DEEP YELLOW LIMITED

AND ITS CONTROLLED ENTITIES

ACN 006 391 948

HALF-YEAR CONSOLIDATED FINANCIAL REPORT 31 DECEMBER 2003

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DIRECTORS' REPORT

The Board of Directors of Deep Yellow Limited has pleasure in presenting their report on the results for the half-year ended 31 December 2003.

DIRECTORS

The names of the Directors of the Company in office during or since the end of the half year are:

Mr Rick Crabb (Chairman)
Dr Alistair Cowden (Managing Director)
Mr Brett Dickson (Finance Director)
Mr John Blue (Non-Executive Director)

PRINCIPAL ACTIVITIES OF THE ECONOMIC ENTITY

The principal activity of the Company and controlled entities during the financial period was mineral exploration.

RESULTS

The consolidated net loss of the economic entity for the period under review was, $409,864 compared to a loss of $246,149 for the six months ending 31 December 2002. Comments on the operations and major activities of the economic entity are set out below:

REVIEW OF OPERATIONS

- **Mikado Gold Mine (100%)**

  Drilling

  During the period a total of 62 drill holes for 1,872 metres were completed at the Mikado Gold project. The drilling provided data for final mine and project design, confirmed the location of historic stoping, and enabled the Company to complete a Notice of Intent document to lodge with the Department of Industry and Resources.

  To achieve these objectives all the drillholes were completed within or adjacent to planned pits. Some of the notable results were; **2m @ 14.1g/t, 3m @ 9.0g/t, 4m @ 7.5g/t, 7m @ 6.3g/t and 6m @ 3.3g/t**. Importantly the bulk of intercepts were shallow, being within 15 to 30 metres of surface.

  The drilling has confirmed the high grade nature of the mining reserve, verified the geological model used in the resource estimate on 1st July 2003 (382,800t @ 4.22g/t for 51,940ozs) and has also identified some extensions to mineralisation.

  Resource

  The Resource Estimate for the Mikado gold deposit has been revised upwards following a re-interpretation of its geology.

The 37% increase in the total resource is due to positive drill results extending the size and continuity of existing resources, as well as improved confidence in geological interpretations.

A Resource of **579,582t @ 3.81g/t gold for a contained 71,000 ounces** (1g/t lower and 50g/t upper cut) has now been defined.

A comparison with the Estimate made in June 2003 is shown below:

Classification	*June 2003*	December 2003
Measured	241,888t @ 4.52 g/t	299,152t @ 4.43 g/t
Indicated	131,016t @ 3.77 g/t	180,928t @ 3.54 g/t
Inferred	9,912t @ 2.83 g/t	99,502t @ 2.44 g/t
TOTAL	**382,817t @ 4.22 g/t**	**579,582t @ 3.81 g/t**
Contained gold	51,945 ounces	71,003 ounces

Resource estimated using a lower cut of 1g/t and an upper cut of 50g/t. Additional details are given in the ASX Release of 28 January 2004.

Mine Planning

The Board of Directors accelerated preparations for mining in 2004 with the lodging of a Notice of Intent with the Department of Industry and Resources. Final optimisations and pit design are being completed.

Other preparations for mining included the call for and assessment of tenders for mining and haulage contracts. A final Agreement is expected to be signed with a gold treatment facility for the Mikado ore in the near future. Government approvals for the NOI and the Miscellaneous Licence application are expected in February giving the green light for the development of the resource to commence in the first half of 2004.

- **Menzies JV (Placer Dome 55%, Deep Yellow Limited 45%)**

During the period, Deep Yellow signed a Heads of Agreement with Paddington Gold Pty Ltd (a wholly-owned subsidiary of Placer Dome Asia Pacific) to acquire its interests in the Menzies JV in exchange for assuming responsibility for various bonds and rehabilitation liabilities. Placer will retain the rights to low grade stockpiles and a 1% net smelter royalty, whilst Placer's Paddington mill will have the right to match any competing offer to treat ore from Menzies. Placer also retains a clawback right to 70% if resources at any individual deposit exceed 0.5 million ounces gold.

The agreement is expected to be finalised early in 2004 and will facilitate the sale of the project to proposed new listing, Rox Resources Limited ("Rox"). The sale consideration comprises $500,000 in cash, including a $50,000 non-refundable deposit and the balance in Rox shares (2,500,000 at 20 cents). The sale to Rox is conditional on the successful listing of Rox on the ASX by April 1st 2004 and the receipt of shareholder approval.

The transaction will relieve Deep Yellow from the environmental and holding costs associated with Menzies, as well as providing a capital injection to assist in the development of the Mikado project.

- **Dingo Range (100%)**

  Deep Yellow has entered into an option agreement to sell its 100% owned Dingo Range Project for cash and shares to proposed ASX listing, Ausmet Resources Limited ("Ausmet"). The consideration comprises $100,000 in cash, including a $25,000 non-refundable deposit and the issue to Deep Yellow of 4 million Ausmet 20 cent shares and 2 million options. The sale is subject to a number of conditions, including the approval to list Ausmet on the ASX by 30th April 2004.

This half-year consolidated financial report is made in accordance with a resolution of the Directors.

For and on behalf of the Board.

Perth, Western Australia
Dated this 8th day of March 2004

CONDENSED STATEMENT OF FINANCIAL PERFORMANCE

For the half-year ended 31 December 2003

	Note	Economic Entity 31/12/03 $	Economic Entity 31/12/02 $
Sales revenue		-	3,464,538
Cost of sales	2	-	(2,946,804)
Gross profit		-	517,734
Other revenue from ordinary activities	2	23,589	15,209
Marketing expenses		-	(11,261)
Occupancy expenses		(97,482)	(56,755)
Administrative expenses		(296,260)	(708,445)
Borrowing costs		-	(2,631)
Other expenses from ordinary activities		(39,711)	-
Operating (loss) from ordinary activities before income tax	2	(409,864)	(246,149)
Income tax benefit attributable to operating (loss)		-	-
Operating (loss) from ordinary activities after income tax		(409,864)	(246,149)
Net profit/(loss) attributable to outside equity interests		-	654
Net loss attributable to members of the parent company		(409,864)	(246,803)
Total changes in equity other than those resulting from transactions with owners as owners attributable to members of Deep Yellow Limited		(409,864)	(246,803)
Share issue costs		(25,200)	-
Total revenues, expenses and valuation adjustments attributable to members of the parent entity and recognised directly in equity		(25,200)	-
Total changes in equity other than those resulting from transactions with owners as owners attributable to members of the parent entity		(435,064)	(246,803)
Basic loss per share (cents per share)		(0.20)	(0.150)
Diluted loss per share (cents per share)		(0.20)	(0.150)

The above condensed statement of financial performance should be read in conjunction with the accompanying notes.

CONDENSED STATEMENT OF FINANCIAL POSITION
As at 31 December 2003

	Note	As at Economic Entity 31/12/03 $	As at Economic Entity 30/06/03 $
CURRENT ASSETS			
Cash assets		240,058	341,045
Receivables		81,424	141,185
Other financial assets		7,791	-
Total Current Assets		329,273	482,230
NON-CURRENT ASSETS			
Other financial assets		166,738	134,238
Plant and equipment		16,450	30,878
Other - Exploration expenditure	3	1,368,162	1,267,027
Total Non-Current Assets		1,551,350	1,432,142
TOTAL ASSETS		1,880,623	1,914,373
CURRENT LIABILITIES			
Payables		485,524	563,711
Other provisions		114,055	142,092
TOTAL LIABILITIES		599,579	705,803
NET ASSETS		1,281,044	1,208,570
EQUITY			
Total parent entity interest in equity		1,281,044	1,213,108
Total outside equity interest		-	(3,538)
TOTAL EQUITY		1,281,044	1,208,570

The above condensed statement of financial position should be read in conjunction with the accompanying notes

CONDENSED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2003

	Note	Economic Entity 31/12/03 Inflow/(Outflow) $	Economic Entity 31/12/02 Inflow/(Outflow) $
Cash flows from Operating Activities			
Receipts from customers		-	3,811,289
Payments to suppliers and employees		(299,588)	(3,267,695)
Payments for exploration		(185,933)	(123,287)
Interest received from non-related entities		10,480	7,168
Net cash flows from operating activities		(475,041)	427,475
Cash flows from Investing Activities			
Payments for plant and equipment		-	(3,931)
Proceeds from the sale of property, plant and equipment		13,109	-
Proceeds from sale of mineral properties		25,000	-
Payments for mineral properties		(200,000)	-
Proceeds from sale of investment		89,645	-
Proceeds from redemption of security deposits		-	10,760
Payments for security deposits		(32,500)	-
Net cash flows from investing activities		(107,746)	6,829
Cash flows from Financing Activities			
Proceeds from issue of shares		504,000	-
Payment for share issue costs		(25,200)	-
Proceeds from borrowings		-	150,000
Repayment of borrowings		-	(150,000)
Net cash flows from financing activities		478,800	-
Net increase/(decrease) in cash held		(100,987)	434,304
Cash at the beginning of the reporting period		341,045	184,880
Cash at the end of the reporting period		240,058	619,184

The above condensed statement of cash flows should be read in conjunction with the accompanying notes

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2003

1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL STATEMENTS

The half-year consolidated financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the economic entity as the full financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of Deep Yellow Limited as at 30 June 2003. It is also recommended that the half-year financial report be considered together with any public announcements made by Deep Yellow Limited during the half-year ended 31 December 2003 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and the Australian Stock Exchange Listing Rules.

(a) Basis of accounting

The half-year consolidated financial report is a general purpose financial report that has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

The half-year financial report has been prepared in accordance with the historical cost convention and except where stated, does not take into account changing money values or current valuations of non-current assets.

For the purpose of preparing the half-year consolidated financial report, the half-year has been treated as a discrete reporting period.

(b) Going Concern

The economic entity currently has minimal ongoing cashflows from operations and has made an operating loss after tax for the six months ended 31 December 2003 of $409,864 (31 December 2002: $246,803) and has a working capital deficiency of $270,306

Subsequent to 31 December 2003 the economic entity has raised $1,000,000 before expenses, entered into a conditional sales agreement to sell its interest in the Menzies area and entered into an option agreement to sell its 100% owned interest in the Dingo Range Project. Further details of the transactions are set out in Note 7 to this financial report.

Further, the economic entity has recently announced that it is accelerating preparations to mine its 100% owned Mikado Gold Mine.

The ability of the economic entity to continue as a going concern and therefore realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report is dependent upon the following:

1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL STATEMENTS (continued)

(i) Successful development and commercial exploitation of the Mikado deposit at Laverton within the next three to six months in accordance with the economic entity's established budgets;

(ii) Completion of the sale of the Menzies project; and

(iii) Further successful cash raisings from capital markets, if required

The Directors believe that at the date of signing the financial report there are reasonable grounds to believe that the matters set out above will be achieved and have therefore prepared the financial statements of the economic entity on a going concern basis.

Should the Directors not materially achieve the matters set out above, there is significant uncertainty whether the economic entity will be able to continue as a going concern.

The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, or to the amounts or classification of liabilities, that might be necessary should the economic entity not be able to continue as a going concern.

(c) Changes in accounting policies

The accounting policies adopted are consistent with those applied in the 30 June 2003 Annual Financial Report.

(d) Tax Consolidation

At the date of signing the financial report, the Group has not yet formally elected to form a tax consolidated group under the Tax Consolidation Regime ("TCR"). Any decision to enter into the TCR will not have an impact on the half-year financial report as the net future income tax benefit associated with carried forward tax losses has not been brought to account as an asset in the financial report.

	Economic Entity 31/12/03 $	Economic Entity 31/12/02 $
2. OPERATING LOSS FROM ORDINARY ACTIVITIES		
Operating loss before income tax includes:		
(a) revenues from ordinary activities		
- sales revenue – mining operations	-	3,464,538
- interest received	10,480	7,704
- proceeds from sale of plant and equipment	13,109	-
(b) expenses		
- cost of sales		
- information technology	-	7,620
- mining operations – Lady Irene	-	2,395,972
- amortisation of exploration expenditure – Lady Irene	-	543,212
- cost of plant and equipment sold	-	-
	12,056	2,946,804

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2003

2. OPERATING LOSS FROM ORDINARY ACTIVITIES (continued)

	Economic Entity 31/12/03 $	Economic Entity 31/12/02 $
- provision for diminution in investments	-	-
- significant items:		
- exploration expenditure written off	24,743	-
- amortisation of goodwill	-	-
- write off of goodwill	-	-
- provision for diminution of Unicard assets	-	-

3. EXPLORATION EXPENDITURE

The economic entity has carried forward exploration expenditure in relation to various areas of interest of $1,368,162 (30 June 2003: $1,267,027). The recovery of the economic entity's exploration expenditure is dependent upon the success of future exploration and development of each area of interest, or realisation by sale.

The economic entity has certain obligations to perform minimum exploration work and expend minimum amounts of money on mineral exploration tenements. These obligations may be varied from time to time, subject to approval, and are expected to be fulfilled in the normal course of operations of the economic entity. These commitments are estimated to be in the range of $30,000 to $100,000 for the next twelve months.

5. CONTINGENT LIABILITIES

Since the last annual reporting date, there has been no change in any contingent liabilities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2003

6. SEGMENT INFORMATION

BUSINESS SEGMENTS	Mining & Exploration		Information Technology		Consolidated	
	2003	2002	2003	2002	2003	2002
	$	$	$	$	$	$
Revenue						
Sales to customers outside economic entity	23,589	3,376,281	-	88,257	23,589	3,464,538
Total segment revenue	23,589	3,376,281	-	88,257	23,589	3,464,538
Unallocated revenue					-	15,209
Total consolidated revenue					23,589	3,479,747
Results						
Segment result	(409,864)	(37,930)	-	(208,219)	(409,864)	(246,149)

7. SUBSEQUENT EVENTS

On 21 January 2004 the Company placed 40,000,000 shares at 2.5 cents each to raise $1,000,000, before expenses of the issue. The funds raised will be used to provide working capital to progress mine development at the Mikado Gold Project.

The Company has agreed to sell its interests in the Menzies area to proposed new listing Rox Resources Limited ("Rox") for $1.0 million. The consideration comprises $500,000 in cash including a $50,000 non-refundable deposit and the balance in shares (2,500,000 shares at 20 cents). The sale to Rox is subject to a number of conditions, including the listing of Rox on the ASX by April 1st, 2004 and shareholder approval.

Deep Yellow has entered into an option agreement to sell its 100% owned Dingo Range Project for cash and shares to proposed ASX listing, Ausmet Resources Limited ("Ausmet"). The terms of the sale are a $25,000 non refundable deposit, $75,000 on settlement, 4 million 20 cent Ausmet shares, 2 million options exercisable at 20 cents and expiring in 3 years. The sale is subject to a number of conditions, including the approval to list Ausmet on ASX by 30th April 2004.

DIRECTORS' DECLARATION

The Directors declare that:

In the opinion of the directors:

(a) the financial statements and associated notes of the economic entity:

  (i.) give a true and fair view of the financial position as at 31 December 2003 and the performance of the economic entity for the half-year then ended; and

  (ii.) comply with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) at the date of this declaration the economic entity's ability to continue as a going concern and to pay its debts as and when they fall due is dependent upon the economic entity successfully achieving the matters set out in Note 1 (b). The Directors believe that at the date of signing the financial report there are reasonable grounds to believe that the matters set out in Note 1 (b) will be achieved and the parent entity will be able to pay its debts as and when they become due and payable, and the companies and parent entity who are party to the deed of cross guarantee, will as a economic entity be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee dated 14 February 1992.

Made in accordance with a resolution of the Directors.

RICK CRABB
Chairman

Perth, Western Australia
Dated this 8th day of March 2004.

ERNST & YOUNG

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Independent review report to members of Deep Yellow Ltd

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements of the consolidated entity comprising both Deep Yellow Ltd (the company) and the entities it controlled during the period, and the directors' declaration for the company, for the half-year ended 31 December 2003.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the consolidated entity, and that complies with Accounting Standard AASB 1029 "Interim Financial Reporting", in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of the consolidated entity, comprising Deep Yellow Ltd and the entities it controlled during the half-year is not in accordance with:

(a) the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position of the consolidated entity at 31 December 2003 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and

(b) other mandatory financial reporting requirements in Australia.

ERNST & YOUNG

Inherent Uncertainty Regarding Going Concern

Without qualification to the statement expressed above, attention is drawn to the following matter:

As a result of the matters disclosed in Note 1 of the financial statements, the ability of the consolidated entity to continue as a going concern and therefore pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report is dependent upon the Directors of the company successfully achieving the following:

(i) Successful development and commercial exploitation of the Mikado deposit at Laverton within the next three to six months in accordance with the consolidated entity's established budgets;

(ii) Completion of the sale of the Menzies project; and

(iii) Further successful cash raisings from capital markets, if required.

The Directors believe that at the date of signing the financial report there are reasonable grounds to believe that the matters set out above will be achieved. Accordingly, the financial statements of the consolidated entity have been prepared on a going concern basis.

Should the Directors not materially achieve the matters set out above, there is significant uncertainty whether the consolidated entity will be able to continue as a going concern.

The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, or to the amounts or classifications of liabilities, that might be necessary should the consolidated entity not be able to continue as a going concern.

Ernst & Young

Ernst & Young

Gavin Buckingham

G A Buckingham
Partner
Perth
8 March 2004