

Deep Yellow Limited

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October - December 2004

QUARTERLY REPORT ON EXPLORATION ACTIVITIES

During the December quarter the Company advised that it had acquired two advanced Uranium projects from Paladin Energy Minerals NL, a wholly owned subsidiary of Paladin Resources Ltd (Paladin). The projects are known as Napperby and Northeast Arunta and are located in the Northern Territory:

Napperby Project (EL24246)

The Napperby Project is located 150km northwest of Alice Springs in the Northern Territory. It consists of one exploration licence covering 809km² and is prospective for both deeper sandstone roll front and surficial calcrete uranium target types.

Uranerz drilled 820 shallow percussion holes on the Napperby tenement in the late 1970's culminating in resource definition work and a pre-feasibility study. The work delineated a 20 x 4km uranium mineralised palaeodrainage and this area incorporates the New Well deposit which is several kilometres long by 1.5km wide, 1-5m thick and occurs at a shallow depth of around 10m.

The calculation of a JORC compliant resource estimate at New Well is a priority. Existing drilling is wide spaced (300m x 400m) and Deep Yellow believes that the higher grade parts of the deposit are controlled by sand filled channels. Deep Yellow plans to carry out infill drilling around these channels to establish a new higher grade resource at New Well.

The prime untested exploration target in this project is a sandstone hosted uranium deposit amenable to in-situ leaching (ISL). Drilling by Uranerz showed the presence of a deeper Tertiary palaeochannel extending to the west of the near-surface calcrete uranium mineralisation at New Well. This drilling was never followed up. Considering the high uranium content of the ground waters in the area, this palaeochannel system offers an excellent target for discovery of a sandstone hosted uranium deposit suitable for in-situ leaching. Deep Yellow plans a regional gravity survey to delineate the channel geometry followed by drilling to establish the sedimentology and redox conditions of the deeper channel.

NE Arunta Project (EL9890)

The North East Arunta Project is located in the Proterozoic Arunta block, approximately 270km NNE of Alice Springs. Exploration by previous workers has defined a 1400m long radiometric anomaly (Yambla Prospect) within the Yambla Amphibolite. Drilling and trenching of the Yambla Amphibolite by PNC, a major Japanese explorer in the 1980's, defined a 1-10m thick alteration zone within which occurs sporadic occasionally very high

grade uranium mineralisation in the form of egg-shaped nodules of uraninite grading 1-10% U₃O₈.

Fifteen (15) of the trenches dug by PNC show mineralisation of which two have reasonable zones of high grade material. Better trench assays of channel samples (0.5m to 1.0m) ranged 0.1-10%.

Elsewhere, assays adjacent to mineralisation ranged 10-200ppm U. One campaign of diamond drilling (13 holes) was completed, with two holes showing moderate downhole anomalies. All holes intersected at least some alteration proving a wide extent of the mineralising system. Drillhole assays ranged 5-50ppm U in altered rock while unaltered amphibolite was all <5ppm U. Previous explorers have found it difficult to determine the extent and distribution of the uranium nodules. After reviewing existing data Deep Yellow plans to carry out bulk sampling at Yambla and drilling to determine the distribution and potential economics of the Yambla Prospect and locate the routes of the extremely high grade egg-sized pods of the near surface uranium mineralisation.

Mikado Joint Venture

The Joint Venture has appointed an independent consultant to review the Mikado Gold Project. A decision on the future of the Project is expected to be made in the coming quarter.

Yours sincerely



James Pratt
Technical Director

The information in this report that relates to Exploration Results or Mineral Resources is based on information compiled by Mr Joseph Drake-Brockman who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Drake-Brockman has sufficient experience which is relevant to the style of mineralisation and type of deposit described herein to qualify as a Competent Person for the purposes of the 1999 Australasian Code for Reporting of Exploration Results, Mineral Resources And Ore Reserves. Mr Drake-Brockman is a consultant to Deep Yellow Limited and he consents to the inclusion in the report of the matters based on their information in the form and context in which they appear.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97.

Name of entity

DEEP YELLOW LIMITED

ACN or ARBN

006 391 948

Quarter ended ("current quarter")

31 DECEMBER 2004

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors		
1.2 Payments for		
(a) exploration and evaluation	(2)	(2)
(b) development		
(c) production		
(d) administration	(178)	(178)
(e) staff costs	(6)	(6)
(f) GST Paid	(18)	(18)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	7	7
1.5 Interest and other costs of finance paid		
1.6 GST Collected		
1.7 BAS Refund		
Net Operating Cash Flows	(197)	(197)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	(100)	(100)
(b) equity investments		
(c) other fixed assets		
1.9 Proceeds from sale of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid to other entities		
1.12 Other (provide details if material)		
Net investing cash flows	(100)	(100)
1.13 Total operating and investing cash flows (carried forward)	(297)	(297)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(297)	(297)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	1,751	1,751
1.15	Costs associated with the issue of shares, options etc	(2)	(2)
1.16	Proceeds from borrowings		
1.17	Payment under Deed of Company Arrangement	(500)	(500)
Net financing cash flows		1,249	1,249
Net increase (decrease) in cash held		952	952
1.18	Cash at beginning of quarter/year to date	0	0
1.19	Cash at end of quarter	952	952

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.20	Aggregate amount of payments to the parties included in item 1.2	86
1.21	Aggregate amount of loans to the parties included in item 1.10	—

1.22 Explanation necessary for an understanding of the transactions

Fees Paid to Directors or Director Related Entities	70
Office Rent and Outgoings Paid to a Director Related Entity	10
Salary and Super Paid to Directors	6
Note: Fees and Rent are Exclusive of GST and Salary is Net	

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

The company issued 10,000,000 shares at a deemed issue price of one (1) cent each as part of the settlement of the deed of company arrangement.
The company issued 15,000,000 shares at a deemed issue price of one (1) cent each and 25,000,000 options exercisable at one (1) cent each on or before 31/12/2007 to Paladin Energy Minerals to complete the acquisition of the Arunta / Napperby tenements.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	50
4.2 Development	-
Total	50

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	952	0
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	952	0

Changes in interests in mining tenements

	Tenement reference	Nature of interest	Interest at beginning of quarter %	Interest at end of quarter %
6.1 Interests in mining tenements relinquished, reduced or lapsed	M 38/9	Direct – Joint Venture	100	50
6.2 Interests in mining tenements acquired or increased	EL 9890	Purchase completed. Transfer pending.	0	100
	EL 24246	Purchase completed. Transfer pending.	0	100

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Number issued	Number quoted	Par value (cents)	Paid-up value (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Issued during quarter				
7.3 +Ordinary securities	305,817,363	305,817,363		
7.4 Issued during quarter	285,000,000	285,000,000		
7.5 +Convertible debt securities <i>(description and conversion factor)</i>				
7.6 Issued during quarter				
7.7 Options <i>(description and conversion factor)</i>	82,500	-	<i>Exercise price</i> \$2.50	<i>Expiry date</i> 16/02/2005
	20,000	-	\$2.70	16/02/2005
	1,500,000	-	50 Cents	31/12/2005
	160,000	-	35 Cents	01/01/2007
	55,000,000	-	1 Cent	31/12/2007
7.8 Issued during quarter	55,000,000	-	<i>Exercise price</i> 1 Cent	<i>Expiry date</i> 31/12/2007
7.9 Exercised during quarter				
7.10 Expired during quarter	20,000	-	<i>Exercise price</i> \$2.00	<i>Expiry date</i> 15/11/2004
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: Date: January 2005
Director

Print name: **GARY STEINEPREIS**
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