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26 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 22923**

The Annual Report in respect of the above licence for the year ending 27 August 2007 is due to be lodged by 27 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 previous holder, Tanami Exploration NL (TENL) or, the current registered holder, Deep Yellow Ltd (DYL). DYL acquired the tenement from TENL and a transfer was registered on 5 December 2006.

Details of the expenditure recorded against EL 22923 during year five are shown on the following expenditure statement with the proposed programme and budget for the sixth 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 22923 – STRANGWAYS

28 August 2006 – 27 August 2007

### Summary of Activities - Year Five

Deep Yellow Ltd (DYL) acquired EL 22923 from Tanami Exploration NL (TENL) in December 2006 after TENL downgraded the tenement's gold prospectivity. DYL assessed the area as having potential for unconformity-hosted uranium mineralisation. Work during the year has been limited to planning a drilling programme and negotiating access to conduct uranium exploration under an ILUA with the Central Land Council.

**Table 1 - EL 22923 Expenditure to 27 August 2007**

Cost Element	TENL Costs \$	DYL Costs \$
Salaries and Wages	1,739	4,067
Contractors/Consultants	275	385
Drafting/Computing	0	322
Administration/Overheads	302	716
<b>Total</b>	<b>\$2,316</b>	<b>\$5,490</b>
<i>Covenant - \$73,000</i>		

### Proposed Program and Budget - Year Six

EL 22923 is of interest because of its untested potential for drainage-related uranium mineralization. The ground is largely veneered by aeolian sand cover. DYL intends to drill 44 air core holes in September 2007 to be able to make an informed decision about the extent of prospective acreage. This tenement abuts outcropping granite terrain, which is a likely source of labile uranium. Calcrete host rocks are known to exist under the adjacent Burt sandplain, rendering the tenement as a whole a likely zone of secondary uranium enrichment. Locating both sand-veneered calcrete and deeper drainage channels will be the objective of DYL's scout drill program.

**Table 2 - EL 22923 Proposed Budget 28 August 2007 – 27 August 2008**

Item	\$
Aircore Drilling – 2,000 metres	30,000
Earthworks – drill sites	5,000
Assaying – 200 samples	2,500
Drafting and Computing	2,000
Salaries and Wages	15,000
Camp and Field Costs	1,000
Vehicles/Fuel	3,000
Travel/Accommodation	5,000
Administration/Overheads	9,500
<b>Total</b>	<b>\$73,000</b>