



DEEP YELLOW

ABN 97 006 391 948

6 April 2005

Mr Jerry Whitfield
Director of Titles
Department of Business Industry and Resource Development
GPO Box 3000
DARWIN NT 0801

DEPT. BUSINESS, INDUSTRY
& RESOURCE DEVELOPMENT

11 APR 2005

RECEIVED - BRF
CORPORATE INFORMATION
MANAGEMENT

Dear Mr Whitfield

**RE: APPLICATION FOR VARIATION OF COVENANT FOR EXPLORATION
LICENCE 9890 – NORTHEAST ARUNTA**

Deep Yellow Limited (Deep Yellow) requests a variation of the expenditure covenant for the period ending 21 May 2005 for Exploration Licence 9890 (Northeast Arunta).

Deep Yellow purchased the tenement from Paladin Energy Minerals NL (Paladin), a wholly owned subsidiary of Paladin Resources Ltd, in December 2004 with the intention of carrying out exploration drilling which would meet the expenditure covenant. Pursuant to that objective in January 2005 we submitted a Small Mining Operations Mining Management Plan to the Department of Business Industry and Resource Development (DBIRD) and in March 2005 we submitted a copy of our Work Program to the Central Land Council (CLC) as per our requirement under the Mining Act.

Up to the date of this letter we are still waiting approval from DBIRD and we have been advised by the CLC that they are having difficulty finding an anthropologist to carry out the necessary work for us to receive site clearance for our drilling and this may take some time to organize.

Deep Yellow regards the licence as prospective as previous exploration by Paladin located a 1400m long radiometric anomaly (Yambla Prospect) within the Yambla amphibolite, a typical hornblende-feldspar rock, interpreted to be of mesedimentary origin. It is 10 - 50m thick, and in the prospect area dips about 15 degrees west. Metamorphic grade is amphibolite facies. The amphibolite occurs within a sequence of garnet-biotite gneiss, meta-dolerite and sillimanite-garnet-biotite, gneiss.

Drilling through the amphibolite had defined a vein-like zone of plagioclase, scapolite, quartz and amphibole, varying from 1 to about 10m thick. The assemblage represents a late stage albite-scapolite alteration controlled by shears, foliation planes and lithological layering. Spectacular uranium mineralisation occurs in association with this alteration, as egg shaped nodules of uraninite up to 10cm in length. Drilling has confirmed that the discreet nodular style of mineralisation appears to persist at depth. While no mineralization was intersected in drilling, narrow radiometric anomalies in barren rock suggest the drilling passed close to several nodules.

TRIM Registered	
Date <u>11.4.05</u> Time <u>AM</u> <u>PM</u>	
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Deep Yellow Limited
PO Box 637, West Perth 6872, Western Australia

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Proposed exploration program for year 4 (2005/2006)

As a first phase it is recommended that 7 RC holes be drilled at 50 m spacings around two anomalous holes drilled by PNC (holes HRD0008 & 9). This would total about 500-550 m of drilling. The best anomalous hole, assuming the gamma trace shows narrow, high grade mineralisation, could then be cluster drilled at 5 m spacings to test the validity of this approach. This would require a further 3 holes, say 150-250 m. It is recommended, at this early stage, that all holes be drilled to the base of the Yambla Amphibolite, which should be not more than 100m depth.

Expenditure

Expenditure for 2004/2005

Consultant		4,964
<u>Administration</u>	15% of purchase amount of \$125,000	<u>18,750</u>
Total		23,714

Anticipated Expenditure

Rig Mobilisation		10,000
Drilling	750m @ \$100/m	75,000
Salaries	Geologist & Fieldhand	10,000
Consultant		10,000
Vehicle		<u>10,000</u>
Total		115,000

Conclusion

Due to the difficulty Paladin had in raising funds for uranium exploration from 2002 to 2004 and then the subsequent sale of the tenement to Deep Yellow the tenement has not met the requirements of the expenditure covenant. Deep Yellow expects the program this year to significantly advance the understanding of the mineralization at North East Arunta and at the same time to exceed the accumulated expenditure covenant.

Please find attached a cheque for \$50 for the fee associated with the variation of covenant.

Yours sincerely



James Pratt
Managing Director
Deep Yellow Limited