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Manager Company Announcements
Company Announcements Office
Australian Stock Exchange Limited
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by e-Lodgement

Dear Sir/Madam

- **Resource drilling commences at Napperby in the Northern Territory**
- **Tenement acquisition in the Kingaroy district, Queensland**

The Directors of Deep Yellow Limited (DYL) are pleased to announce that the Company has commenced drilling at the Napperby Project in the Northern Territory as follow up to the successful March trenching programme (ASX 27th April, 2006).

In addition the Company has made application for five Exploration Permits in the Kingaroy district, Queensland in line with its strategic plan for the acquisition of prospective greenfields projects.

Napperby Project Northern Territory (100%)

As announced to the ASX on 27 April 2006, the assay results from the March 2006 trenching programme together with the mapping of the trenches confirm that the uranium mineralisation at Napperby is of classic calcrete-hosted uranium style and that there was potential to locate higher grade 'channels' within the broader mineralised palaeochannel.

Some significant highlights from the trenching programme were:

- Mapping of the trenches together with the assay results confirmed the presence of flat lying calcrete hosted uranium mineralisation developed from 2 metre (m) below surface to the maximum depth of 6.3 m, sampled in the trenches. As such the deposit is similar in style to the Yeelirrie deposit in Western Australia and the Langer Heinrich deposit in Namibia.

- That the assay results clearly demonstrated the presence of consistent +500 ppm U_3O_8 values associated with visible carnotite ($K_2(UO_2)_2(VO_4)_2 \cdot 3H_2O$) mineralisation.
- That, while the average grade of the deposit as delineated by Uranerz over the 14 kilometre (km) strike was considered to be sub-economic at 370 ppm U_3O_8 the trenching by DYL provided significant upside by locating higher grade channels within the overall deposit.

The positive results returned from the trenching programme provided the Board with confidence to pursue a resource evaluation programme at Napperby.

Following Work Area Clearance by the Central Land Council the Company has commenced a detailed drilling programme comprising 250 holes on 50 x 50 m centres within an area of 1,000 x 600 m that covers the main western zone of mineralisation previously outlined by wide spaced drilling.

The drilling is being carried out using a Piling Rig drilling large diameter holes (60 cm) to 10 m depth. The drilling and assaying of samples will be completed during the September quarter.

Durong Project, Queensland (90%)

The Company (90%) in partnership with Superior Resources Limited (10%) has applied for five Exploration Permits EPMs 15615, 15620 to 15624 covering approximately 1600 km² to the west and northwest of Kingaroy in southeast Queensland.

Superior Resources Limited (SRL) holds EPM 15120 'Goggs Creek' located northwest of Kingaroy. The EPM covers a moderate order uranium anomaly in the Department of Natural Resources and Mines Kingaroy-Mackay airborne radiometric survey.

Mapping by SRL has shown that the uranium anomaly was sourced from Tertiary fluvial sediments overlying the Boondooma Granite which has a reasonably high uranium content as indicated by the airborne radiometric survey and as such is a potential source of uranium for sandstone/roll front uranium deposits located in Tertiary channel sediments. It was this model that attracted DYL to the project area and led to the five applications.

The area to the west of Goggs Creek at Durong is underlain by Tertiary sediments which were deposited in a major palaeo-river system. For a large part of the Tertiary period the Durong area drained to the southwest along a major river system that shows in the Australian Digital Terrain model.

During this time it is likely that uranium released from weathering and erosion of the radiogenic Boondooma Granite would have been transported in ground waters down this southwest flowing river. It is likely that some of this uranium would have been deposited by reducing agents, including pyrite and organic material and/or other fixing agents in the Tertiary sediments and it is possible that economic deposits of uranium may exist in the area.

Without subsurface information about the existence and location of reduction-oxidation fronts in the Tertiary sediments it is difficult to interpret where the deposits might occur. However it would appear likely that these would occur in the first 30 kilometres or so of the channel. The five Durong applications cover the first 55 kilometres of the southwest trending Tertiary palaeochannel.

Initial exploration will focus on existing drill holes and borehole logs in order to better define the palaeodrainage with respect to channel development and the presence of reducing beds to trigger uranium deposition.

Yours faithfully



Dr Leon Pretorius
Executive Chairman
Deep Yellow Limited

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Dr Leon Pretorius a Fellow of The Australasian Institute of Mining and Metallurgy. Dr Pretorius sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Pretorius consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.