	H094	Crystal 1 / Drill	2,700	0.27
DH_018	14916	H094	Crystal 1 / Drill	2,850	0.285
DH_021	14916	H011	Follow-up 2007	1,150	0.115
DH_022	14916	H011	Follow-up 2007	1,500	0.15
DH_024	14916	H010	Crystal 6 / Drill	2,100	0.21
DH_025	14916	H112	Slance NW / Drill	1,900	0.19
DH_027	14916	H006	Slance / Drill	1,150	0.115
DH_028	14916	H111	Slance NE / Drill	4,850	0.485
DH_029	14281	H101	Miranda North / Drill	29,400	2.94
DH_031	14622	H030	Follow-up 2007/08	3,700	0.37
DH_033	15070 *	H131	Batman South / Drill	4,700	0.47
DH_035	11025	H034	Follow-up 2007/08	2,650	0.265

\* 100% Deep Yellow tenement.

NB: 1,000 ppm = 0.1%, 10,000 ppm = 1%

**Miranda Prospect – EPM 14281***(DYL earning 80% from Matrix Metals Ltd)*

RC percussion drilling commenced at the Miranda Prospect with a total 6 holes for 1,000 metres in the planned first pass. Drilling was curtailed in December 2006 due to bush fires. 'Abandoned' hole DMRC-002 will be redrilled as an undercut to hole DMRC-001 which returned 12 m at 960 ppm U<sub>3</sub>O<sub>8</sub> from 9 metres.

**SOUTH AUSTRALIA****Western Gawler Project***(DYL can earn 100% of the uranium rights)*

In February 2006 the Company announced that it had reached agreement with Dominion Gold Operations Pty Ltd, a wholly owned subsidiary of Dominion Mining Limited (Dominion) to acquire the uranium rights (100%) to five exploration licences covering 3,291 km<sup>2</sup> in the Western Gawler Province. In addition to the original five tenements the agreement included a further four tenements totalling 2,411 km<sup>2</sup> for which access agreements need to be negotiated.



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

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

All of the targeted paleodrainages received some drill coverage, with the Mulgathing tributary of the Anthony Paleochannel receiving most attention. Only low order radiometric anomalism was detected. Assay results for the first 102 holes returned best values of 2 m at 43 ppm  $U_3O_8$  (Challenger Channel) 4 m at 22 ppm  $U_3O_8$  (Lake Anthony South Channel) and 2 m at 26 ppm  $U_3O_8$  (Mulgathing Trough area). Whilst these values are low, the associated host rocks are considered prospective and worthy of further drilling in order to try and locate lignite hosted mineralisation and/or sandstone hosted roll front uranium mineralisation.

The Company plans to negotiate access to the additional tenements (ELs 3092, 3093, 3262 and 2884) over the seasonal break with a view of commencing drilling of palaeochannels within those tenements. In addition follow-up drilling to the 2007 programme is also planned as is a deep drill programme ( $\pm 150$  m) within the Challenger, Anthony South and Mulgathing Trough in April/May 2008.

## **DIVESTMENT**

Details on the programme of divestment of Non-Core Assets is set out in detail on the Company's website at [www.deepyellow.com.au/projects/divestment.html](http://www.deepyellow.com.au/projects/divestment.html).



## CORPORATE

### **NAPPERBY (FARM-IN AND ACQUISITION BY TORO ENERGY LTD)**

#### ***All Legal Pre-Conditions Completed – Work to Commence on Resource Definition Drilling***

Deep Yellow and Toro announced during the quarter that all pre-conditions pursuant to the Napperby Option Agreement taking effect have been completed.

Deep Yellow was issued 3,066,667 Toro shares (approximately 2% of Toro's issued capital) as consideration for the option.

### **NON-RENOUNCEABLE ENTITLEMENT ISSUE**

Deep Yellow successfully completed a Non Renounceable Entitlement Issue during the quarter. A total of 84,902,074 shares were allotted pursuant to the issue to raise \$42.4 million.

This fund raising together with existing cash and liquid assets provides Deep Yellow with reserves of approximately \$70 million to fund its exploration programmes in Namibia and Australia.

### **EXPLORATION BUDGET APPROVED**

The Directors have approved exploration budgets totalling ~A\$12 million for the 2007/2008 financial year.

### **BOARD STRENGTHENED**

The significant increase in exploration expenditure in both Namibia and Australia has necessitated some changes to the composition of the Board of Directors, which were announced during the quarter.

Leon Pretorius relinquished the role of Executive Chairman to assume the position of Managing Director. He and Executive Director, Martin Kavanagh will now be able to focus on the management of the significant increase in exploration expenditure. Non-Executive Director, Mervyn Greene, assumed the role of Non-Executive Chairman.

In addition the Board has appointed Tony Mc Donald and Rudolf Brunovs to join the Board as Independent Non-Executive Directors.

The Board now comprises:

Non-Executive Chairman	Mervyn Greene
Managing Director	Leon Pretorius
Executive Director	Martin Kavanagh
Non-Executive Director	Gillian Swaby
Non-Executive Director	Tony McDonald
Non-Executive Director	Rudolf Brunovs



## RUM JUNGLE JOINT VENTURE

The Boards of Deep Yellow and Rum Jungle Uranium Limited “Rum Jungle” announced during the Quarter that they reached agreement for the acquisition by Rum Jungle of a majority interest in six Deep Yellow uranium properties located in the Alice Springs area, Northern Territory.

The proposal provides Rum Jungle with the opportunity to acquire up to 70% of each of the wholly owned tenements, ELs 10360, 10401, 10404, 22918, 22923 and 25101.

Furthermore, Rum Jungle will have the opportunity to maximise its ownership of the properties in the future by paying for the proven in-ground resource on commercial terms.

Finalisation of the transaction is subject to the proposed admission of Rum Jungle to the official list of the ASX no later than 30 November 2007.

As previously stated the Deep Yellow Board’s rationale for the divestment of these projects is to allow Deep Yellow to focus on its advanced exploration projects in Namibia, the Mt. Isa district and other priority regional targets close to already established Deep Yellow bases and personnel throughout Australia.

**Dr Leon Pretorius**  
**Managing Director**  
**Deep Yellow Limited**

**Further Information :**

**Martin Kavanagh**  
**Executive Director**  
**(08) 9286 6999**

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

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

**DEEP YELLOW LIMITED**

ABN

Quarter ended ("current quarter")

**97 006 391 948**

**30 SEPTEMBER 2007**

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for:		
(a) exploration and evaluation	(2,471)	(2,471)
(b) development	-	-
(c) production	-	-
(d) administration	(397)	(397)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	596	596
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(2,272)</b>	<b>(2,272)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) tenements	-	-
(b) equity investments	-	-
(c) other fixed assets	(101)	(101)
(d) environmental and other bonds	-	-
1.9 Proceeds from sale of:		
(a) tenements	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
(d) environmental and other bonds	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid from other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>(101)</b>	<b>(101)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(2,373)</b>	<b>(2,373)</b>

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1.13	Total operating and investing cash flows (brought forward)	(2,373)	(2,373)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	42,410	42,410
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (issue expense)	(28)	(28)
	<b>Net financing cash flows</b>	<b>42,382</b>	<b>42,382</b>
	<b>Net increase (decrease) in cash held</b>	<b>40,009</b>	<b>40,009</b>
1.20	Cash at beginning of quarter/year to date	24,151	24,151
1.21	Exchange rate adjustments to item 1.20	(70)	(70)
1.22	<b>Cash at end of quarter</b>	<b>64,090</b>	<b>64,090</b>

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		<b>Current quarter \$A'000</b>
1.23	Aggregate amount of payments to the parties included in item 1.2	109
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions Directors remuneration and consultancy fees.	

**Non-cash financing and investing activities**

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows
- \$2,300,000 received in (3,066,667) shares of Toro Energy Limited in respect of option fee to earn in to the Napperby Uranium Project in the Northern Territory.
- 
- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest
- NIL

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### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	N/A	
3.2 Credit standby arrangements	N/A	

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	2,333
4.2 Development	-
<b>Total</b>	<b>2,333</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	9,310	24,151
5.2 Deposits at call	54,780	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>64,090</b>	<b>24,151</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	-	-	-	-
6.2 Interests in mining tenements acquired or increased	EL9836	Granted	0%	100%

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**Issued and quoted securities at end of current quarter**

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>	NIL			
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	NIL			
7.3 <b>+Ordinary securities</b>	1,108,726,958	1,108,726,958		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	84,902,074 NIL	84,902,074		
7.5 <b>+Convertible debt securities</b> <i>(description)</i>	NIL			
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	<i>Unlisted options</i> 12,500,000 3,000,000 2,000,000 16,000,000 3,500,000 3,500,000 1,500,000 1,500,000	- - - - - - - -	<i>Exercise Price</i> 8.1 cents 21.1 cents 31.1 cents 55.1 cents 44.6 cents 59.6 cents 64.6 cents 74.6 cents	<i>Expiry Date</i> 31/7/2008 31/12/2008 31/12/2008 30/11/2009 31/12/2009 31/12/2010 30/06/2010 30/06/2011
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	-	-	-	-
7.11 <b>Debentures</b> <i>(totals only)</i>	NIL			
7.12 <b>Unsecured notes</b> <i>(totals only)</i>	NIL			

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**Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: .....  
(Company secretary)

30 October 2007  
Date: .....

Print name: MARK PITTS  
.....

**Notes**

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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