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13 October 2006

MERGER TO SECURE PROSPECTIVE URANIUM INTERESTS IN NAMIBIA

The Directors of Deep Yellow Limited ("DYL") are pleased to announce that DYL has entered into an agreement with Raptor Partners Limited ("RPL"), a British Virgin Islands ("BVI") registered company, and its shareholders, to effectively merge the uranium interests of the parties.

The merger will be achieved by DYL acquiring ultimate control of Reptile Investments Four (Pty) Limited ("Reptile"), by the issue of DYL shares and payment of a small portion of the overall consideration in cash. Reptile is a Namibian registered company that holds three contiguous Exclusive Prospecting Licences (EPLs 3496, 3497 and 3499) and one EPL Application (EPL 3498) to the west and southwest of Paladin Resources Limited's Langer Heinrich uranium mine (see Figure 1) ("Reptile Tenements"). All three EPLs were granted on 6 June 2006 for three years and are valid for the Base and Rare Metals group and the Nuclear Fuel group of minerals, as defined by the Namibian Minerals Act 1992.

The merger will proceed by a two tranche acquisition process, under which DYL will pay cash of A\$2.58 million and issue up to 174 million DYL shares, valuing the acquisition at approximately A\$26 million. DYL will also raise additional funds via a 1:5 entitlement issue. Further details of the terms and conditions of the agreement and the proposed entitlement issue are set out below.

As part of the merger, RPL will have the right (subject to the DYL constitution and applicable law) to appoint a director to the DYL board.

The merger gives DYL access to approximately 2,622 km² of ground that is highly prospective for uranium mineralisation similar in style of formation to that of Langer Heinrich (latest published JORC compliant contained U₃O₈ resources of 44,000 t). The area covered by the Reptile Tenements was previously explored by major international companies such as Anglo American, Falconbridge, General Mining and Aquitaine who outlined extensive zones containing uranium mineralisation (see Figure 1).

Previous Exploration

During the mid-1970s to early 1980s the companies referred to above undertook evaluation of airborne radiometric anomalies with follow-up drilling leading to the discovery of carnotite mineralisation ($K_2(UO_2)_2(VO_4)_2 \cdot 3H_2O$) within near surface zones as depicted in Figure 1.

A total of approximately 37,500 m was drilled by the companies referred to above during a number of campaigns. Some of the assay and radiometric data is available and some remains to be found. Table 1 summarises open file company reports on then estimated contained uranium oxide (U_3O_8) mineralisation.

All resources quoted in Table 1 and total metre drilled are based on data and reports obtained and prepared by previous operators, as provided to the South African Nuclear Energy Corporation and the Namibian Ministry of Mines and Energy. DYL will complete the work necessary to independently verify the classification of the mineral resource estimates and is not treating the mineral resource estimates as JORC defined resources verified by a qualified person. The tenements will require considerable further exploration which DYL's management and consultants intend to carry out in due course. In the meantime, the information provided should be treated with the appropriate caution.

Table 1: Grade and Tonnage Estimates within Reptile Tenements

Deposit	EPL	Tonnage	U_3O_8 in ppm	Tonne U_3O_8
TUBAS 433	3496	26,000,000	222	5,772
ORYX 430	3496/7	18,000,000	300	5,320
ORYX EXT 708	3496	2,900,000	250	725
TUMAS 738	3497	13,000,000	244	3,172
NAMIB PARK II 644	3497	8,600,000	352	3,027
TOTAL		68,500,000	263	18,016

Style of Mineralisation

Uranium mineralisation occurs in the form of carnotite ($K_2(UO_2)_2(VO_4)_2 \cdot 3H_2O$) in valley-fill sediments similar to Paladin Resources Limited's Langer Heinrich deposit to the east/northeast of the various project areas.

Proposed Exploration Programme

DYL will continue to pursue the remaining environmental clearances required from the Namibian authorities prior to commencement of a comprehensive exploration programme in relation to the granted Reptile Tenements. A Namibian based technical and administrative team will be led under the guidance of DYL's Executive Chairman Dr Leon Pretorius (who remains on the Board of Langer Heinrich Uranium (Pty) Limited) and will also include persons who were involved in the exploration and pre-development work at Langer Heinrich. Dr Pretorius will travel to Namibia within the week to ensure a seamless transition of the ongoing exploration programmes.

From Figure 1 (20 and 40 km distance arcs indicated) it can be seen that the known areas of uranium mineralisation within the Reptile Tenements are within close proximity to the Langer

Merger to Secure Prospective Uranium Interests in Namibia

Heinrich processing plant and infrastructure that will be invaluable should a commercial discovery be made.

Principal Terms of the Agreement

- The merger is to proceed by the acquisition by DYL of 100% of the shares in Raptor Minerals Limited ("RML") in two tranches. Reptile is a wholly owned subsidiary of RML.
- Tranche 1 comprises payment by DYL of A\$2.58 million and the issue of 92 million ordinary shares in DYL at 13.5 cents each, to acquire 51% of RML.
- Completion of the first tranche occurred on execution of the agreement, with transfer of 51% of the issued shares of RML to DYL against payment of the cash component of A\$2.58 million. The scrip component of the consideration for Tranche 1 will be issued on 27 November 2006. DYL has granted a charge over the Tranche 1 RML shares to secure performance of its obligation to issue the scrip consideration for those shares.
- Tranche 2 involves the issue of up to a further 82 million ordinary shares in DYL at 13.5 cents each (equivalent to A\$11 million) to acquire the remaining 49% of RML. The issue of the scrip component of the consideration for Tranche 2 will be subject to shareholder approval at DYL's AGM to be held on 30 November 2006. The completion of Tranche 2 is also subject to Foreign Investment Review Board (FIRB) approval in respect of the acquisition by the sellers of more than 15% of DYL.
- Should the shares to be issued to RPL upon completion of the second tranche exceed 19.9% of the issued capital of DYL at the time of issue, then that part of Tranche 2 that exceeds the 19.9% threshold will be settled in cash, to provide for the total second tranche consideration of A\$11 million.
- The second tranche consideration will be escrowed until the date which is two years after the date of the agreement. The sellers will enter into a restriction agreement in terms equivalent to Appendix 9B to the ASX Listing Rules in respect of all second tranche scrip consideration, and will agree to hold any second tranche cash consideration in an A\$ denominated account in Australia, for the period of the escrow.
- RPL will have the right to receive further earn-out payments equal to 1.5% of the in-ground value of any identified mineral resource within the area of the tenements upon completion of a bankable feasibility study and the making of a decision to mine.
- If FIRB and shareholder approval for Tranche 2 does not occur before 28 February 2007, DYL is liable to pay in cash, on a date agreed between the parties, being no later than 1 December 2007, the higher of (a) \$11 million plus interest at the rate of LIBOR plus 2%; or (b) \$11 million plus the amount by which the weighted average sale price over the previous 25 trading days exceeds 13.5 cents multiplied by the number of shares that would have been issued if completion occurred on 28 February 2007.
- It is a condition of the agreement that DYL undertakes a capital raising to achieve total consolidated cash and receivables of the DYL group of A\$20 million (refer below proposed entitlement issue).
- Subject to the DYL constitution and the requirements of the Corporations Act and Listing Rules, RPL will be entitled to nominate one member of the DYL board and to representation proportional with its interests if the board is expanded.

Merger to Secure Prospective Uranium Interests in Namibia

Proposed Entitlement Issue

In order to comply with the requirements of the agreement with RPL, to replenish cash reserves following payment of the Tranche 1 cash consideration, and to secure funding for additional expenditure obligations in connection with the Reptile Tenements, the Directors have resolved to undertake 1:5 non-renounceable entitlement issue at 12c per share, to raise up to approximately A\$15 million.

As previously reported, DYL will spend approximately \$3 million per year on its existing Australian tenements. Expenditure commitments on the newly acquired tenements amount to approximately an additional A\$3 million per year.

The attached Appendix 3B provides a summary of the proposed entitlement issue, further details of which will be released in due course, with a prospectus expected to be lodged towards the end of October.

Conclusion

With the uranium outlook continuing to strengthen, DYL's stated strategy of acquiring large tracts of highly prospective ground which has identified resources having upside provides the Company with an excellent opportunity to establish itself as a key player in the emerging uranium industry. Diversity into Africa, particularly Namibia, which strongly supports growth of its uranium exploration and mining industry, and in which the DYL team has strong experience, will help consolidate DYL's objectives to lead in development of new uranium deposits close or adjacent to existent uranium mining infrastructure.

IMPORTANT NOTICE

All information regarding the tenements and resources contained in this announcement has been sourced from reports to the South African Nuclear Energy Corporation and the Namibian Ministry of Mines and Energy. As stated above all references to contained ore and tonnages were compiled before the adoption of the JORC Code and are hence not JORC compliant. There has been insufficient modern exploration to define the resources to JORC standard. The Directors believe however that the potential resources are of sufficient significance that they should be disclosed. Deep Yellow intends to carry out staged exploration over the tenements which may result in JORC compliant resources estimates in due course.



Dr Leon Pretorius

Further Information
Mr Martin Kavanagh
(08) 9286 6999

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.

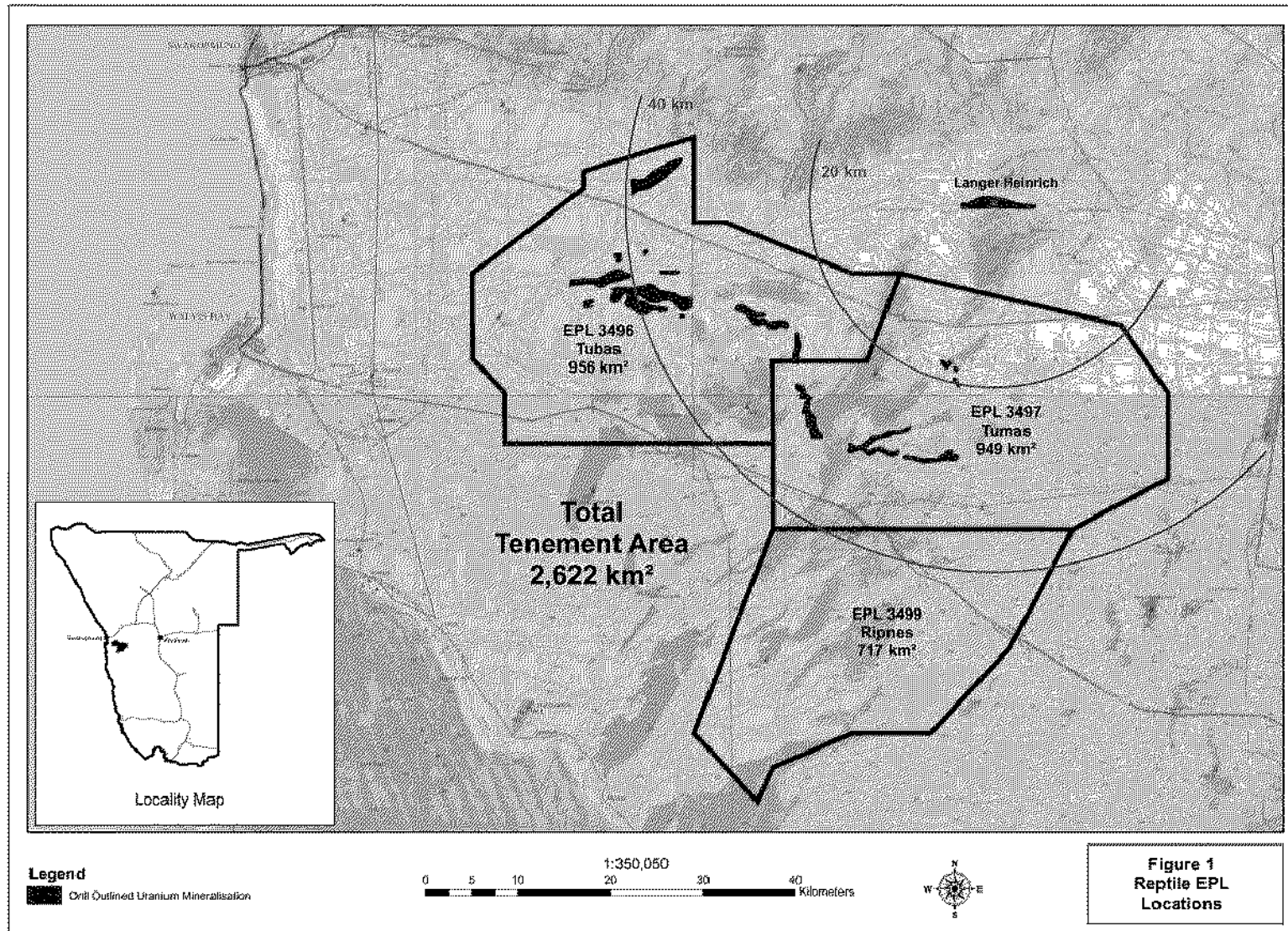


Figure 1 – Location of Tenements

Rule 2.7, 3.10.3, 3.10.4, 3.10.5

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 | Ordinary Shares |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 125,409,193
(To be confirmed depending on acceptances) |
| 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) | N/A |

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

4	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	Upon closure of the offer the shares to be issued will rank equally with those already on issue.	
5	Issue price or consideration	12 cents	
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	To provide funds to assist with the review and exploration of tenements prospective for Uranium, including and specifically to ensure adequate funding for those tenements recently acquired in Namibia and in addition the Company's existing projects in Australia.	
7	Dates of entering +securities into uncertificated holdings or despatch of certificates	To be advised	
8	Number and +class of all +securities quoted on ASX (including the securities in clause 2 if applicable)	Number 752,455,159 (To be confirmed depending on acceptances)	+Class ORD

+ See chapter 19 for defined terms.

9	Number and +class of all +securities not quoted on ASX (including the securities in clause 2 if applicable)	<table><tr><th>Number</th><th>+Class</th></tr><tr><td>160,000 1/1/07 at 35c</td><td>Unlisted options</td></tr><tr><td>25,000,000 31/12/07 at 50c</td><td>“ “</td></tr><tr><td>12,500,000 31/7/08 at 12c</td><td>“ “</td></tr><tr><td>6,000,000 31/12/08 at 25c</td><td>“ “</td></tr><tr><td>4,000,000 31/12/08 at 35c</td><td>“ “</td></tr></table>	Number	+Class	160,000 1/1/07 at 35c	Unlisted options	25,000,000 31/12/07 at 50c	“ “	12,500,000 31/7/08 at 12c	“ “	6,000,000 31/12/08 at 25c	“ “	4,000,000 31/12/08 at 35c	“ “
Number	+Class													
160,000 1/1/07 at 35c	Unlisted options													
25,000,000 31/12/07 at 50c	“ “													
12,500,000 31/7/08 at 12c	“ “													
6,000,000 31/12/08 at 25c	“ “													
4,000,000 31/12/08 at 35c	“ “													
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?	No
12	Is the issue renounceable or non- renounceable?	Non renounceable
13	Ratio in which the +securities will be offered	1 for 5
14	+Class of +securities to which the offer relates	Ordinary Securities
15	+Record date to determine entitlements	To be advised
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	Yes
17	Policy for deciding entitlements in relation to fractions	Fractions will be rounded down.

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

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	To be advised
20	Names of any underwriters	N/A
21	Amount of any underwriting fee or commission	N/A
22	Names of any brokers to the issue	N/A
23	Fee or commission payable to the broker to the issue	N/A
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of +security holders	N/A
25	If the issue is contingent on +security holders' approval, the date of the meeting	N/A
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	To be advised
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	Option holders will be sent a notice as at the date of this announcement.
28	Date rights trading will begin (if applicable)	N/A
29	Date rights trading will end (if applicable)	N/A
30	How do +security holders sell their entitlements <i>in full</i> through a broker?	N/A

+ See chapter 19 for defined terms.

31	How do ⁺ security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	N/A
32	How do ⁺ security holders dispose of their entitlements (except by sale through a broker)?	N/A
33	⁺ Despatch date	To be advised

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

⁺ See chapter 19 for defined terms.

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					
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)					
42	Number and +class of all +securities quoted on ASX (<i>including</i> the securities in clause 38)	<table border="1"><thead><tr><th>Number</th><th>+Class</th></tr></thead><tbody><tr><td></td><td></td></tr></tbody></table>	Number	+Class		
Number	+Class					

+ See chapter 19 for defined terms.

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.

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.



13 October 2006

Sign here: Date:
(Director/Company secretary)

Print name: Mark Pitts
.....
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+ See chapter 19 for defined terms.