

YILGARN GOLD LIMITED
ABN 34 002 527 906

NOTICE OF GENERAL MEETING
EXPLANATORY STATEMENT
and
PROXY FORM

For a general meeting to be held on
Wednesday, 24 March 2004 at 10.00 am (WST)
at 129 Edward Street, Perth, Western Australia

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This is an important document. Please read it carefully.

If you are unable to attend the General Meeting, please complete the proxy form enclosed and return it in accordance with the instructions.

TIME AND PLACE OF GENERAL MEETING AND HOW TO VOTE

Venue

This general meeting of shareholders of Yilgarn Gold Limited will be held at:

129 Edward Street
PERTH WA 6000

**Commencing
at 10.00 am (WST)
on 24 March 2004**

How to Vote

You may vote by attending the meeting in person, by proxy or authorised representative.

Voting in Person

To vote in person, attend the meeting on the date and at the place set out above. The meeting will commence at 10.00 am.

Voting by Proxy

To vote by proxy, please complete and sign the proxy form enclosed with this Notice of General Meeting as soon as possible and either:

- return the proxy form (by post or delivery) to Yilgarn Gold Limited, 129 Edward Street Perth; or
- send the proxy form by facsimile to the Company on facsimile number (08) 9227 8178 (International: + 61 8 9227 8178),

so that it is received not later than 10.00 am (WST) on 22 March 2004.

Your proxy form is enclosed.

YILGARN GOLD LIMITED
ABN 34 002 527 906

NOTICE OF GENERAL MEETING

Notice is given that a general meeting of shareholders of Yilgarn Gold Limited (**Company**) will be held at 129 Edward Street, Perth, Western Australia at 10.00 am (WST) on Wednesday, 24 March 2004.

AGENDA

BUSINESS

The Explanatory Statement which accompanies and forms part of this Notice describes the matters to be considered as special business.

SPECIAL BUSINESS

1. Resolution 1 - Approval of Future Issue of Securities

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of Listing Rule 7.1 of the Listing Rules of Australian Stock Exchange Limited and for all other purposes, the Company be authorised to allot and issue up to 20,000,000 fully paid ordinary shares in the capital of the Company and up to 10,000,000 options each to acquire a fully paid ordinary share in the capital of the Company on the terms and conditions set out in the Explanatory Statement accompanying this Notice".

Short Explanation: Under the ASX Listing Rules, the Company may seek shareholder approval prior to a placement to allow it the flexibility to make future issues of securities up to the threshold of 15% of its total ordinary securities in any one twelve month period. Please refer to the Explanatory Statement for further details.

Voting Exclusion: The Company will disregard any votes cast on this resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit in the capacity of a holder of ordinary securities, if the resolution is passed, and any associates of those persons.

2. Resolution 2 - Ratification of Allotment and Issue of Shares

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of Listing Rule 7.4 of the Listing Rules of Australian Stock Exchange Limited and for all other purposes, shareholders ratify the allotment and issue of a total of 8,793,000 fully paid ordinary shares in the capital of the Company and 4,396,500 options each to acquire a fully paid ordinary share in the capital of the Company on the terms and conditions set out in the Explanatory Statement accompanying this Notice".

Short Explanation: An equity issue can be ratified by shareholders in accordance with the ASX Listing Rules. This allows the Company the flexibility to issue securities in the future up to the threshold of 15% of its total equity securities in any 12 month period. Please refer to the Explanatory Statement for details.

Voting Exclusion: The Company will disregard any votes cast on this resolution by any person who participated in the issue of securities and any associates of those persons.

3. **Resolution 3- Ratification of Allotment and Issue of Shares**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of Listing Rule 7.4 of the Listing Rules of Australian Stock Exchange Limited and for all other purposes, shareholders ratify the allotment and issue of a total of 600,000 fully paid ordinary shares in the capital of the Company at an issue price of 5 cents each to Siktree Investments Pty Ltd (ACN 057 031 875) as consideration for the purchase of mining tenements as detailed in the Explanatory Statement accompanying this Notice".

Short Explanation: An equity issue can be ratified by shareholders in accordance with the ASX Listing Rules. This allows the Company the flexibility to issue securities in the future up to the threshold of 15% of its total equity securities in any 12 month period. Please refer to the Explanatory Statement for details.

Voting Exclusion: The Company will disregard any votes cast on this resolution by any person who participated in the issue of securities and any associates of those persons.

4. **Resolution 4- Ratification of Allotment and Issue of Shares**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of Listing Rule 7.4 of the Listing Rules of Australian Stock Exchange Limited and for all other purposes, shareholders ratify the allotment and issue of a total of 500,000 fully paid ordinary shares in the capital of the Company at an issue price of 8 cents each to MrE Valenti as consideration for the purchase of a mining tenement as detailed in the Explanatory Statement accompanying this Notice".

Short Explanation: An equity issue can be ratified by shareholders in accordance with the ASX Listing Rules. This allows the Company the flexibility to issue securities in the future up to the threshold of 15% of its total equity securities in any 12 month period. Please refer to the Explanatory Statement for details.

Voting Exclusion: The Company will disregard any votes cast on this resolution by any person who participated in the issue of securities and any associates of those persons.

5. **Resolution 5- Issue of options to Directors**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rules 7.1, 10.11 of the Listing Rules of Australian Stock Exchange Limited, in accordance with Part 2E of the Corporations Act and for all other purposes, shareholders ratify the allotment and issue of a total of 3,500,000 free options to acquire a fully paid ordinary share in the capital of the Company, exercisable at 10 cents each on or before 31 May 2005, on the terms and conditions as set out in the Explanatory Statement accompanying this Notice"

Voting Exclusion: The Company will disregard any votes cast on this resolution by any director and any associates of those directors.

6. Resolution 6 - Issue of options to Directors

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rules 7.1, 10.11 of the Listing Rules of Australian Stock Exchange Limited, in accordance with Part 2E of the Corporations Act and for all other purposes, shareholders ratify the allotment and issue of a total of 3,500,000 free options to acquire a fully paid ordinary share in the capital of the Company, exercisable at 15 cents each on or before 31 May 2007, on the terms and conditions as set out in the Explanatory Statement accompanying this Notice"

Voting Exclusion: The Company will disregard any votes cast on this resolution by any director and any associates of those directors.

**DATED THIS 19th DAY OF FEBRUARY 2004
BY ORDER OF THE BOARD**

**LINDSAY COLLESS
SECRETARY**

NOTES:

1. A shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a shareholder of the Company.
2. Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
3. In accordance with the requirements of the Corporations Act, the Directors have set a snapshot date to determine the identity of those entitled to attend and vote at the Meeting. The snapshot date is close of business on 22 March 2004.

EXPLANATORY STATEMENT

This Explanatory Statement and all attachments are important documents. They should be read carefully.

If you have any questions regarding the matters set out in this Explanatory Statement or the preceding Notice, please contact the Company, your stockbroker or other professional adviser.

1. Resolution 1 - Approval of Future Issue of Securities

1.1 ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that a company must not, subject to certain exceptions, issue during any 12 month period any equity securities or other securities with rights of conversion to equity if the number of those securities exceeds 15% of the total ordinary securities on issue at the commencement of that 12 month period.

One circumstance where an issue is not taken into account in the calculation of this 15% threshold is where the issue has the prior approval of shareholders in a general meeting.

To provide the Company with the flexibility to make future issues of securities, Resolution 1 seeks to authorise the Company to issue up to 20,000,000 Yilgarn Gold Shares and up to 10,000,000 options to acquire Yilgarn Gold Shares (**New Options**).

ASX Listing Rule 7.3 requires that the following information be provided to shareholders when seeking an approval for the purpose of ASX Listing Rule 7.1:

- (a) the maximum number of securities to be issued pursuant to the proposed capital raising is 20,000,000 Yilgarn Gold Shares and 10,000,000 attaching New Options;
- (b) the Yilgarn Gold Shares will be issued at a price of at least 80% of the average market price of the Shares on ASX over the preceding 5 days in which sales in the Shares were made and the New Options will be issued for no consideration but only on the basis of one New Option for every 2 Shares issued;
- (c) the Yilgarn Gold Shares and New Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);
- (d) the Yilgarn Gold Shares when issued will rank equally with the Company's existing Yilgarn Gold Shares. The New Options will be exercisable at \$0.10 each and will be issued on the same terms as the Company's currently quoted Options expiring on 31 May 2005, the details of which are set out in Section 1.2 of this Explanatory Statement;
- (e) it is intended that the allotment of the Yilgarn Gold Shares and New Options will occur on one date;

- (f) the identity of the allottees of the Yilgarn Gold Shares and New Options is not yet known, and will be determined in the director's discretion; and
- (g) the Company intends to use the funds raised from the issue of the Yilgarn Gold Shares and New Options for the following purposes:
 - (i) exploration to delineate further targets to be drill tested;
 - (ii) drilling of high grade narrow vein gold targets; and
 - (iii) other working capital needs.

1.2 Terms of New Options

The New Options will be issued on the same terms and conditions as the Company's currently quoted Options expiring on 31 May 2005. These terms and conditions are as follows:

- (b) the New Options shall expire on 31 May 2005 (**Expiry Date**);
- (c) the New Options are freely transferable;
- (d) if the holder holds more than one New Option, all or any of the New Options may be exercised in whole or in part from time to time by notice given in writing to the Company prior to the Expiry Date;
- (e) the exercise price for the New Options shall be \$0.10 each;
- (f) there is no inherent right in the New Options to participate in any new issue of securities which may be offered to shareholders of the Company from time to time prior to exercise of the New Options. The Company will ensure that during the exercise period, for the purpose of determining entitlements to any such new issue, the books closing date will be at least 10 Business Days after such new issue is announced and that the holder will be given written notice on the day of such announcement. This will give the holder an opportunity to exercise the New Options prior to the books closing date of any such new issues;
- (g) in the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company, the New Options will be reorganised in accordance with the ASX Listing Rules;
- (h) upon exercise of the New Options the Yilgarn Gold Shares issued will rank pari passu with existing ordinary fully paid Yilgarn Gold Shares;
- (i) the Company will make application to ASX for official quotation of the New Options; and
- (j) the Company will make application to ASX for the quotation of the Shares allotted and issued on the exercise of the New Options within 3 Business Days after allotment and issue of those Shares.

2. Resolution 2 – Ratification of the Allotment and Issue of Securities

On 16 December 2003, the Company allotted and issued 8,793,000 Yilgarn Gold Shares and 4,396,500 Options each to acquire a fully paid ordinary share in the capital of the Company on the same terms and conditions set out in Section 1.2 of this Explanatory Statement.

ASX Listing Rule 7.1 requires that a listed company obtain shareholder approval prior to the issue of shares, or securities convertible into shares (such as an option), representing more than 15% of the issued capital of that company in any 12 month period.

ASX Listing Rule 7.4.2 sets out an exception to ASX Listing Rule 7.1. This rule provides that where a company in general meeting ratifies the previous issue of securities made without approval under ASX Listing Rule 7.1, those securities shall be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

Shareholder ratification for the issue of securities is now sought pursuant to ASX Listing Rule 7.4 to reinstate the Company's capacity to issue up to 15% of its issued capital, if required, in the next 12 months without shareholder approval.

ASX Listing Rule 7.5 requires that the following information be provided to shareholders for the purpose of obtaining shareholder approval pursuant to ASX Listing Rule 7.4:

- (a) the total number of Yilgarn Gold Shares issued was 8,793,000 and the total number of Options granted was 4,396,500 Options each to acquire a fully paid ordinary share in the capital of the Company on the terms and conditions set out in Section 1.2 of this Explanatory Statement;
- (b) the issue price of the Yilgarn Gold Shares was \$0.063 per Share and they were allotted and issued on 16 December 2003;
- (c) the Options were free attaching on the basis of one Option for every two Yilgarn Gold Shares and they were allotted and issued on 16 December 2003;
- (d) the parties to whom the Yilgarn Gold Shares and Options were allotted and issued and the number of Yilgarn Gold Shares and Options which they received is set out in the schedule below:

Allottees	No Shares	No Options
Nefco Nominees Pty Ltd	8,000,000	4,000,000
Fitel Nominees Limited	700,000	350,000
Musgrave Investments Limited	93,000	46,500
	8,793,000	4,396,500

- (e) the Yilgarn Gold Shares issued rank equally with the Company's existing issued Yilgarn Gold Shares;
- (f) the Yilgarn Gold Shares were allotted and credited as fully paid and rank equally with the existing Yilgarn Gold Shares on issue; and

- (g) funds raised from the issue of the securities set out in the table above were used to:
 - (i) undertake further drilling and exploration at the Company's Goodenough Project; and
 - (ii) working capital.

3. Resolution 3 - Ratification of the Allotment and Issue of Securities

On 12 February 2004, the Company allotted and issued 600,000 Yilgarn Gold Shares at an issue price of 5 cents each for the purchase of mineral tenements, PL's 29/1817, 1818, 1819 and 1820. The purchase of these tenements was announced to ASX on 16 October 2003.

Shareholder ratification for the issue of these securities is now sought pursuant to ASX Listing Rule 7.4 to reinstate the Company's capacity to issue up to 15% of its issued capital, if required, in the next 12 months without shareholder approval.

ASX Listing Rule 7.5 requires that the following information be provided to shareholders for the purpose of obtaining shareholder approval pursuant to ASX Listing Rule 7.4:

- (a) the total number of Yilgarn Gold Shares issued was 600,000;
- (b) the issue price of the Yilgarn Gold Shares was \$0.05 per Share and they were allotted and issued on 12 February 2004;
- (c) the parties to whom the Yilgarn Gold Shares were allotted and issued and the number of Yilgarn Gold Shares which they received is set out in the schedule below:

Allottees	No Shares
Siktreet Investments Pty Ltd	600,000

- (d) the Yilgarn Gold Shares issued rank equally with the Company's existing issued Yilgarn Gold Shares;
- (e) the Yilgarn Gold Shares were allotted and credited as fully paid and rank equally with the existing Yilgarn Gold Shares on issue; and
- (f) there were no funds raised from the issue of the securities.

4. Resolution 4 - Ratification of the Allotment and Issue of Securities

On 12 February 2004, the Company allotted and issued 500,000 Yilgarn Gold Shares at an issue price of 8 cents each for the purchase of a mineral tenement, ML 39/327. The purchase of this tenement was announced to ASX on 20 October 2003.

Shareholder ratification for the issue of these securities is now sought pursuant to ASX Listing Rule 7.4 to reinstate the Company's capacity to issue up to 15% of its issued capital, if required, in the next 12 months without shareholder approval.

ASX Listing Rule 7.1 requires that a listed company obtain shareholder approval prior to the issue of shares, or securities convertible into shares (such as an option),

representing more than 15% of the issued capital of that company in any 12 month period.

ASX Listing Rule 7.4.2 sets out an exception to ASX Listing Rule 7.1. This rule provides that where a company in general meeting ratifies the previous issue of securities made without approval under ASX Listing Rule 7.1, those securities shall be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

Shareholder ratification for the issue of securities is now sought pursuant to ASX Listing Rule 7.4 to reinstate the Company's capacity to issue up to 15% of its issued capital, if required, in the next 12 months without shareholder approval.

ASX Listing Rule 7.5 requires that the following information be provided to shareholders for the purpose of obtaining shareholder approval pursuant to ASX Listing Rule 7.4:

- (a) the total number of Yilgarn Gold Shares issued was 500,000;
- (b) the issue price of the Yilgarn Gold Shares was \$0.08 per Share and they were allotted and issued on 12 February 2004;
- (c) the parties to whom the Yilgarn Gold Shares were allotted and issued and the number of Yilgarn Gold Shares which they received is set out in the schedule below:

Allottees	No Shares
Mr E Valenti	500,000

- (d) the Yilgarn Gold Shares issued rank equally with the Company's existing issued Yilgarn Gold Shares;
- (e) the Yilgarn Gold Shares were allotted and credited as fully paid and rank equally with the existing Yilgarn Gold Shares on issue; and
- (f) there were no funds raised from the issue of the securities

5. Issue of Options to Directors

This resolution seeks approval to issue a total of 3,500,000 options exercisable at 10 cents each on or before 31 May 2005 to directors as follows:

Mr Reg Eccles (Chairman)	1,000,000
Mr Lex Brailey (Managing Director)	2,000,000
Mr Lindsay Colless (Non-executive director and Company Secretary)	500,000

ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires a listed company to obtain shareholder approval by ordinary resolution prior to the issue of securities to a related party of the Company. Each of Messrs Eccles, Brailey and Colless are Directors, and therefore considered a related party of the Company.

For the purposes of ASX Listing Rule 10.13, the following information is provided in relation to Resolution 5: the Company proposes issuing 3,500,000 Options to Directors;

the Options will be issued at no cost;
the Options will be issued on the terms set out in the Glossary section of this Explanatory Statement;
the Options will be issued no later than 1 month after the date of this meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated that allotment will occur on one date; and
there will be no funds raised from the issue of the Options as they are issued in consideration of incentives to Directors.

Part 2E of the Corporations Act

Each of the Directors is a related party of the Company for the purposes of Part 2E of the Corporations Act.

The following information is provided to satisfy the requirements of Section 219 of the Corporations Act:

the proposed financial benefit to be given is the issue of 3,500,000 Options to the Directors;

the Options will be issued on the terms set out in Section 5.1 of this Explanatory Statement;

the Options will be issued in consideration for, providing incentives to the Directors;

if shareholders approve the grant of Options to the Directors and all or any of the Options are exercised, the effect will be to dilute the shareholding of existing shareholders. The market price for Shares during the term of the Options would normally determine whether or not the Directors exercise the Options. If at the time any of the Options are exercised, the Shares are trading on ASX at a price which is higher than the exercise price of the Options, there may be a perceived cost to the Company. Subject to any adjustments arising from further issues of securities by the Company, 3,500,000 Shares will be allotted and issued upon exercise of the Options issued to the Directors with the effect that the shareholding of existing Shareholders will be diluted by approximately 3.6% (based on 97,323,703 Shares on issue and assuming no other Options are exercised and assuming all Resolutions contained in this Notice are implemented);

- (a) the Directors consider that the proposed allotment and issue of Options pursuant to Resolution 5 is in the best interests of the Company as they will provide an incentive for the Directors to work towards the success of the Company which is in the interests of all shareholders.
- (b) The Directors decline to make a recommendation about Resolution 5 as they have a material personal interest in the outcome of that Resolution; and
- (c) the ASIC in reviewing documents lodged under Section 218 relating to the giving of a financial benefit to related parties of public companies requires explanatory information regarding the value of Options proposed to be issued. The valuation of the Options proposed to be issued to Directors pursuant to Resolution and the pricing methodology is set out in Section 5.2 of this Explanatory Statement.

5.1 Terms of Options

The Options will be issued on the same terms and conditions as the Company's currently quoted Options expiring on 31 May 2005. These terms and conditions are as follows:

- (a) the Options shall expire on 31 May 2005 (**Expiry Date**);
- (b) the Options are freely transferable;
- (c) if the holder holds more than one Option, all or any of the Options may be exercised in whole or in part from time to time by notice given in writing to the Company prior to the Expiry Date;

- (d) the exercise price for the Options shall be \$0.10 each;
- (e) there is no inherent right in the Options to participate in any new issue of securities which may be offered to shareholders of the Company from time to time prior to exercise of the Options. The Company will ensure that during the exercise period, for the purpose of determining entitlements to any such new issue, the books closing date will be at least 10 Business Days after such new issue is announced and that the holder will be given written notice on the day of such announcement. This will give the holder an opportunity to exercise the Options prior to the books closing date of any such new issues;
- (f) in the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company, the Options will be reorganised in accordance with the ASX Listing Rules;
- (g) upon exercise of the Options the Yilgarn Gold Shares issued will rank pari passu with existing ordinary fully paid Yilgarn Gold Shares;
- (h) the Company will make application to ASX for official quotation of the Options; and
- (i) the Company will make application to ASX for the quotation of the Shares allotted and issued on the exercise of the Options within 3 Business Days after allotment and issue of those Shares.

5.2 Valuation of Options

The Options issued pursuant to Resolution 5 have been valued using the Black & Scholes pricing model. The assumptions that have been used to value the Options are as follows:
the last expiry date of the Options is 31 May 2005;
all of the Options are exercisable at 0.10 cents;
the market price of a Share is 7 cents (this being the market price of a Share on the valuation date);
a common volatility factor of 50%. This is based on the price volatility of the share price in this economic sector;
an interest rate of 5%;
the valuation ascribed to the Options may not necessarily represent the market price of the Options at the date of the valuation; and
the valuation date for the Options is 9 February 2004.
Based on the above, the Options are valued at \$0.011008 each, or \$38,528 in total.

5.3 Other information

The remuneration of the Directors is as follows:

Managing Director, L Brailey consulting fees of \$144,000 pa.

Chairman, R Eccles, directors fees \$18,000 pa

Non-executive director, L Colless, directors fees \$18,000 pa.

Administration, accounting and corporate secretarial fees paid to a company in which Mr

Colless has a substantial financial interest \$48,000 pa.

Directors shareholdings and the effect of the issue of the options, if they were exercised:

Name:	*Options held	Shares held	% of issued	New total	% of issued
R Eccles	1,560,874	1,156,748	1.19	2,156,748	2.1
L Brailey	1,752,016	504,302	0.5	2,504,302	2.5
L A Colless	-	-	-	500,000	0.4
		1,661,050	1.69	5,161,050	5.0

*These options are listed and are exercisable at 10 cents each on or before 31 May 2005.

The Company's shares have traded over the past year between a low of \$0.041 on 19 May 2003 and a high of \$0.125 on 29 January 2003 and the closing price of the shares on 11 February 2004 was \$0.069.

6. Further Issue of Options to directors

This resolution seeks approval to issue a total of 3,500,000 options exercisable at 15 cents each on or before 31 May 2007 to directors as follows:

Mr Reg Eccles (Chairman)	1,000,000
Mr Lex Brailey (Managing Director)	2,000,000
Mr Lindsay Colless (Non-executive director and Company Secretary)	500,000

ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires a listed company to obtain shareholder approval by ordinary resolution prior to the issue of securities to a related party of the Company. Each of Messrs Eccles, Brailey and Colless are Directors, and therefore considered a related party of the Company.

For the purposes of ASX Listing Rule 10.13, the following information is provided in relation to Resolution 5: the Company proposes issuing 3,500,000 Options to Directors;

the Options will be issued at no cost;

the Options will be issued on the terms set out in the Glossary section of this Explanatory Statement;

the Options will be issued no later than 1 month after the date of this meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated that allotment will occur on one date; and

there will be no funds raised from the issue of the Options as they are issued in consideration of incentives to Directors.

Part 2E of the Corporations Act

Each of the Directors is a related party of the Company for the purposes of Part 2E of the Corporations Act.

The following information is provided to satisfy the requirements of Section 219 of the Corporations Act:

the proposed financial benefit to be given is the issue of 3,500,000 Options to the Directors;

the Options will be issued on the terms set out in Section 5.1 of this Explanatory Statement;

the Options will be issued in consideration for, providing incentives to the Directors;

if shareholders approve the grant of Options to the Directors and all or any of the Options are exercised, the effect will be to dilute the shareholding of existing shareholders. The market price for Shares during the term of the Options would normally determine whether or not the Directors exercise the Options. If at the time any of the Options are exercised, the Shares are trading on ASX at a price which is higher than the exercise price of the Options, there may be a perceived cost to the Company. Subject to any adjustments arising from further issues of securities by the Company, 3,500,000 Shares will be allotted and issued upon exercise of the Options issued to the Directors with the effect that the shareholding of existing Shareholders will be diluted by approximately 3.6% (based on 97,323,703 Shares on issue and assuming no other Options are exercised and assuming all Resolutions contained in this Notice are implemented). If the options are exercised in conjunction with those in Resolution 5, existing shareholders will be diluted by approximately 7.2% (based on 97,323,703 Shares on issue and assuming no other Options are exercised and assuming all Resolutions contained in this Notice are implemented);

- (a) the Directors consider that the proposed allotment and issue of Options pursuant to Resolution 5 is in the best interests of the Company as they will provide an incentive for the Directors to work towards the success of the Company which is in the interests of all shareholders.
- (b) The Directors decline to make a recommendation about Resolution 5 as they have a material personal interest in the outcome of that Resolution; and
- (c) the ASIC in reviewing documents lodged under Section 218 relating to the giving of a financial benefit to related parties of public companies requires explanatory information regarding the value of Options proposed to be issued. The valuation of the Options proposed to be issued to Directors pursuant to Resolution and the pricing methodology is set out in Section 5.2 of this Explanatory Statement.

6.1 Terms of Options

The Options will be issued on new terms and conditions different the Company's existing quoted Options expiring on 31 May 2005. These terms and conditions are as follows:

- (a) the Options shall expire on 31 May 2007 (**Expiry Date**);
- (b) the Options are freely transferable;
- (c) if the holder holds more than one Option, all or any of the Options may be exercised in whole or in part from time to time by notice given in writing to the Company prior to the Expiry Date;
- (d) the exercise price for the Options shall be \$0.15 each;
- (e) there is no inherent right in the Options to participate in any new issue of securities which may be offered to shareholders of the Company from time to time prior to exercise of the Options. The Company will ensure that during the exercise period, for the purpose of determining entitlements to any such new issue, the books closing date will be at least 10 Business Days after such new issue is announced and that the holder will be given written notice on the day of such announcement. This will give the holder an opportunity to exercise the Options prior to the books closing date of any such new issues;
- (f) in the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company, the Options will be reorganised in accordance with the ASX Listing Rules;
- (g) upon exercise of the Options the Yilgarn Gold Shares issued will rank pari passu with existing ordinary fully paid Yilgarn Gold Shares;
- (h) the Company will not make application to ASX for official quotation of the Options; and
- (i) the Company will make application to ASX for the quotation of the Shares allotted and issued on the exercise of the Options within 3 Business Days after allotment and issue of those Shares.

6.2 Valuation of Options

The Options issued pursuant to Resolution 6 have been valued using the Black & Scholes pricing model. The assumptions that have been used to value the Options are as follows:

the last expiry date of the Options is 31 May 2007;

all of the Options are exercisable at 0.15 cents ;

the market price of a Share is 7 cents (this being the market price of a Share on the valuation date);

a common volatility factor of 50%. This is based on the price volatility of the share price in this economic sector;

an interest rate of 5%;

the valuation ascribed to the Options may not necessarily represent the market price of the Options at the date of the valuation; and

the valuation date for the Options is 9 February 2004.

Based on the above, the Options are valued at \$0.014633 each, or \$51,215 in total.

6.3 Other information

The remuneration of the Directors is as follows:

Managing Director, L Brailey consulting fees of \$144,000 pa.

Chairman, R Eccles, directors fees \$18,000 pa

Non-executive director, L Colless, directors fees \$18,000 pa.

Administration, accounting and corporate secretarial fees paid to a company in which Mr Colless has a substantial financial interest \$48,000 pa.

The Company's shares have traded over the past year between a low of \$0.041 on 19 May 2003 and a high of \$0.125 on 29 January 2003 and the closing price of the shares on 11 February 2004 was \$0.069.

Directors shareholdings and the effect of the issue of the options, if they were exercised:

Name:	*Options	Shares held	% of issued	New total	% of issued
R Eccles	1,560,874	1,156,748	1.19	2,156,748	2.1
L Brailey	1,752,016	504,302	0.5	2,504,302	2.5
L A Colless	-	-	-	500,000	0.4
		1,661,050	1.69	5,161,050	5.0

*These options are listed and are exercisable at 10 cents each on or before 31 May 2005.

Directors shareholdings and the effect of the issue of the options, if they were exercised, assuming that the options granted in Resolutions 5 and 6 are all exercised:

Name:	Shares held	% of issued	New total	% of issued
R Eccles	1,156,748	1.19	3,156,748	3.0
L Brailey	504,302	0.5	4,504,302	4.3
L A Colless	-	-	1,000,000	0.9
	1,661,050	1.69	8,661,050	8.2

7. Enquiries

Shareholders are invited to contact the Managing Director, Mr Lex Brailey on (08) 9227 0197 if they have any queries in respect of the matters set out in these documents

GLOSSARY

ASIC means Australian Securities and Investments Commission.

ASX means Australian Stock Exchange Limited.

ASX Listing Rules means the Listing Rules of ASX.

Board means the board of directors of the Company.

Business Day has the meaning as set out in the ASX Listing Rules.

Company means Yilgarn Gold Limited (ABN 34 002 527 906).

Constitution means the constitution of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement set out in this Memorandum.

Meeting means the meeting convened by the Notice.

Memorandum means this information memorandum.

Notice means the notice of general meeting accompanying this Memorandum.

Option means an option to acquire a Yilgarn Gold Share on the terms set out in Section 1.2 of this Explanatory Statement.

WST means Western Standard Time.

Yilgarn Gold Share means a fully paid ordinary share in the capital of the Company.

PROXY FORM

APPOINTMENT OF PROXY

YILGARN GOLD LIMITED
ABN 34 002 527 906

GENERAL MEETING

I/We

being a Member of Yilgarn Gold Limited entitled to attend and vote at the Meeting, hereby

Appoint

Name of proxy

or failing the person so named or, if no person is named, the Chairman of the Meeting or the Chairman's nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the General Meeting to be held at 129 Edward Street Perth, Western Australia on Wednesday 24 March 2004 at 10.00 am (WST) and at any adjournment thereof.

Voting on Business of the General Meeting

		<i>FOR</i>	<i>AGAINST</i>	<i>ABSTAIN</i>
Resolution 1	Approval of Future Issue of Securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Ratification of the Allotment and Issue of Securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Ratification of the Allotment and Issue of Securities to Mr Vassiliev	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Ratification of the Allotment and Issue of Securities to Mr Valenti	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Issue of options to directors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Issue of options to directors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

OR

If you do **not** wish to direct your proxy how to vote, please place a mark in this box

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of the interest. The Chairman intends to vote in favour of all of the resolutions.

YOU MUST EITHER MARK THE BOXES DIRECTING YOUR PROXY HOW TO VOTE OR MARK THE BOX INDICATING THAT YOU DO NOT WISH TO DIRECT YOUR PROXY HOW TO VOTE, OTHERWISE THIS APPOINTMENT OF PROXY FORM WILL BE DISREGARDED.

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is _____ %

Signed this _____ day of _____ 2004

By:

Individuals and joint holders

Signature
Signature
Signature

Companies (affix common seal if appropriate)

Director
Director/Company Secretary
Sole Director and Sole Company Secretary

YILGARN GOLD LIMITED
ABN 34 002 527 906
Instructions for Completing 'Appointment of Proxy' Form

1. A member entitled to attend and vote at a Meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a member of the Company. In the case of joint holders, all must sign.
3. Corporate shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
 - 2 directors of the company;
 - a director and a company secretary of the company; or
 - for a proprietary company that has a sole director who is also the sole company secretary - that director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a Proxy Form will not prevent individual shareholders from attending the meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the meeting.
5. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.