



**DEEP
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17 April 2007

Geoscience Information
Northern Territory Geological Survey
Department of Primary Industry, Fisheries & Mines
GPO Box 3000
DARWIN NT 0801

Dear Sir

Re: ANNUAL REPORT - EXPLORATION LICENCE 23637

The Annual Report in respect of the above licence for the year ending 10 April 2007 is due to be lodged by 10 May 2007. We ask that this letter be accepted as a nil report in respect of this tenement. No field work was conducted during the reporting period by the previous holder, Tanami Exploration NL (TENL), or by Deep Yellow Ltd (DYL).

A transfer reflecting the change of ownership from TENL to DYL was forwarded to the Titles Division on 22 March 2007.

Expenditure on the tenement totalled \$2,580 against a covenant of \$11,500. Details of the expenditure recorded against EL 23637 during year four are shown below together with the proposed programme and budget for the fifth year of term. A separate request for a variation of covenant has been forwarded to the Titles Division.

The tenement is not the subject of an Indigenous Land Use Agreement and therefore DYL has applied to the Aboriginal Areas Protection Authority to obtain an Authority Certificate prior to conducting the proposed exploration program. An estimate of costs has not yet been received and is therefore not included in the proposed budget.

Yours sincerely,
DEEP YELLOW LTD

Gillian McBain
Tenement Consultant (as agent)

EXPLORATION LICENCE 23637 – MT BALDWIN

11 April 2006 – 10 April 2007

Summary of Activities - Year Four

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. A transfer reflecting Deep Yellow's interest in the tenement was forwarded for registration on 22 March 2007. Since acquisition, Deep Yellow's costs have been limited to assessment and lodgement of a request for an AAPA clearance to conduct our exploration programme.

Table 1 - EL 23637 Expenditure to 10 April 2007

Cost Element	TENL Costs \$	DYL Costs \$
Salaries and Wages	1,288	886
Contractors/Consultants	0	70
Travel/Accommodation	0	0
Drafting/Computing	0	0
Administration/Overheads	193	143
Total	\$1,481	\$1,099
<i>Covenant - \$11,500</i>		

Proposed Program and Budget - Year Five

EL 23637 covers a north-south oriented calcreted drainage feature draining the granites and skarns adjacent to the Molyhill minesite. A brief geological reconnaissance trip will be undertaken to confirm the location of the calcrete as shown on the geology plans and to assess access.

The following proposed program and budget for year ending 11 April 2008 is dependent upon the issue of an Authority Certificate by the Aboriginal Areas Protection Authority.

Table 2 - EL 23637 Proposed Budget 11 April 2007 – 10 April 2008

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
Total	\$26,000