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22 December 2006

The Companies Announcement Office
Australian Stock Exchange Limited
Level 10 Exchange Centre
20 Bond Street
SYDNEY NSW 2000

Dear Sirs

OPTION ISSUE TO EMPLOYEES AND CONSULTANTS

The Directors have resolved to issue 7,000,000 unlisted options to acquire ordinary shares in Deep Yellow Limited to employees, and contractors. The issue has been made pursuant to the terms of the Deep Yellow Limited Directors, Employees and Other Permitted Persons Option Plan which was approved at the Company's Annual General Meeting held on 30 November 2006.

The Directors have adopted the policy of issuing options to employees and contractors to provide an incentive to join / remain with Deep Yellow in the very competitive market which operates today.

No Director or Director related entity will participate in this issue.

The attached Appendix 3b provides details of the options, the main terms are set out below:

- 50% will be issued with a vesting period of eighteen months from date of engagement and an exercise price of 45 cents payable on or before 31 December 2009; and
- 50% will be issued with a vesting period of thirty months from date of engagement and an exercise price of 60 cents payable on or before 31 December 2010.

The Directors reserve the right to cancel the options in the event that an employee or contractor resigns from their employment or ceases their engagement with the Company.

Yours faithfully

MARK PITTS
Company Secretary

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003.

Name of entity

DEEP YELLOW LIMITED

ABN

97 006 391 948

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|--|
| 1 | +Class of +securities issued or to be issued | Options |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 7,000,000 |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | 3,500,000 exercisable at 45 cents on or before 31 December 2009

3,500,000 exercisable at 60 cents on or before 31 December 2010 |

+ See chapter 19 for defined terms.

4	Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?	Upon exercise will rank equally.																	
	If the additional securities do not rank equally, please state:																		
	<ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 																		
5	Issue price or consideration	NIL																	
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	Options issued as incentive and pursuant to Option Plan approved at Annual General Meeting																	
7	Dates of entering +securities into uncertificated holdings or despatch of certificates	27 December 2006																	
8	Number and +class of all +securities quoted on ASX (including the securities in clause 2 if applicable)	<table border="1"> <thead> <tr> <th>Number</th> <th>+Class</th> </tr> </thead> <tbody> <tr> <td>955,433,697</td> <td>ORD</td> </tr> </tbody> </table>	Number	+Class	955,433,697	ORD													
Number	+Class																		
955,433,697	ORD																		
9	Number and +class of all +securities not quoted on ASX (including the securities in clause 2 if applicable)	<table border="1"> <thead> <tr> <th>Number</th> <th>+Class</th> </tr> </thead> <tbody> <tr> <td>160,000 1/1/07 at 35c</td> <td>Unlisted options</td> </tr> <tr> <td>12,500,000 31/7/08 at 11.5c</td> <td>“ “</td> </tr> <tr> <td>6,000,000 31/12/08 at 24.5c</td> <td>“ “</td> </tr> <tr> <td>4,000,000 31/12/08 at 34.5c</td> <td>“ “</td> </tr> <tr> <td>16,000,000 30/11/09 at 55.5c</td> <td>“ “</td> </tr> <tr> <td>3,500,000 31/12/09 at 45c</td> <td>“ “</td> </tr> <tr> <td>3,500,000 31/12/10 at 60c</td> <td>“ “</td> </tr> </tbody> </table>	Number	+Class	160,000 1/1/07 at 35c	Unlisted options	12,500,000 31/7/08 at 11.5c	“ “	6,000,000 31/12/08 at 24.5c	“ “	4,000,000 31/12/08 at 34.5c	“ “	16,000,000 30/11/09 at 55.5c	“ “	3,500,000 31/12/09 at 45c	“ “	3,500,000 31/12/10 at 60c	“ “	
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3,500,000 31/12/10 at 60c	“ “																		

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10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests) N/A

Part 2 - Bonus issue or pro rata issue

- 11 Is security holder approval required?
- 12 Is the issue renounceable or non-renounceable?
- 13 Ratio in which the +securities will be offered
- 14 +Class of +securities to which the offer relates
- 15 +Record date to determine entitlements
- 16 Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?
- 17 Policy for deciding entitlements in relation to fractions
- 18 Names of countries in which the entity has +security holders who will not be sent new issue documents
Note: Security holders must be told how their entitlements are to be dealt with.
Cross reference: rule 7.7.
- 19 Closing date for receipt of acceptances or renunciations
- 20 Names of any underwriters
- 21 Amount of any underwriting fee or commission
- 22 Names of any brokers to the issue

+ See chapter 19 for defined terms.

- | | | |
|----|---|--|
| 23 | Fee or commission payable to the broker to the issue | |
| 24 | Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of +security holders | |
| 25 | If the issue is contingent on +security holders' approval, the date of the meeting | |
| 26 | Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled | |
| 27 | If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders | |
| 28 | Date rights trading will begin (if applicable) | |
| 29 | Date rights trading will end (if applicable) | |
| 30 | How do +security holders sell their entitlements <i>in full</i> through a broker? | |
| 31 | How do +security holders sell <i>part</i> of their entitlements through a broker and accept for the balance? | |
| 32 | How do +security holders dispose of their entitlements (except by sale through a broker)? | |
| 33 | +Despatch date | |

+ See chapter 19 for defined terms.

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(tick one)

(a) Securities described in Part 1

(b) All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders

36 If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

37 A copy of any trust deed for the additional +securities

Entities that have ticked box 34(b)

38 Number of securities for which +quotation is sought

39 Class of +securities for which quotation is sought

40 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?

If the additional securities do not rank equally, please state:

- the date from which they do
- the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
- the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

+ See chapter 19 for defined terms.

41 Reason for request for quotation now
 Example: In the case of restricted securities, end of restriction period
 (if issued upon conversion of another security,
 clearly identify that other security)

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42 Number and +class of all +securities quoted on ASX
 (including the securities in clause 38)

Number	+Class

Quotation agreement

1 +Quotation of our additional +securities is in ASX’s absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- We warrant that if confirmation is required under section 1017F of the Corporations Act in relation to the +securities to be quoted, it has been provided at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

+ See chapter 19 for defined terms.

- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.
- 4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.



22 December 2006

Sign here: Date:
(Director/Company secretary)

Print name:
Mark Pitts

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