

Yilgarn Gold Limited

ACN 002 527 906
ABN 34 002 527 906

Financial Report
for the
Half-Year ended 31 December 2004

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YILGARN GOLD LIMITED AND ITS CONTROLLED ENTITIES

CORPORATE DIRECTORY

Directors

Reg G Eccles
Lex H J Brailey
Lindsay A Colless

Share Registry

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
PERTH WA 6000

Company Secretary

Lindsay A Colless

Auditor

Rothsay
Level 1
2 Barrack Street
SYDNEY NSW 2000

Registered Office

129 Edward Street
Perth WA 6000

Telephone: (08) 9227 1186
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E-mail: info@yilgarngold.com

Stock Exchange Listing

Australian Stock Exchange Limited
(Home Branch - Perth)
ASX Code: YGL

YILGARN GOLD LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of Yilgarn Gold Limited ("Yilgarn Gold") and the entities it controlled at the end of, or during, the half-year ended 31 December 2004.

DIRECTORS

The names of the Directors of Yilgarn Gold in office during the half year and up to the date of this report are:

Current

Reg G Eccles

Lex H J Brailey

Lindsay A Colless

REVIEW AND RESULTS OF OPERATIONS

The review of the company's operations during the half year ended 31 December 2004 is as follows.

FINANCIAL

	Segment Revenue	Segment result
	\$	\$
Mining and exploration	-	-
Interest	7,476	7,476
	<u>7,476</u>	<u>7,476</u>
Unallocated expenses		(517,232)
Operating profit (loss)		(509,756)
Income tax		-
Operating profit (loss) for half-year		<u>(509,756)</u>

EXPLORATION ACTIVITIES

During the six months to December 2004, the Company increased its interest in the New Bulong gold and nickel project to 100%. The Company continued to explore its existing mineral projects and to assess new opportunities during the half-year.

CHANGES IN STATE OF AFFAIRS

During the half year ended 31 December 2004 there was no significant change in the entity's state of affairs other than that referred to in the half-year financial statements or notes thereto.

SUBSEQUENT EVENTS

Subsequent to the half-year end, the Company placed 11,996,665 shares at an issue price of \$0.015 per share raising \$179,950. There are no other matters or circumstances that have arisen since 31 December 2004 that have or may significantly affect the operations, results, or state of affairs of the consolidated entity.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 13.

Signed in accordance with a resolution of the directors.

Lex HJ Brailey
Director

Perth
4 MARCH 2005

YILGARN GOLD LIMITED AND ITS CONTROLLED ENTITIES
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
For the half year ended 31 December 2004

	Note	Six months ended 31/12/2004 \$	Six months ended 31/12/2003 \$
Revenue from ordinary activities		<u>7,476</u>	<u>183,009</u>
Depreciation expense		4,694	2,390
Salaries and employees benefits expense		3,044	9,771
Consultants and directors fees		81,158	87,994
Legal costs		3,879	11,223
Travel costs		27,809	42,600
Accounting, audit and tax fees		1,900	-
ASIC / ASX fees		16,167	17,014
Insurance costs		8,697	9,584
Rent		13,117	12,609
Other costs		66,056	46,538
Costs of tenements sold		-	125,000
Exploration Costs		<u>290,711</u>	<u>-</u>
Loss from ordinary activities before income tax expense		(509,756)	(181,714)
Income tax expense relating to ordinary activities		-	-
Net loss attributable to members of Yilgarn Gold Limited		<u>(509,756)</u>	<u>(181,714)</u>
Earnings per share - basic	4	<u><u>\$ (0.0080)</u></u>	<u><u>\$ (0.0023)</u></u>

YILGARN GOLD LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2004

	Note	Six months ended 31/12/04 \$	Annual Report 30/6/04 \$
Current Assets			
Cash assets	3	115,439	582,389
Receivables		15,193	21,617
Total Current Assets		130,632	604,006
Non-Current Assets			
Other financial assets		131	131
Plant and equipment		13,748	18,442
Exploration costs		1,341,500	1,346,055
Total Non-Current Assets		1,355,379	1,364,628
Total Assets		1,486,011	1,968,634
Current Liabilities			
Payables		46,311	82,272
Provisions		7,829	4,735
Total Current Liabilities		54,140	87,007
Total Liabilities		54,140	87,007
Net Assets		1,431,871	1,881,627
Equity			
Contributed equity	5	4,541,604	4,481,604
Reserves		285,118	285,118
Accumulated losses	2	(3,394,851)	(2,885,095)
Total Equity		1,431,871	1,881,627

YILGARN GOLD LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CASHFLOWS

For the half year ended 31 December 2004

	Six months ended 31/12/04 \$	Six months ended 31/12/03 \$
Cash flows from operating activities		
Payments to suppliers and employees	(248,270)	(183,145)
Revenue from sale of minerals	-	25,000
Interest received	7,476	10,409
Sundry income	-	1,000
	<hr/>	<hr/>
Net cash flows used in operating activities	(240,794)	(146,736)
	<hr/>	<hr/>
Cash flows from investing activities		
Proceeds sale of investments	-	121,601
Proceeds sale of mineral tenement	-	25,000
Payments for plant and equipment	-	(19,219)
Exploration expenditure	(226,156)	(199,684)
Acquisition of exploration prospects	-	(118,550)
	<hr/>	<hr/>
Net cash flows used in investing activities	(226,156)	(190,852)
	<hr/>	<hr/>
Cash flows from financing activities		
Proceeds from issues of ordinary shares	-	1,632,229
	<hr/>	<hr/>
Net cash flow provided by financing activities	-	1,632,229
	<hr/>	<hr/>
Net increase / (decrease) in cash held	(466,950)	1,294,641
Cash at the beginning of the reporting period	582,389	39,169
	<hr/>	<hr/>
Cash at the end of the reporting period	115,439	1,333,810
	<hr/>	<hr/>

YILGARN GOLD LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

31 December 2004

1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL STATEMENTS

These general purpose financial statements for the half-year ended 31 December 2004 have been prepared in accordance with the Corporations Act 2001, Accounting Standard AASB 1029:Interim Financial Reporting, and other mandatory professional reporting requirements. This report should be read in conjunction with the Annual Report for the year ended 30 June 2004 and public announcements made by Yilgarn Gold Limited during the half-year in accordance with any continuous disclosure obligations arising under the Corporations Act, 2001.

The accounting policies have been consistently applied with those of the previous financial year.

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

Going concern

The half-year report has been prepared on a going concern basis which contemplates the continuity of business activities and the realisation of assets and the payment of liabilities in the normal course of business.

The consolidated entity experienced a loss from ordinary activities. In addition, the consolidated entity experienced net cash outflows from operating activities.

Notwithstanding the above, the Directors believe it appropriate to prepare the financial report on the going concern basis due to the following:

- The Directors consider that the Company can continue to obtain investor support to meet its further funding requirements as evidenced by the share placement completed subsequent to the half-year end.

The directors have accordingly prepared the financial report on the going concern basis.

YILGARN GOLD LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

31 December 2004

2. ACCUMULATED LOSSES

	Six months ended 31/12/04 \$	Annual Report 30/06/04 \$
Loss from ordinary activities after related income tax expense	(509,756)	(1,148,390)
Accumulated profits (losses) brought forward	(2,885,095)	(1,736,705)
	<hr/>	<hr/>
Accumulated profits (losses) at end of half-year	<u>(3,394,851)</u>	<u>(2,885,095)</u>

3. RECONCILIATION OF CASH

	Six months ended 31/12/04 \$	Six months ended 31/12/03 \$
Cash at the end of the half-year as shown in the statement of cash flows is reconciled to the related items in the accounts as follows:		
Cash on hand and at bank	13,731	726
Deposits at call	100,703	1,332,084
Term deposit	1,005	1,000
	<hr/> <u>115,439</u>	<hr/> <u>1,333,810</u>

4. EARNINGS PER SHARE

Basic earnings per share	<u>\$(0.0080)</u>	<u>\$(0.0023)</u>
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	<u>63,771,140</u>	<u>78,371,437</u>

The Company's potential ordinary shares, being its options granted, are not considered dilutive as the conversion of these options would result in a decrease in the net loss per share.

YILGARN GOLD LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

31 December 2004

5. ISSUED AND QUOTED SECURITIES AT END OF CURRENT HALF-YEAR

Category of Securities	Number Issued	Number Quoted		
<u>Ordinary Shares:</u>				
Listed	99,323,703	99,323,703		
Of which issued during half-year ended 31 December 2004:				
09 December 2004, placement	2,000,000	2,000,000		
			Exercise Price	Expiry Date
<u>Options:</u>				
Listed	51,862,122	51,862,122	0.10	31/05/05
Of which issued during half-year ended 31 December 2004:	-	-		
Unlisted	666,667	-	0.20	19/10/05
Unlisted	4,500,000	-	0.15	31/05/07
Of which issued during half-year ended 31 December 2004:	-	-		

666,666 unlisted options exercisable at 15 cents expired on 19 October 2004.

Subsequent to the half-year end, the Company placed 11,996,665 shares at an issue price of \$0.015 per share, raising \$179,950.

6. IMPACT ON ADOPTING INTERNATIONAL ACCOUNTING STANDARDS

The Australian Accounting Standards Board is adopting the Standards of the International Accounting Standards Board for application to reporting periods beginning on or after 1 January 2005. Pending Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' prescribes transitional provision for first-time adopters.

AASB 1047 'Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards' requires financial reports to disclose information about the impacts of any changes in accounting policies in the transition period leading up to the adoption date.

6. IMPACT ON ADOPTING INTERNATIONAL ACCOUNTING STANDARDS (continued)

Taxation

Under the Australian equivalent to IAS 12 'Income Taxes', a balance sheet approach will be adopted for calculating taxation, replacing the 'statement of financial performance approach'. This method recognizes deferred tax balances for all temporary differences arising between the carrying value of an asset or liability and its tax base. Whilst there will be enhanced disclosure of the composition of the deferred tax assets and liabilities it is not expected that there will be any significant impact in terms of the statement of financial position or performance.

Share based payments

The Company currently does not recognize an expense for options issued to directors and staff. Under AASB 2 'Share Based Payments', the Company will be required to recognize an expense for all share based remuneration, including options, and will amortise those expenses over the relevant vesting periods.

Impairment of Assets

Under the Australian equivalent to IAS 36 'Impairment of Assets' the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in the Company's current accounting policy which determines recoverable amount of an asset on the basis of discounted (undiscounted) cashflows. Under the new policy it is likely that the impairment of assets will be recognized sooner and the amount of write downs will be greater.

At present, the Company is not aware of any key differences in accounting policies that are expected to arise from adopting A-IFRS. The Company is continuing to monitor the Standards and have a committee in place to evaluate the new Standards and their impact on a continuing basis.

Capitalisation of Exploration and Evaluation Costs

The Company currently uses the 'area of interest' principles which are used commonly in Australia and in accordance with Australian Accounting Standard AASB 1022 'Accounting for the Extractive Industries'. The AASB has recently released AASB 6 *Exploration for and Evaluation of Mineral Resources* which is not expected to cause significant changes to the Company's accounting for capitalised exploration and evaluation expenditure. AASB 6 continues to allow an area of interest approach to impairment and the standard effectively permits the grandfathering of existing accounting treatments of exploration and evaluation expenditure. Impairment tests of exploration and evaluation assets will be required once technical feasibility and commercial viability is determinable.

7. SEGMENT INFORMATION

The consolidated entity operates principally in one business segment (for primary reporting) being mineral exploration, and one geographical segment (for secondary reporting) being Australia. This is consistent with the prior year.

YILGARN GOLD LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

31 December 2004

8. **COMMITMENTS FOR EXPENDITURE**

Mineral Tenement Leases

In order to maintain current rights of tenure to exploration tenements, the Company is required to perform minimum expenditure requirements specified by the WA State Government and pay tenement lease rents. The company will be required to outlay in 2004/05 amounts of approximately \$29,804 in respect of tenement lease rentals and \$440,620 in exploration expenditures to meet these minimum expenditure requirements. The balance of these obligations will be fulfilled in the normal course of operations, which may include farm-out, joint venture and direct exploration expenditure.

9. **EVENTS SUBSEQUENT TO HALF-YEAR END**

Subsequent to the half-year end, the Company placed 11,996,665 shares at an issue price of \$0.015 per share raising \$179,950. No other matters or circumstances have arisen since 31 December 2004 that have or may significantly affect the operations, results, or state of affairs of the consolidated entity.

YILGARN GOLD LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' DECLARATION

31 December 2004

In accordance with a resolution of the directors of Yilgarn Gold Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity:
 - (i) give a true and fair view of the financial position as at 31 December 2004 and the performance for the half-year ended on that date of the consolidated entity as represented by the results of their operations and their cashflows; and
 - (ii) comply with Accounting Standard AASB 1029 "Interim Financial Reporting", other mandatory professional reporting standards and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Lex HJ Brailey
Director

Perth
4th MARCH 2005

ROTHSAY

Level 1, 2 Barrack Street, Sydney NSW 2000 G.P.O. Box 2759, Sydney NSW 2001
Phone 9299 0091 Facsimile 9299 2595 E-mail swan2000@bigpond.com

AUDITORS' SECTION 307C DECLARATION

The Directors

In accordance with Section 307C of the Corporations Act 2001 (the Act) I hereby declare that to the best of my knowledge and belief there have been:

- i. no contraventions of the auditor independence requirements of the Act in relation to the review of the 31 December 2004 half yearly financial report; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.



Graham R Swan
Lead Auditor
Rothsay Chartered Accountants

Dated 4th March 2005



Chartered Accountants

Liability limited by the Accountants Scheme, approved
under the Professional Standards Act 1994 (NSW).

ROTHSAY

Level 1, 2 Barrack Street, Sydney NSW 2000 G.P.O. Box 2759, Sydney NSW 2001
Phone 9299 0091 Facsimile 9299 2595 E-mail swan2000@bigpond.com

Independent Review Report To The Members

Scope

We have reviewed the financial statements of Yilgarn Gold Ltd for the half-year ended 31 December 2004 as set out on pages 4 to 12. The company's directors are responsible for the preparation of the financial report, which includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the end of or during the half-year.

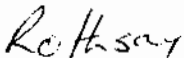
We have performed an independent review of the half-year financial report in order for the company to lodge the half-year financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the half-year financial report is free of material misstatement. The 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 provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion. This review was performed 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 Accounting Standard AASB1029:Interim Financial Reporting, and other mandatory professional reporting requirements and the Corporations Act, 2001, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows.

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 company is not in accordance with:

- (a) the Corporations Act, 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and
 - (ii) comply with Accounting Standard AASB1029:Interim Financial Reporting and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.



Rothsay
Chartered Accountants



Graham R Swan
Partner

Dated this 4th day of March 2005



Chartered Accountants