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5 January 2007

Principal Registrar  
Titles Division  
Department of Primary Industry, Fisheries & Mines  
GPO Box 3000  
DARWIN NT 0801

**BY FACSIMILE: 08 8971 7106**  
**4 pages**

Dear Sir

**Re: ANNUAL REPORT - EXPLORATION LICENCES 10360 & 10401**

The Annual Reports in respect of the above licences for the year ending 5 December 2006 are due to be lodged by 5 January 2007. We ask that this letter be accepted as a nil report in respect of these tenements. No field work was conducted during the reporting period by the previous holder, Tanami Exploration NL (TENL), or by Deep Yellow Ltd (DYL).

Exploration Licences 10360 and 10401 are included in a number of Exploration Licences acquired by DYL from TENL with the transfer being registered on 5 December 2006.

Expenditure on the tenements totalled \$3,173 and \$5,455 respectively against covenants of \$10,000 and \$13,000. DYL therefore wishes to seek variations of covenant, pursuant to Section 172 of the Mining Act, in respect of EL 10360 and EL 10401 for the year ending 5 December 2006.

Both tenements are the subject of a Deed of Covenant dated 20 May 2003 incorporating them into the Harts Range ILUA between TENL and the Central Land Council (CLC). The ILUA was registered by the National Native Title Tribunal on 5 September 2002. However, the ILUA only relates to exploration for gold and therefore required Tanami or its assignee, DYL, to present a new exploration proposal to cover uranium exploration prior to conducting any programmes.

A proposal for uranium exploration was forwarded to the CLC on 30 October 2006. Approval has not yet been received. Whilst DYL is keen to conduct its exploration programme, given the timing it was impossible to conduct an exploration programme prior to the end of the anniversary year.

Details of the expenditure recorded against each tenement follows together with the proposed programmes and budgets for the sixth year of term.

Please charge the sum of \$100 in respect of the variation of covenant fee to the following Visa card:

Gillian J McBain  
4564 xxx xxx xxx  
Expiry date: 08/07

We trust our request will meet with your favourable consideration.

Yours sincerely,  
DEEP YELLOW LTD

Gillian McBain  
Tenement Consultant (as agent)

## EXPLORATION LICENCE 10360 – AMBALINDUM

6 December 2005 – 5 December 2006

### Summary of Activities - Year Five

During the majority of the reporting period Tanami Exploration NL (TENL) was the tenement holder and operator. TENL report no field based exploration activity for this period. Since acquisition, Deep Yellow's costs have been limited to desktop assessment and preparation and lodgement of an Exploration Proposal with the Central Land Council. A transfer reflecting Deep Yellow's interest in the tenement was registered on 5 December 2006.

Table 1 - EL 10360 Expenditure to 5 December 2006

Cost Element	TENL Costs \$	DYL Costs \$
Salaries and Wages	564	1,350
Contractors/Consultants	55	640
Drafting/Computing	0	150
Administration/Overheads	93	321
<b>Total</b>	<b>\$712</b>	<b>\$2,461</b>
<i>Covenant - \$10,000</i>		

### Proposed Program and Budget - Year Six

The following proposed program and budget is dependant on completion of an ILUA with the CLC on behalf of any Native Title claimants and subsequent approval of the program.

Table 2 - EL 10360 Proposed Budget 6 December 2006 – 5 December 2007

Cost Element	\$
Aircore Drilling – 500 metres	7,500
Earthworks – drill sites	2,000
Assaying – 200 samples	3,000
Drafting and Computing	1,000
Salaries and Wages	5,000
Camp and Field Costs	1,000
Vehicles/Fuel	1,000
Travel/Accommodation	2,000
Administration/Overheads	3,500
<b>Total</b>	<b>\$26,000</b>

## EXPLORATION LICENCE 10401 – YAMBAH

6 December 2005 – 5 December 2006

### Summary of Activities - Year Five

During the majority of the reporting period, Tanami Exploration NL (TENL) was the tenement holder and operator. TENL report no field based exploration activity for this period. Since acquisition, Deep Yellow's costs have been limited to desktop assessment and preparation and lodgement of an Exploration Proposal with the Central Land Council. A transfer reflecting Deep Yellow's interest in the tenement was registered on 5 December 2006.

Table 1 - EL 10401 Expenditure to 5 December 2006

Cost Element	TENL Costs \$	DYL Costs \$
Salaries and Wages	1,989	1,800
Contractors/Consultants	165	640
Drafting/Computing	0	150
Administration/Overheads	323	388
<b>Total</b>	<b>\$2,477</b>	<b>\$2,978</b>
<i>Covenant - \$13,000</i>		

### Proposed Program and Budget - Year Six

The following proposed program and budget is dependant on completion of an ILUA with the CLC on behalf of any Native Title claimants and subsequent approval of the program.

Table 2 - EL 10401 Proposed Budget 6 December 2006 – 5 December 2007

Cost Element	\$
Aircore Drilling – 500 metres	7,500
Earthworks – drill sites	2,000
Assaying – 200 samples	3,000
Drafting and Computing	1,000
Salaries and Wages	5,000
Camp and Field Costs	1,000
Vehicles/Fuel	1,000
Travel/Accommodation	2,000
Administration/Overheads	3,500
<b>Total</b>	<b>\$26,000</b>