



**DEEP
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12 September 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 9836

The Annual Report in respect of the above licence for the year ending 12 August 2007 is due to be lodged by 12 September 2007

We ask that this letter be accepted as a nil report in respect of this tenement as no on-ground work was conducted during the reporting period by the current registered holder, Tanami Exploration NL (TENL). Deep Yellow Ltd (DYL) has recently acquired the tenement from TENL and a transfer is currently being executed.

Details of the expenditure recorded against EL 9836 during year four are shown on the following expenditure statement 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.

Yours sincerely,
DEEP YELLOW LTD

Gillian McBain
Tenement Consultant (as agent)

EXPLORATION LICENCE 9836 – BANGTAIL BORE

13 August 2006 – 12 August 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 that exploration during the reporting period was limited to a brief field visit to confirm TENL's decision to downgrade the gold exploration potential of the licence. Since acquisition, Deep Yellow's costs have been limited to desktop assessment. A transfer reflecting Deep Yellow's interest in the tenement is expected to be executed soon.

Table 1 - EL 9836 Expenditure to 12 August 2007

Cost Element	TENL Costs \$	DYL Costs \$
Salaries and Wages	2,404	435
Contractors/Consultants	0	140
Drafting/Computing	39	0
Field costs	36	0
Vehicles/Fuel	354	0
Administration/Overheads	425	86
Total	\$3,258	\$661
<i>Covenant - \$9,000</i>		

Proposed Program and Budget - Year Five

EL 9836 is underlain by Proterozoic granitoids and metamorphics, and covered by outliers of basal Georgina Basin sediments. A significant drainage, the Sandover River, cuts across the tenement and this feature represents a potential drainage-hosted uranium target. A regional airborne radiometric response is evident over this drainage further downstream, making the upstream segment within EL 9836 a prospective target for concealed calcrete or sand-hosted mineralization, and warranting some initial fences of RAB/aircore drilling.

Table 2 - EL 9836 Proposed Budget 13 August 2007 – 12 August 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

