DEEP YELLOW LIMITED

(ACN 006 391 948)

HALF YEAR REPORT

31 DECEMBER 2008

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DIRECTORS' REPORT

Your directors submit the financial report of the Company and the entities it controlled for the half year ended 31 December 2008.

Directors

The names of directors who held office during or since the end of the half year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Mervyn Greene	Chairman (Non-Executive)
Leon Pretorius	Managing Director
Martin Kavanagh	Executive Director
Gillian Swaby	Non-Executive Director
Tony McDonald	Non-Executive Director
Rudolf Brunovs	Non-Executive Director

Review of Operations

In response to the severe downturn in the global financial market and the flow-on effect on the mining sector, the Board took a decision to curb reconnaissance style exploration spending and to concentrate on further advancing their known projects until the global market recovers.

During the reporting period, exploration activity was focussed mainly on the Namibian and specific Australian projects with some outstanding drilling results returned across the various projects.

The main activities undertaken during the six months ended 31 December 2008 are set out below:

Exploration - NAMIBIA

Chemical assays of 1 m channel samples from the Tubas trench red sand returned values up to 2.4% U_3O_8 with detailed JORC Code Resource drilling returning 869 ppm eU_3O_8 over 6 m from a depth of 2 m.

Both the drill-outs of Tumas and Aussinanis, were completed with data for 2,312 holes totalling 29,935 m for Tumas validated and submitted to consultants for an initial JORC Code resource estimation and 4,000 holes totalling 43,941 m for Aussinanis currently being validated for submission.

The on-going drilling at the Inca uranium/magnetite hardrock project continued to expand the area of mineralisation returning exceptionally high-grade intersections including 1.3% U_3O_8 over 2 m and also some wide moderate-grade intersections such as 516 ppm eU_3O_8 over 34 m and wider zones at lower grade such as 312 ppm eU_3O_8 over 172 m.

Exploration - AUSTRALIA

The Isa West Project RC drilling programme totalling 81 holes was completed with significant uranium XRF chemical assays being received from the majority of the prospects drilled. The tenor of the results from the drill programme within an area of 6 m x 3 km which contains numerous historic prospects indicates an excellent potential to host an economic uranium deposit. Expenditure to date exceeds $1 million thereby crystallising the next major earn-in phase of the JV with Xstrata.

The Company entered into a Heads of Agreement dated 17 February 2006 with Matrix Metals Limited ('Matrix'). In accordance with that agreement the Company had a right to earn an initial 51% interest in the uranium potential of certain tenements held by Matrix. The Company met its obligations including a threshold expenditure commitment by 31 October 2008. The Heads of Agreement provides that the Company is entitled to earn up to an 80% joint venture interest and to thereafter buyout the remaining 20% interest held by Matrix. In November 2008 an Administrator was appointed to Matrix. In the same month a secured creditor of Matrix appointed a Receiver and Manager to specific assets of Matrix. Both the Administrator and the Receiver and Manager have entered into asset sale processes and the Company is participating in that process.

DIRECTORS' REPORT

Following the announcements made by Matrix concerning the appointment of the Administrator and the Receiver and Manager the Company curtailed the **Robur Prospect** drilling programme.

The 2008 **Napperby** resource definition drilling was concluded and all assays have been completed and holes gamma logged to determine eU_3O_8. URS Australia has been commissioned by Toro Energy to undertake a scoping study to determine viable development options. Toro Energy has an Option Agreement with DYL which allows for 100% purchase of the project at a capped price per resource pound (lb) basis at any stage, over a three year period.

The **Gawler** JV with Dominion Gold Operations Pty Ltd was terminated in December with the only task outstanding to ensure that the rehabilitation of the drill sites on EL 3044 is completed and associated reports lodged.

An Airborne Electromagnetic (AEM) survey was flown over the **Tarltala Project** in New South Wales where Iron Oxide Copper Gold (IOCG) mineralisation in basement terrain is being targeted. A ground gravity survey was completed identifying Gravity Highs and interpreted as basement features which are lying under ~ 150-250 m of Arrowie basin sediments. DYL is seeking a joint venture partner to fund ongoing exploration on the project.

Financial

Exploration expenditure for the half year was $10,301,134 (December 2007: $3,815,213).

Net loss for the half year was $12,384,765 (December 2007: profit $782,864). Included in the total expenses of $18,253,452 (December 2007: $3,459,389) for the period is an amount recognised in respect of the fair value of options issued and vesting during the period totalling $1,790,182 (December 2007: $522,128), an impairment expense in respect of a decrement of value in available for sale financial assets of $1,516,428 (December 2007: $1,796,867) and exploration costs written off to the amount of $13,636,555 (December 2007: Nil).

Issued share capital has increased by $1,928,750 during the period. The increase is due to the issue of ordinary fully paid shares on the exercise of options (refer Note 3 to the Half Yearly Financial Statements).

Outlook

The end of December 2008 sees the Company in a very strong position with over $50 million in cash and liquid assets to fund on-going exploration programmes. The Board has approved an exploration budget of $12 million for 2009.

The Directors believe that their known projects in Namibia and Australia provide an excellent base from which to develop the Company into a significant participant in the uranium supply industry.

Auditor's Declaration

Section 307C of the Corporations Act 2001 requires our auditors, Ernst & Young, to provide the directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 3 and forms part of this Directors' Report for the half-year ended 31 December 2008.

This report is signed in accordance with a resolution of the Board of Directors.

Mervyn Greene
Chairman
Dated this day 11 March 2009

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Auditor's Independence Declaration to the Directors of Deep Yellow Limited

In relation to our review of the financial report of Deep Yellow Limited for the half-year ended 31 December 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

R A Kirkby
Partner
Perth
11 March 2009

INCOME STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	Notes	Consolidated 31 December 2008 $	Consolidated 31 December 2007 $
Interest revenue		2,074,197	1,999,004
Other income	2(a)	-	3,679,824
Total revenue and other income		2,074,197	5,678,828
Employee benefits expense	2(c)	(2,179,392)	(888,468)
Depreciation and amortisation expense	2(b)	(287,908)	(269,829)
Corporate expenses		(181,627)	(196,034)
Marketing expenses		(7,600)	(22,018)
Occupancy expenses		(93,556)	(61,015)
Impairment and fair value movement of financial assets	2(d)	(1,516,428)	(1,796,867)
Exploration costs written off	6	(13,636,555)	-
Other expenses		(350,386)	(225,158)
(Loss)/Profit before income tax expense		(16,179,255)	2,219,439
Income tax benefit/(expense)	2(e)	3,794,490	(1,436,575)
Net (loss)/profit for the period		(12,384,765)	782,864
		Cents	Cents
Basic (loss)/earnings per share		(1.11)	0.07
Diluted (loss)/earnings per share		(1.11)	0.07

The accompanying notes form part of these financial statements

BALANCE SHEET
AS AT 31 DECEMBER 2008

	Notes	Consolidated 31 December 2008 $	Consolidated 30 June 2008 $
Assets			
Current Assets			
Cash and cash equivalents		24,330,050	57,055,701
Other short term bank deposits		25,000,000	-
Trade and other receivables		2,074,316	2,324,774
Held for trading financial assets	8	172,921	580,688
Other financial assets		460,179	557,862
Total Current Assets		52,037,466	60,519,025
Non-Current Assets			
Available for sale financial assets	7	762,253	1,915,612
Property, plant and equipment		2,923,420	2,482,727
Deferred exploration expenditure	6	93,184,394	96,519,814
Total Non-Current Assets		96,870,067	100,918,153
Total Assets		148,907,533	161,437,178
Current Liabilities			
Trade and other payables		839,250	1,387,900
Total Current Liabilities		839,250	1,387,900
Non-Current Liabilities			
Deferred tax liabilities		1,376,233	5,170,723
Total Non-Current Liabilities		1,376,233	5,170,723
Total Liabilities		2,215,483	6,558,623
Net Assets		146,692,050	154,878,555
Equity			
Contributed equity	3	193,012,844	191,084,094
Accumulated losses		(53,424596)	(41,039,832)
Equity compensation reserve		7,402,753	6,544,847
Asset fair value adjustment reserve		-	44,698
Foreign exchange reserve		(298,951)	(1,755,252)
Total Equity		146,692,050	154,878,555

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	Note	Consolidated 31 December 2008 $	Consolidated 31 December 2007 $
Total equity at the beginning of the reporting period		154,878,555	115,260,035
Fair value adjustment on investment recognised in equity		(44,698)	-
Movement in foreign exchange reserve		1,456,301	80,370
Net income recognised directly in equity		1,411,603	80,370
(Loss)/Profit for the reporting period		(12,384,765)	782,864
Total recognised income and expense		(12,384,765)	782,864
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity	3(b)	1,928,750	42,359,462
Movement in equity compensation reserve		857,907	522,128
Total equity at the end of the reporting period		146,692,050	159,004,859

The accompanying notes form part of these financial statements

CASH FLOW STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	Consolidated	
	31 December 2008 $	31 December 2007 $
	Inflows/(Outflows)	
Cash flows from operating activities		
Payments to suppliers and employees	(1,062,149)	(878,917)
Payments for exploration	(9,825,432)	(4,330,952)
Interest received	2,197,620	1,723,098
Other receipts	250,213	17,791
Net cash used in operating activities	(8,439,748)	(3,468,980)
Cash flows from investing activities		
Payments for property, plant and equipment	(551,343)	(513,767)
Funds invested in short term deposits	(25,000,000)	-
Proceeds from the sale of exploration assets	-	50,000
Payments of security deposits	(78,162)	(28,294)
Net cash used in investing activities	(25,629,505)	(492,061)
Cash flows from financing activities		
Proceeds from issue of shares	1,012,500	42,451,030
Payment of share issue costs	-	(91,568)
Net cash provided by financing activities	1,012,500	42,359,462
Net (decrease)/increase in cash held	(33,056,753)	38,398,421
Effect of foreign exchange on cash flows	331,102	80,370
Cash and cash equivalents at the beginning of the period	57,055,701	24,151,130
Cash and cash equivalents at the end of the period	24,330,050	62,629,921

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

Note 1 Summary of significant accounting policies

Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2008 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

The half-year 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 consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2008 and considered together with any public announcements made by Deep Yellow Limited during the half-year ended 31 December 2008 in accordance with the continuous disclosure obligations of the ASX listing rules.

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

Changes in accounting policy

From 1 July 2008 The Group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2008. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Group.

The following standards and interpretations have also been adopted from 1 July 2008:

- AASB 2008-10 *Amendment to Australian Accounting Standards – Reclassification of Financial Assets (amendments to AASB 139 Financial Instruments: Recognition and Measurement and AASB 7 Financial Instruments Disclosures)*
- Interpretation 12 and AASB 2007-2 *Service Concession Arrangements* and consequential amendments to other Australian Accounting Standards
- Interpretation 129 *Service Concession Arrangements: Disclosures*
- Interpretation 4 (revised) *Determining whether an arrangement contains a lease*
- Interpretation 13 *Customer Loyalty Programmes.*
- Interpretation 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.*

The Group has not elected to early adopt any new standards or amendments.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

Note 2 Income and expenses

	Consolidated 31 December 2008 $	Consolidated 31 December 2007 $
Net Profit/(loss) for the period includes:		
(a) Other income		
Option fee income on Farm-in agreement – Toro Energy Limited	-	2,836,667
Option fee income on Farm-in agreement – Dragon Energy Limited	-	50,000
Gain on the sale of exploration assets	-	775,366
Sundry income	-	17,791
	-	3,679,824
(b) Depreciation and amortisation		
Depreciation of plant and equipment	287,908	107,547
Amortisation of geological data base	-	162,282
	287,908	269,829
(c) Employee expenses		
Wages, salaries, consultancy and superannuation	255,140	238,657
Directors' fees	116,680	73,199
Movement in leave provisions and other	17,390	54,484
Share based payments	1,790,182	522,128
	2,179,392	888,468
(d) Impairment and other expenses		
Recognition of impairment on available for sale financial assets (note 7)	1,108,661	1,646,667
Fair value adjustment to unlisted options (note 8)	407,767	150,200
	1,516,428	1,796,867
(e) Tax (benefit)/expense		
(Loss)/profit for the reporting period	(16,179,255)	2,219,439
Prima facie tax on result at 30% (2007: 30%)	(4,853,776)	665,832
Share based payment expense	537,055	156,647
Impairment expense	454,929	539,060
Other	67,302	75,036
Tax (benefit)/expense for the reporting period	(3,794,490)	1,436,575

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

Note 3 Contributed equity

	Consolidated	
	31 December 2008 $	30 June 2008 $
(a) Ordinary shares		
Issued and fully paid	193,012,844	191,084,094

(b) Movements in ordinary shares on issue	$	No.
At 1 July 2008	191,084,094	1,108,726,958
Options exercised	1,928,750	12,500,000
At 31 December 2008	193,012,844	1,121,226,958

(c) Options - Movement during the period	No.
On issue at 1 July 2008	71,200,000
Options issued to Directors, employees and consultants	11,150,000
Options exercised	(12,500,000)
Expired during the period	(250,000)
On issue at 31 December 2008	69,600,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2008

Note 4 Segment Reporting

The Group operates in two geographical locations being Australia and Namibia, and has one business unit, that being uranium exploration. Primary reporting format – Geographical Segments

	Australia $	Namibia $	Total $
Year Ended 31 December 2008			
Revenue			
Other income	-	-	-
Interest income			2,074,197
Total consolidated revenue			2,074,197
Segment result	(16,674,269)	(1,579,183)	(18,253,452)
Interest income			2,074,197
Income tax benefit			3,794,490
Net (loss) for the period			(12,384,765)
Other segment information			
Impairment and other expenses	1,516,428	-	1,516,428
Share based payments	534,498	1,255,684	1,790,182

	Australia $	Namibia $	Total $
Year Ended 31 December 2007			
Revenue			
Other income	3,679,711	114	3,679,825
Interest income			1,999,004
Total consolidated revenue			5,678,829
Segment result	(721,889)	501,454	220,435
Interest income			1,999,004
Income tax expense			(1,436,575)
Net profit for the period			782,864
Other segment information			
Impairment and other expenses	1,796,867	-	1,796,867
Share based payments	240,526	281,602	522,128

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

Note 5 Equity Based Compensation

During the reporting period an expense of $1,790,182 (31 December 2007: $522,128) was recognised in respect of options issued to directors, employees and consultants of the Company.

The following options were independently valued using the binomial option valuation methodology.

Date granted	Number of options granted	Exercise price (cents)	Expiry date	Risk free interest rate used	Volatility applied	Option valuation (cents)
20 August 2008	1,375,000	27.5	30 June 2011	5.81%	95%	14.44
20 August 2008	3,675,000	27.5	31 December 2011	5.77%	95%	15.48
02 December 2008	3,050,000	27.5	30 June 2011	3.21%	95%	4.32
02 December 2008	3,050,000	27.5	30 June 2011	3.21%	95%	4.32
	11,150,000					

Note 6 Deferred Exploration Expenditure

	Consolidated		
	31 December 2008 $	30 June 2008 $	31 December 2007 $
Cost brought forward at the start of the reporting period	96,519,814	90,861,549	88,193,438
Exploration costs on tenements disposed of during reporting period			
50% interest in various Northern Territory tenements to RUM Jungle Uranium Limited	-	-	(33,234)
70% interest in various Western Australian and Southern Australian tenements to Uranio Limited	-	-	(1,113,872)
Exploration expenditure incurred during the period at cost	10,301,134	5,773,507	3,815,217
Exploration expenditure written off	(13,636,555)	(115,242)	-
Cost carried forward at the end of the reporting period	93,184,393	96,519,814	90,861,549

Exploration expenditure written off was as a result of tenements expired, surrendered, access refused or agreements terminated during the year. The amount written off represents the total accumulated costs to date of expiry, surrender, refusal or termination.

Note 7 Available for sale financial assets

During the reporting period, the Company recognised an impairment expense of $1,108,661 (Note 2d) in respect of securities in Australian listed companies held as available for sale financial assets. The directors are of the opinion that the decrease represents a significant decline and as such feel it is appropriate that an impairment expense is recognised.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

Note 8 Held for trading financial assets

During the reporting period the Company recognised an expense of $407,767 (Note 2d) in respect of a fair value adjustment to securities in Australian listed companies held as held for trading financial assets.

Note 9 Contingent liabilities and contingent assets

(i) Contingent liabilities

There were no material contingent liabilities as at 31 December 2008 other than:

Native Title and Aboriginal Heritage

Native title claims have been made with respect to areas which include tenements in which the Company has an interest. The Company is unable to determine the prospects for success or otherwise of the claims and, in any event, whether or not and to what extent the claims may significantly affect the Company or its projects. Agreement is being or has been reached with various native title claimants in relation to Aboriginal Heritage issues regarding certain areas in which the Company has an interest.

(ii) Contingent assets

There were no material contingent assets not recognised for in the financial statements of the Company or Group as at 31 December 2008.

Note 10 Events after balance sheet date

Other than the following, no event or circumstance has arisen since 31 December 2008 that would require disclosure in the financial report:

- On 9 February 2009 the Company announced that in accordance with an agreement with Universal Resources Limited the Company may earn up to 80% interest specifically in uranium and related minerals in EPM 14637 in the Mt Isa region, by initially committing to a minimum of $100,000 exploration expenditure by 31 December 2009 and an optional additional expenditure of $150,000 by 31 December 2010.

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 4 to 13:

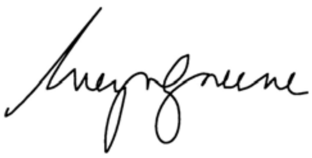
   a. give a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year then ended; and

   b. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and

2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors.

On behalf of the Board of Directors.



Mervyn Greene
Chairman
Dated this day 11 March 2009

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To the members of Deep Yellow Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Deep Yellow Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* . As the auditor of Deep Yellow Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Deep Yellow Limited is not in accordance with the *Corporations Act 2001*, including:

i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year period ended on that date; and

ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Ernst & Young

Ernst & Young

R A Kirkby
Partner
Perth
11 March 2009