

YILGARN GOLD LIMITED
ACN 002 527 906

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a General Meeting of shareholders of Yilgarn Gold Limited will be held on **Friday, 15 April 2005 at 10.00am** at Mosman Bay Room, Lobby Level, Hyatt Regency Perth at 99 Adelaide Terrace, Perth, Western Australia 6000 for the purpose of transacting the business referred to in this Notice.

The Explanatory Memorandum which accompanies and forms part of this Notice of Meeting describes in more detail the various matters to be considered.

AGENDA

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

1. Appointment of Graeme John Clatworthy

"That Mr Graeme John Clatworthy, having consented to act, be elected a director of Yilgarn Gold Limited, with immediate effect."

2. Appointment of Nigel James Gellard

"That, subject to the passing of Resolution 1, Mr Nigel James Gellard, having consented to act, be elected a director of Yilgarn Gold Limited, with immediate effect."

3. Removal of Reginald George Eccles as director

"That, subject to the passing of both Resolutions 1 and 2, and in accordance with the Constitution of Yilgarn Gold Limited, Mr Reginald George Eccles be removed as a director of Yilgarn Gold Limited, with immediate effect."

4. Removal of Lindsay Arthur Colless as director

"That, subject to the passing of both Resolutions 1 and 2, and in accordance with the Constitution of Yilgarn Gold Limited, Mr Lindsay Arthur Colless be removed as a director of Yilgarn Gold Limited, with immediate effect."

By Order of the Board

YILGARN GOLD LIMITED

Lindsay Arthur Colless
Secretary

Dated: 9 March 2005

PROXY INSTRUCTIONS

A member entitled to attend and vote at the meeting of the Company may appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent proportion of the member's voting rights.

A proxy may, but need not be, a member of the Company.

Proxy Forms (and, if executed by an attorney, the power of attorney or other authority, or a certified copy of it, under which the Proxy Form is signed) must be delivered or sent by facsimile transmission to the registered office of the Company at 129 – 131 Edward Street, Perth, facsimile: (08) 9389 1750, or to the Company's postal address at PO Box 8475, Perth Business Centre, WA 6849, not less than 48 hours before the time for holding the general meeting.

A proxy form is attached to this notice of general meeting.

POINT AT WHICH VOTING RIGHTS ARE DETERMINED

Regulation 7.11.37 of the Corporations Regulations permits the convener of a meeting to specify a time, not more than 48 hours before the meeting at which a "snapshot" of members will be taken for the purposes of determining member entitlements to vote at the meeting. The directors have passed a resolution to the effect that all shares of the Company that are quoted on the official list of Australian Stock Exchange Limited at 5.00pm WST on Wednesday, 13 April 2005 shall, for the purposes of determining voting entitlements at the general meeting, be taken to be held by the persons registered as holding them at that time.

PROXY FORM

YILGARN GOLD LIMITED ACN 002 527 906

The Company Secretary
Yilgarn Gold Limited

Postal Address: PO Box 8475
Perth Business Centre
PERTH WA 6849

Facsimile: +61 8 9227 8178

I/We (name of shareholder)
of (address)
being a member/members of YILGARN GOLD LIMITED hereby appoint :
(name)
of (address)
and/or failing him (name)
of (address)
or failing that person then the CHAIRMAN of the meeting as my/our proxy to vote for me/us and on my/our behalf at the General Meeting of the Company to be held on **Friday, 15 April 2005** at **10.00am** at Mosman Bay Room, Lobby Level, Hyatt Regency Perth, 99 Adelaide Terrace, Perth and at any adjournment of the meeting.

If you wish to direct the Proxy how to vote, place a cross in the appropriate boxes below:

Resolutions	For	Against	Abstain
Resolution 1 - Appointment of Graeme John Clatworthy as director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 - Appointment of Nigel James Gellard as director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 - Removal of Reginald George Eccles as director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 - Removal of Lindsay Arthur Colless as director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If no directions are given my proxy may vote as the proxy thinks fit or may abstain.

This Proxy is appointed to represent 100% of my voting right, or if 2 proxies are appointed Proxy 1 represents ____% and Proxy 2 represents ____% of my total votes.

My total voting right is _____ shares.

This section **must** be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Security Holder 1

Sole Director and
Sole Company Secretary

Security Holder 2

Director

Security Holder 3

Director/Company Secretary

Contact Name

Contact daytime telephone

Date

INSTRUCTIONS FOR APPOINTMENT OF PROXY

1. A shareholder entitled to attend and vote is entitled to appoint no more than two proxies to attend and vote at this General Meeting as the shareholder's proxy. A proxy need not be a shareholder of the Company.
2. Where more than one proxy is appointed, each proxy must be appointed to represent a specific proportion of the shareholder's voting rights. If such appointment is not made then each proxy may exercise half of the shareholder's voting rights. Fractions shall be disregarded.
3. You must sign this form as follows in the spaces provided:

Joint Holding	In the case of joint holders the proxy form may be signed by any one holder.
Power of Attorney	If signed under a Power of Attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy of the Power of Attorney to this Proxy Form when you return it.
Companies	A Director can sign jointly with another Director or a Company Secretary, a sole Director who is also a sole Company Secretary can also sign. A sole Director of a corporation without a Company Secretary can sign, pursuant to s204A of the <i>Corporations Act</i> . Please indicate the office held by signing in the appropriate space.
4. If a proxy is executed by an attorney of a shareholder, then the original of the relevant power of attorney or a certified copy of the relevant power of attorney, if it has not already been noted by the Company, must accompany the proxy form.
5. To be effective, forms to appoint proxies must be received by the Company no later than 48 hours before the time appointed for the holding of this Annual General Meeting that is **by 10.00am WST on Wednesday, 13 April 2005** by post or facsimile to the respective addresses stipulated in this proxy form.
6. If the proxy form specifies a way in which the proxy is to vote on any of the resolutions stated above, then the following applies:
 - the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way; and
 - if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
 - if the proxy is Chairperson, the proxy must vote on a poll and must vote that way, and
 - if the proxy is not the Chairperson, the proxy need not vote on a poll, but if the proxy does so, the proxy must vote that way.

If a proxy is also a shareholder, the proxy can cast any votes the proxy holds as a shareholder in any way that the proxy sees fit.
7. The Chairman intends to vote for all resolution set out in the Notice.
8. If a representative of a corporate is to attend the meeting and a proxy form is not used, then an appropriate "Certificate of Appointment of Representative" must be produced prior to admission. A form of the certificate may be obtained from Yilgarn Gold Limited.

YILGARN GOLD LIMITED
ACN 002 527 906

EXPLANATORY MEMORANDUM

GENERAL INTRODUCTION

This Explanatory Memorandum has been prepared on behalf of the Company by Mr Brailey, the managing director of the Company, for the information of shareholders. The resolutions are being put by the Company at the request of shareholders holding at least 5% of the votes of the Company pursuant to s249D(1)(a) of the *Corporations Act*.

Section 249D requires the directors of a company to call a meeting at the request of members holding at least 5% of the votes. The shareholders requesting the meeting are Mr Graeme Clatworthy, Mrs Sharon Clatworthy, Mr Philip Hardie Boys, Mr Norman Johnson, Foley Pty Ltd, Silktree Investments Pty Ltd, Mr Peter Vassileff and Mr Craig and Mrs Jenny Brown.

The purpose of this Explanatory Memorandum is to provide information that the Company believes to be material to shareholders in deciding whether to pass or reject those resolutions. The Explanatory Memorandum should be read in conjunction with the statements by Mr Colless, Mr Eccles and Mr Clatworthy which are **attached** to this Explanatory Memorandum.

DISCUSSION ON RESOLUTIONS

Experienced Team

The resolutions call for the dismissal of two extremely experienced directors, Messrs Eccles and Colless.

The existing Board has worked extremely well as a team, especially during the difficult period of the last two quarters of the 2004 calendar year.

The Board has been well supported by Mr Noel Taylor, a very experienced geologist and exploration manager responsible for a vast array of duties incorporating not only exploration drill targeting but a formidable list of compliance issues including but not limited to preparing annual technical reports for each tenement.

Given the background of a mineral boom and a chronic shortage of experienced public company directors, the dismissal of such an experienced team would be a serious strategic error.

Company Management

Essentially the Board has had a three pronged approach to the management of the Company:

1. Exploration of Goodenough Property and regaining ownership of the New Bulong Project.

As a result of very encouraging initial drilling results in phase 3 at the Company's Goodenough property near Menzies, funds were raised in London largely by the Chairman, Mr Eccles. This enabled the Company to infill drill, attempt to extend the scope of mineralisation and further address regional exploration issues covering the Company's extensive land holding in Menzies.

Phases 4 and 5 were carried out and JORC Code estimates were calculated and a number of pit optimisation studies were conducted. Results indicated that tonnage and grade, after taking into account the non availability of gold processing facilities and the trucking distances involved, was insufficient to support a commercial operation.

A subsequent expert consultant's study of the structural nature of the Goodenough mineralisation has suggested further areas for drilling. It is intended that once the Company has sufficient funds more drilling will be conducted in the region.

The dispute over ownership of the Bulong Project was finally resolved commercially and an announcement made to the ASX on 1 December 2004. This settlement resulted in the removal of the caveats Sherlock Bay Nickel Corporation Limited ("**Sherlock Bay**") had in place against YGL's tenements at New Bulong. The Company can now proceed with the project.

2. Looking for potential projects

As the Chairman has indicated on a number of occasions, the Company is looking to increase shareholder wealth through acquisition. With this in mind the Board has been actively seeking out projects in which the Company can invest.

Mr Clatworthy has been very closely involved in this process as the Company's corporate adviser. For instance he participated in, and encouraged, a number of meetings regarding a major research project into the resource possibilities in China and promoted a proposal which involved almost doubling the amount of shares on issue to gain control of ground surrounding the Sherlock Bay Nickel Project.

Many projects were reviewed from both a financial and technical perspective by the YGL team during the 2004 year, both nationally and internationally and other commodities were considered. This process only served to confirm to the Board that the way forward for increasing shareholder value is to remain firmly committed to gold exploration within one of the world's most prolific regions of gold exploration and development, the Yilgarn Region of Western Australia.

3. Financial management

The Board has reviewed all costs in the last 6 months and has trimmed them as much as it considers possible. All expenditure has been signed off by the Board.

The Board has decided to retain the services of its exploration manager. Mr Noel Taylor. He is a highly experienced senior geologist. He is employed full time on a permanent basis by the Company which the Board considers much more efficient and cost effective than outsourcing, especially in the current climate where severe skill shortages are being experienced and external consultants have become extremely

busy.

Share Price



The above chart is of the Company's share price since November 2001. It tells a story. In particular it graphs the period between November 2002 to February 2003 referred to in Mr Eccles's statement, paragraph 3. A brief period of positive share price activity in the May to June period 2003 was a result of Sherlock Bay announcing positive drilling results from the Boundary Prospect, part of the New Bulong Project. The subsequent slump to September 2003 reflects the cessation of drilling by Sherlock Bay and the resulting dispute. The period September 2003 to March 2004 relates entirely to the 3 major drilling phases conducted on the Company's Goodenough Project at Menzies. In March 2004 when the results of the JORC Code estimates came through, the market was disappointed and because of those results and the dispute with Sherlock Bay the market reassessed the Company.

Since May 2004 the Company has traded in a sideways channel. This is understandable given that the Company has been in dispute about the ownership of its major asset, the New Bulong Project. Further, whilst the dispute with Sherlock Bay was ongoing the Company was responsible for maintaining 100% of the project but was not in a position to press forward with the project.

Because of dispute over the ownership of the New Bulong Project the Company:

- was not able to refinance the Company;

- was unable to conduct major drilling activity on the New Bulong Project; and
- was, as registered tenement owner, in the difficult position of having to fund the entire mandatory annual exploration expenditure commitments on all the tenements which constitute the New Bulong Project.

Essentially the Company's hands have been tied whilst it has been negotiating getting the New Bulong Project back in the Company's hands. This happened in December 2004. As soon as the New Bulong Project was 100% owned, the Company entered into discussions with its corporate adviser, Mr Clatworthy about raising funds to move forward with the New Bulong Project. In January 2005 the Board agreed with Mr Clatworthy that the Company should make offers to the public via a placement and an offer to the shareholders pursuant to a rights issue.

The Way Forward

On 3 March 2005, YGL announced the planned issue of a prospectus to raise up to \$1,669,805 on the basis of one new share for one existing share at \$0.015 per share. The offer will have a minimum acceptance level of \$300,000. It will be non-renounceable and will not be underwritten. The record date for participation in the offer will be advised shortly.

The capital raising will give all shareholders the opportunity to participate in the extensive exploration programme planned for the Company's New Bulong Project. The drilling programme is aimed at addressing a number of high calibre targets which have already been delineated.

Your Company's quarterly report for the December 2004 period, which is **attached** to the Explanatory Memorandum, highlights the nature of the planning progress which has been underway for a considerable period of time.

Mr Clatworthy's Statement

I encourage all shareholders to objectively read Mr Clatworthy's statement.

The first paragraph is insulting to the incumbent Board and misleading to shareholders. It is misleading in that, as set out above, the Company's share price tells a story that is not the inability of the Board to maximise shareholder wealth. The current Board has been able to negotiate the return of the New Bulong Project and had employed Mr Clatworthy to raise funds for its exploration, which Mr Clatworthy has been unable or unwilling to do. Further Mr Clatworthy has had access to all key decisions made by management since November 2001 courtesy of his trusted position as the Company's corporate adviser. He has been in agreement with all decisions made by management. If the Board has failed it is because Mr Clatworthy has failed the Board.

Mr Clatworthy notes that I was paid consulting fees of \$132,500 for the full time role of managing director. This remuneration is in line with the lower range of salaries paid to managing directors of public companies. The only other benefit I have received is 4,000,000 options. They are effectively performance based options. Two million of the options are unlisted and exercisable at 15 cents on or before 31 May 2007 ("**Unlisted Options**") and 2,000,000 are listed and exercisable at 10 cents each on or before 31 May

2005 and have the same terms and conditions as other listed options on issue ("**Listed Options**").

Mr Eccles consulting fees and Mr Colless' secretarial fees are extremely reasonable. If Mr Eccles was charging the Company his normal hourly charge out rate the fee would be significantly more. Mr Eccles has been granted 1,000,000 Unlisted Options and 1,000,000 Listed Options and Mr Colless was granted 500,000 Unlisted Options and 500,000 Listed Options.

The only financial benefit I, the other directors and Mr Taylor will receive from the options is in the event the options are exercised and the resulting shares are sold at a price in excess of the exercise price.

Again the next paragraph of Mr Clatworthy's statement is also misleading. As Mr Clatworthy is only too well aware the administration costs of \$202,000 is a fixed cost. Exploration costs are low because of the New Bulong Project dispute and the low level of funding available due to that dispute, not as a result of management's ability. If the Company had been able to explore the New Bulong Project, exploration costs would have been much higher whilst administration costs would have remained approximately the same.

Yet again Mr Clatworthy's next paragraph is misleading. Mr Clatworthy advises shareholders that the share price has fallen from 10.5 cents to 2.5 cents. He fails to mention that the 10.5 cent peak was as a result of the very promising results of Sherlock Bay's drilling at the New Bulong Project. And the trough of 2.5 cents is a result of the New Bulong Project dispute and the fact that only minor drilling has been undertaken on the project.

Mr Clatworthy is calling for a change. But a change to what? Mr Clatworthy states that none of the Company's "*targets will develop into the type and size of project that is required to change the fortunes of our company.*" He states that:

"the only way to stop the decline in shareholder value is to revitalise the management of our company by installing directors who possess the necessary vision and determination to deliver the changes that are required."

Mr Clatworthy must have a project in mind. If this is the case he should advise shareholders so they can make an informed decision. Shareholders need to know what voting for the two proposed directors means. If the appointment of Mr Clatworthy and Mr Gellard means a whole new direction for the Company then shareholders should be advised of this BEFORE they make a decision on the composition of the Board.

I also note that Mr Clatworthy is the Company's corporate adviser. If he is aware of a project in which, in his opinion, the Company should invest, he should have presented the project to the Company.

The only project that Mr Clatworthy has mentioned to the Board that has not been considered by the Board is an iron ore project on which the Board has, on a number of occasions, requested further details and which he has failed to produce. Could this be the

direction he wishes for the Company? If so why has he not presented the project to the Board as he is required to do as the Company's corporate adviser?

What will Mr Clatworthy do if elected? Mr Clatworthy is going to reduce directors' fees to \$60,000. This means the Company will not have any full time management. It further means that non-executive director's fees will be increased from \$18,000 to \$20,000. Mr Clatworthy is also going to reduce the costs of secretarial fees to \$30,000 but he does not say how. Who is going provide secretarial services for \$30,000, including accounts payable, full financial accounting, treasury, ASX and ASIC compliance reporting and financial management?

Mr Clatworthy states he will raise funds to put the Company back into a sound financial position. This is exactly what the directors have engaged him to do since December 2004. The most recent placement offered by the Company was arranged by myself after Mr Clatworthy refused to raise funds on terms agreeable to the Company.

At point 3 Mr Clatworthy states that he is going to

"Ensure the company's existing assets are properly exploited and enhanced in order to add value to shareholders' wealth."

But he previously stated none of the Company's

" targets will develop into the type and size of project that is required to change the fortunes of our company."

What can you believe?

At points 4 and 5 Mr Clatworthy is merely reiterating the current Board's plan.

Finally, Mr Clatworthy goes on to describe his and Mr Gellard's experience. The most noteworthy point is that neither gentlemen has any experience as a director of a listed mineral exploration company.

In summary, Mr Clatworthy chooses his points of issue very selectively and then quotes such that a misleading impression is given of the true nature of the Company's ongoing business.

I strongly urge all shareholders to vote against all resolutions

STATEMENT BY REG ECCLES

I was invited to join the Board of your company in July 2002. I accepted this invitation primarily because I had known Lex Brailey for over 20 years and knew him to be a dedicated and experienced explorationist with a profound knowledge of the Western Australian mining and exploration business. I was also led to believe by Graeme Clatworthy that a group of local stockbrokers shared Lex's enthusiasm for the exploration potential of the Yilgarn and would ensure the necessary and essential financial support for a serious exploration effort.

I understood that the invitation was due to my experience in both the mining industry and global capital markets stretching back over 30 years. I have held senior positions in two international mining groups (Anglo American Corporation and Consolidated Goldfields plc); co-founded a successful business providing strategic advice and market intelligence to numerous mining companies; headed up Ord Minnett's European operations and was Global Head of Mining Equities for first SBC Warburg and then ABN Amro.

Shortly after my appointment I introduced your company to a major gold producer which expressed interest in acquiring a stake in Yilgarn Gold Limited (**YGL**) and providing funding for a major exploration programme on our New Bulong property. Confidential negotiations were conducted from October 2002 to February 2003. During this period, and notwithstanding the negotiations were confidential, YGL's share price ran up from under 7 cents to almost 12 cents, a rise which hampered efforts to consummate a deal. When for this and other reasons unrelated to YGL, the gold producer terminated negotiations, your company found itself with insufficient funds to explore New Bulong. Tolhurst Noall Limited proved unable to attract significant new funding so, with some reluctance, your Board elected to enter a farm-in agreement with CKGM (now Sherlock Bay Nickel Corporation Limited).

By July 2003 it was apparent that CKGM had all but ceased exploration on New Bulong whilst it focussed on its major nickel play. In the interim, your management elected to explore its second-most prospective property, Goodenough. Initially there were promising results.

In order to fund follow up exploration at Goodenough, I introduced your company to some major UK institutions and in November 2003 we raised A\$1.2 million predominantly from the London market. Simultaneously we began discussions with Sherlock Bay to regain control of New Bulong. These discussions proved very protracted and were not successfully concluded until November 2004.

Regrettably, follow up drilling at Goodenough has failed to reveal sufficient ore for a commercial operation, a situation not helped by the closure of treatment plants within an economic trucking distance.

In the few months since we regained New Bulong, we have entered into discussions with two major gold producers interested in acquiring the right to mine near surface materials and have firmed up plans for a major exploration effort. The recently announced rights issue is intended to fund this programme.

Throughout the past two years your Board has evaluated numerous proposals to acquire exploration properties or team up with other companies in various ventures. Although some of these discussions are ongoing, the remainder have been rejected because they offered no

greater chance of exploration success than New Bulong or would be prohibitively dilutive for existing shareholders.

The proposed resolutions to replace Lindsay Colless and myself as directors, are opportunistic, fail to recognise the necessary costs of running an active exploration company and offer absolutely no new plan for taking your company forward.

The agreement with Sherlock Bay and negotiations to take back control effectively quarantined our major asset from active exploration. Is it coincidence that just as we regain control of this asset, Graeme Clatworthy and his group should seek to gain board control of your company?

Their proposed "plan" for exploiting our existing property portfolio is virtually identical to the one the incumbent board, with the support of the selfsame supporters, has pursued all along. The major difference lies in their belief that this plan can be progressed for virtually no cost, though precisely how, they do not explain.

To say that I and the other directors have been "rewarded handsomely" for our efforts is both insulting and inaccurate. Apart from the most recent issue of options, I have paid for every share and option I own. Because of the limited financial resources of YGL I have provided much of my time for free and where I have charged it has been at well below market rates. Unlike brokers, I have never sought payment for the new funds I have attracted to the Company.

During my tenure as Chairman, we have reduced directors' fees from A\$24,000 per annum paid to previous incumbents, to A\$18,000 and have significantly reduced secretarial fees by switching to Lindsay Colless' company. As for Lex Brailey and Noel Taylor (Exploration Manager), two very experienced and essential managers, their pay is well within the norms for a junior company.

Apart from their questionable ability to run your company on a shoe-string, I have little confidence in the proposers' statement that they will "raise funds to put the company back into a sound financial position". During my tenure, Tolhurst has singularly failed to deliver funding with the result that easily the bulk of funds raised have come from personal contacts of Lex Brailey and myself.

As a shareholder, I am equally disappointed in our recent share price performance. However, I recognise that exploration is a very high risk activity with many more losers than winners and that the only realistic way to improve the odds of success is to have an experienced and dedicated team with comprehensive local knowledge, well established industry contacts and access to timely and adequate funding.

I firmly believe that in your management and board you have such a team, a team with the tenacity to stay the course, a team dedicated to working for all shareholders and not just one sectional interest.

I have no hesitation in recommending that you vote against the resolutions.

Reg Eccles
Chairman

STATEMENT BY LINDSAY COLLESS

I was appointed to the Board on 24 February 2003.

At the time of my appointment, Yilgarn Gold Ltd had two major projects, Goodenough and New Bulong.

The Goodenough project was considered by the Board to have very good prospects. The Company raised funds to complete an exploration program to enable a proper evaluation of its prospects to be undertaken. The Company proceeded to drill the project, but unfortunately the project did not live up to expectations. The Company was unable to find sufficient ore to establish an economic mining operation.

The New Bulong project was under a joint venture agreement with Sherlock Bay Nickel Corporation Limited ("**Sherlock Bay**"). The New Bulong project was drilled by Sherlock Bay and the project produced encouraging results. Due to Sherlock Bay's focus being diverted to its nickel areas, the Company decided to buy out Sherlock Bay's interest.

The Board has undertaken a geological evaluation of the project and there is sufficient evidence to support the view that the project should be further explored and evaluated for near surface and depth extensions of the ore bodies.

My Experience

In July 2003 I was appointed company secretary of the Company and my company, Mineral Administration Services Pty Ltd ("**MAS**") was appointed to provide all the administration services to the Company. Yilgarn does not employ any administration staff. MAS provides accounts payable, full financial accounting, treasury, ASX and ASIC compliance reporting, financial management and company secretarial services to the Company.

I am a Chartered Accountant and I have been involved as a company secretary and/or a finance director of listed exploration companies for over 20 years. My company, MAS, provides administration services to not only Yilgarn, but a further five listed public companies, two unlisted public companies and has just been appointed to administer another company that is about to list. We also provide administration and accounting functions to an Australian subsidiary of a UK listed company.

I am a director of 6 ASX listed companies and company secretary of 3. All companies in which I am involved are in the minerals exploration and development industry. One of those companies has management contracts over three listed UK resource funds based in London, managing some £100m of investments.

Recent Events

In December 2004, the Board identified that it would need to raise funds for:

- working capital; and
- a drilling and exploration program at New Bulong.

The Board requested Mr Taylor, the Company's Exploration Manager, to prepare a summary of his opinion of the exploration potential at New Bulong and a draft preliminary budget for a reasonable evaluation of the near surface and depth extensions of the various ore bodies contained within the project area.

In January 2005, Mr Clatworthy of Tolhurst Noall Ltd, the Company's brokers, approached Mr Brailey and me to discuss the various funding requirements of the Company. At the meeting Mr Clatworthy:

- advised that he felt the Company's operating expenses were too high. He suggested that the Company may not need to have an exploration manager, but failed to explain how the Company would maintain its tenement obligations without one, and
- queried whether the Board believed that New Bulong was a project that should have further funds spent on it.

We examined the drilling results produced by Sherlock Bay and all agreed that those results were very encouraging and that the Company should proceed with a capital raising. Mr Clatworthy suggested we should do a placement of 12,000,000 shares at 2 cents with a rights issue to follow that placement at a price of either 2 cents or 1.5 cents. Mr Clatworthy then advised that he would be able to arrange a placement at 2 cents with no fees attached.

The Board was advised later that week by Mr Brailey that Mr Clatworthy had revised his placement offer to 1.5 cents with one for one attaching options. The Company did not have the capacity to issue that many securities under the Listing Rules so the Board could not agree to the issue of options without prior shareholder approval. Mr Brailey also advised the Board that Mr Clatworthy had suggested to him that he had an iron ore project that could be vended into the Company. Details would be given later that week.

The Board requested Mr Brailey seek information from Mr Clatworthy regarding his suggested iron ore project in order for the Board to evaluate the project and consider whether a purchase of such a project was in the best interests of all shareholders. Mr Brailey conveyed that message to Mr Clatworthy.

To date I have not seen any such proposal. The first communication I have received was a notice from shareholders under section 249D of the *Corporations Act*, requesting a meeting to be convened at which it is sought to remove Mr Eccles and me as directors and to appoint Mr Clatworthy and Mr Gellard as directors.

After receiving the notice, I contacted Mr Clatworthy and suggested that he and Mr Gellard should seek appointment to the Board and that I would support such a proposal. My suggestion has been rejected.

I am not sure what to conclude regarding these events. As Mr Clatworthy is unwilling to discuss the matter with me, I can only presume he wishes to deal with the Company in a way that does not fit in with the professional approach I take regarding my position as a director.

I am concerned that:

- neither Mr Clatworthy nor Mr Gellard, to my knowledge, has any experience as directors of listed public companies; and
- Messrs Clatworthy and Gellard will be brokers to the Company as well as having Board control.

I have always carried out my duty as a director in a professional manner and as a representative of all shareholders.

I urge shareholders to vote against all resolutions.

Lindsay Colless
Director

**Statement to be circulated to all shareholders of Yilgarn Gold Limited
pursuant to section 249P of the Corporations Act 2001**

Dear fellow Shareholders,

The Australian stock market has enjoyed very solid gains over the past 2 years. The resources sector has experienced the strongest growth in over a decade and the number of small to medium sized, ASX-listed, resource companies that have greatly benefited from these times is vast. Unfortunately our company is amongst a small minority that have not. Yilgarn's current management has been incapable of taking advantage of these times and unable to increase shareholder wealth.

What Yilgarn has spent your money on

Yilgarn's directors have rewarded themselves handsomely. The following table shows what directors and executives were paid in the year to 30 June 2004.

Person	REMUNERATION		
	Salary / fees	Options (using the Black-Scholes valuation method)	TOTAL
Lex Brailey, Director	\$132,500 consulting fees	\$51,282	\$183,782
Reg Eccles, Director	\$49,200 consulting fees \$15,000 director's fees	\$25,641	\$89,841
Lindsay Colless, Director & Secretary	\$40,000 secretarial fees \$15,000 director's fees	\$12,820	\$67,820
Noel Taylor, Executive	\$60,152 salary \$5,414 superannuation	\$14,633	\$80,199
TOTAL	\$317,266	\$104,376	\$421,642

Where else has the company's money been spent? In the 6 months to 31 December 2004, exploration expenditure has been \$272,000, but over the same period administration costs have exceeded \$202,000. I believe that this level of administration costs is unacceptably high.

What have shareholders received in return?

What have shareholders received for our faith in and cost of this management? One way of measuring management's performance is to examine the company's share price performance. Since October 2003, Yilgarn's share price has fallen from 10.5 cents to 2.5 cents. Notwithstanding several new issues of shares, this still represents a decrease in the market capitalisation of the company from about \$8.1 million to about \$2.8 million. This drastic devaluation in shareholders' wealth has occurred despite a period of unprecedented buoyant market conditions.

Time for change

Whilst the company currently holds a number of early stage exploration targets, including the Bulong project, it does not appear likely that any of these targets will develop into the type and size of project that is required to change the fortunes of our company.

I am one of a group of shareholders who have requisitioned the directors to call this general meeting. I believe that the only way to stop the decline in shareholder value is to revitalise the management of our company by installing directors who possess the necessary vision and determination to deliver the changes that are required.

What will we do for the company?

If elected to the board of Yilgarn, Nigel and I will aim to:

1. Reduce running costs. For example, we intend to reduce directors' fees from the \$251,700 in fees paid to three directors in the year to 30 June 2004, to \$20,000 per annum for each of the three directors, and \$30,000 per annum for secretarial fees (total fees \$90,000 per annum).
2. Raise funds to put the company back into a sound financial position.
3. Ensure that the company's existing assets are properly exploited and enhanced in order to add value to shareholders' wealth.

4. Divest or joint venture any projects that offer limited exploration potential. This will free up valuable management time, reduce costs and allow management to focus on what we believe are the company's key assets:

- the New Bulong Project
- the Goodenough Project and
- (to a lesser extent, being grass roots) the Cowarna Rocks project.

We will ascertain as quickly as possible the exploration potential of all of the company's existing tenements and determine how to add value to them or otherwise reduce the company's exposure to them.

5. Identify and appraise new projects that will provide diversity in the company's mineral focus and increase shareholder wealth.

Who are Clatworthy and Gellard?

GRAEME CLATWORTHY is currently working for Tolhurst Noall Ltd as a senior equities dealer. Graeme graduated from Edith Cowan University in 1986 with a Bachelor of Business Degree. He has worked in the stockbroking industry for 18 years.

Graeme has worked in areas of broking that include Assistant Account, Floor Trader, Equities Dealer, Deputy State Manager and Approved Representative of the ASX. Graeme has an extensive knowledge and understanding of the Australian capital markets and has co-ordinated many capital raisings, mostly for resource companies.

NIGEL GELLARD is currently an executive director of Agio Capital Pty Ltd, a boutique funds manager which has delivered growth of over 46% (net of fees) to its investors over the past year and a half.

Prior to this, Nigel spent 5 years working in the financial markets with Patersons Securities Ltd (formerly Paterson Ord Minnett) where he was involved in dealing equities as well as corporate advisory work, including the listing of companies on the ASX.

Nigel has also worked for 10 years with the Rio Tinto group, including providing commercial advice to the Director of Exploration for Rio Tinto plc in London and working as Administration Manager for the Kintyre Uranium project, a large exploration project with an annual budget of \$20 million, where Nigel managed the procurement and planning of large drilling campaigns, aircraft contracts, staffing, tenement administration and purchasing of operational supplies.

Nigel has also worked in both open cut and underground mining operations in various other capacities prior to joining Rio Tinto.

On behalf of the shareholders that have called this meeting, I urge you to vote in favour of all of the resolutions and look forward to better times ahead for our company.

Yours faithfully

Graeme Clatworthy