

Yilgarn Gold Limited

ABN 34 002 527 906

25 October 2005

Companies Announcement Office
Australian Stock Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

Dispatch of Annual Report and Notice of Annual General Meeting

The company advises that it has dispatched its year 2005 Annual Report to members, together with the Notice of Annual General Meeting.

The Annual Report comprises only the financial documents already given to the ASX. A copy of the Notice of Annual General Meeting and accompanying Explanatory Statement is attached.

N J Bassett
Company Secretary

Yilgarn Gold Limited

ABN 34 002 527 906

Notice of Annual General Meeting

Explanatory Statement

and

Proxy Form

YILGARN GOLD LIMITED
ABN 34 002 527 906

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of members of Yilgarn Gold Limited (**Yilgarn** or the **Company**) will be held on Friday, 25 November 2005 commencing at 10.00am at the Holiday Inn City Centre, 788 Hay Street, Perth, WA..

The Explanatory Statement that accompanies and forms part of this Notice of Annual General Meeting describes in more detail the matters to be considered as Special Business.

AGENDA

ORDINARY BUSINESS

Accounts and Reports

To receive and consider the Financial Report of the Company and of the consolidated entity for the year ended 30 June 2005 and the reports by directors and auditors thereon.

1. Remuneration Report

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

"That the Remuneration Report included in the Annual Report for the financial year ended 30 June 2005 be adopted."

The Directors' Report for the year ended 30 June 2005 includes a Remuneration Report in accordance with the requirements of the Corporations Act.

Shareholders in general meeting are required to consider a resolution to adopt the Remuneration Report. The Corporations Act expressly provides that the vote on this resolution is advisory only, and does not bind the company or its directors.

2. Re-election of Director

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

"That Mr Peter Vassileff, having been appointed by the directors until this general meeting in accordance with the Constitution of the Company and, having offered himself for re-election and being eligible, is re-elected a director of the Company."

3. Re-election of Director

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

"That Mr Graeme Clatworthy, having been appointed by the directors until this general meeting in accordance with the Constitution of the Company and, having offered himself for re-election and being eligible, is re-elected a director of the Company."

4. Re-election of Director

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

"That Mr Nigel Gellard, having been appointed by the directors until this general meeting in accordance with the Constitution of the Company and, having offered himself for re-election and being eligible, is re-elected a director of the Company."

SPECIAL BUSINESS

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

5. Ratification of Placement - 9 December 2004

"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the prior issue and allotment of 2,000,000 fully paid ordinary shares in the capital of the Company at a deemed issue price of 3.0 cents each to the party listed in the Explanatory Statement accompanying this Notice of Annual General Meeting and otherwise on the basis set out therein, is ratified and approved."

The Company will disregard any votes cast on this resolution by the party who participated in the issue as listed in the Explanatory Statement and any associate of them. However, the Company need not disregard a vote if it is cast by a person as 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.

6. Ratification of Placement - 16 February 2005

"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the prior issue and allotment of 11,996,665 fully paid ordinary shares in the capital of the Company at an issue price of 1.5 cents each to the parties listed in the Explanatory Statement accompanying this Notice of Annual General Meeting and otherwise on the basis set out therein, is ratified and approved."

The Company will disregard any votes cast on this resolution by the parties who participated in the issue as listed in the Explanatory Statement and any associate of them. However, the Company need not disregard a vote if it is cast by a person as 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.

7. Proposed Capital Raising – Shares and Options

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the issue and allotment of up to 80,000,000 ordinary fully paid shares ranking equally in all respects with the existing ordinary shares on issue at a subscription price of 1.5 cents each, together with the grant of one free Option for every Share subscribed for and issued (such Options to be issued on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Annual General Meeting), and otherwise on the terms and conditions contained in the Explanatory Statement forming part of this Notice of Annual General Meeting, is approved."

The Company will disregard any votes cast on this resolution by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a security holder, if the resolution is passed, and any associate of them. However, the Company need not disregard a vote if it is cast by a person as 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.

8. Proposed Capital Raising – Shares and Options to Directors

“That, subject to the passing of Resolution 7, for the purposes of Listing Rule 10.11 and for all other purposes, the issue and allotment to Directors of up to 10,000,000 fully paid ordinary shares in the capital of the Company ranking equally in all respects with the existing Shares on issue at a subscription price of 1.5 cents each, together with the grant of one free Option for every Share subscribed for and issued (such Options to be issued on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Annual General Meeting), and otherwise on the terms and conditions set out in the Explanatory Statement forming part of this Notice of General Meeting, is approved.”

For the purposes of Listing Rule 10.13.6, 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 solely in the capacity of a security holder, if the resolution is passed, and any associate of them. However, the Company need not disregard a vote if it is cast by a person as 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.

9. Proposed Capital Raising – Options

“That, for the purpose of ASX Listing Rule 7.1 and for all other purposes, the issue of up to 80,000,000 Options, at an issue price of 0.1 cents each, (such options to be issued on the terms and conditions set out in the Explanatory Statement forming part of this Notice of Annual General Meeting) to acquire ordinary fully paid shares in the capital of the Company, is approved.”

The Company will disregard any votes cast on this resolution by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a security holder, if the resolution is passed, and any associate of them. However, the Company need not disregard a vote if it is cast by a person as 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.

10. Allotment of Options to Directors

“That, for the purposes of ASX Listing Rules 7.1 and 10.11, Section 195 and Chapter 2E of the Corporations Act 2001 and for all other purposes, the directors be authorised to grant a total of 10,500,000 Options to subscribe for Shares to Directors or their nominees as set out in the Explanatory Statement, (such Options to be issued on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Annual General Meeting).”

The Company will disregard any votes cast on this resolution by or on behalf of a Director who may participate in the proposed issue or any of his associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by the chairperson of 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.

11. Allotment of Options to Consultants

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the directors be authorised to grant, within three months of the date of this meeting, a total of 3,000,000 Options to subscribe for Shares to Consultants or their nominees as set out in the Explanatory Statement, (such Options to be issued on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Annual General Meeting).”

The Company will disregard any votes cast on this resolution by or on behalf of consultants that may participate in the proposed issue or any of their associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by the chairperson of 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.

For the purposes of determining voting entitlements at the annual general meeting, Shares will be taken to be held by persons who are registered as holding Shares at 10.00am on 23 November 2005. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the general meeting.

Proxy and Voting Entitlement Instructions are included on the Proxy Form accompanying this Notice of Annual General Meeting.

BY ORDER OF THE BOARD

NEVILLE BASSETT
COMPANY SECRETARY
7 OCTOBER 2005

EXPLANATORY STATEMENT

1. INTRODUCTION

This Explanatory Statement has been prepared for the information of members of Yilgarn Gold Limited in connection with the Special Business to be conducted at the annual general meeting of members to be held at the Holiday Inn City Centre, 788 Hay Street, Perth, WA on Friday, 25 November 2005 at 10.00am.

This Explanatory Statement forms part of and should be read in conjunction with the accompanying Notice of Annual General Meeting.

Shareholders should note that all the directors approved the proposal to put the resolutions to shareholders as outlined in the Notice of Annual General Meeting and to prepare this Explanatory Statement.

Australian Stock Exchange Limited ("ASX") Listing Rule Requirements

ASX Listing Rule 7.1 relevantly provides that the prior approval of the shareholders of Yilgarn is required to an issue of equity securities if the securities will, when aggregated with the securities issued by Yilgarn during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12 month period.

The issue and allotment of shares outlined in resolutions 5 and 6 do not exceed the 15% limit, however, ASX Listing Rules 7.1 and 7.4 provide that, where a company in general meeting ratifies an issue of equity securities the issue will be treated as having been made with approval for the purpose of ASX Listing Rule 7.1, thereby enabling the company to issue further equity securities without exceeding the 15% in 12 months limitation.

Shareholder approval is sought so as to refresh Yilgarn's 15% equity security placement limit pursuant to ASX Listing Rule 7.1.

The information required by ASX Listing Rules 7.1 and 7.5 to be provided to shareholders is contained within this Explanatory Statement and the Notice of Annual General Meeting.

The number of securities to be issued by Yilgarn under proposed resolutions 7, 8, 9 10 and 11 when aggregated with the securities issued and for which ratification is sought under resolution 5 and 6, will exceed 15% and accordingly shareholder approval is sought for the placements.

The information required by ASX Listing Rules 7.1 and 7.3 to be provided to shareholders is contained within this Explanatory Statement and the Notice of Annual General Meeting.

ASX Listing Rule 10.11 relevantly provides that the prior approval of shareholders of Yilgarn is required for the issue of equity securities to a related party. If approval is given for the issue of securities under ASX Listing Rule 10.11, approval is not required under ASX Listing Rule 7.1. ASX Listing Rule 10.13 sets out the information to be provided to shareholders in the notice of meeting. The company is seeking shareholder approval to the proposed allotments to related parties pursuant to resolutions 8 and 10.

Corporations Act 2001 Requirements

Chapter 2E of the Corporations Act 2001("the Act") prohibits, subject to certain exceptions, a company from giving a financial benefit to a related party of the company without prior shareholder approval.

Mr P Vassileff, Mr G Clatworthy and Mr N Gellard, (parties to which resolution 10 relates) are considered "related parties" for this purpose, whilst the issue of Options to them constitutes a "financial benefit" for this purpose.

Section 195 of the Act provides, in essence, that a director of a public company may not vote or be present during meetings of directors when matters in which that director holds a "material personal interest" are being considered.

As each director is considered to hold a material personal interest in the consideration of the issue of options to directors, a quorum cannot be formed to consider the matter at Board level. However, by reason of section 195(4) of the Act, the directors are permitted in such instances to put the matter before shareholders to consider and resolve.

The directors have accordingly exercised their right under section 195(4) of the Act and have resolved to place the proposed issue of Options to shareholders to consider and resolve upon.

2. RATIFICATION OF PLACEMENT – 9 DECEMBER 2004 (Resolution 5)

Resolution 5 of the Notice of Annual General Meeting proposes the ratification for the issue and allotment of 2,000,000 Shares on 9 December 2004, thereby satisfying the requirements of ASX Listing Rule 7.4.

In compliance with the information requirements of ASX Listing Rule 7.5 members are advised of the following particulars in relation to the placement:

(a) Number of securities allotted:

2,000,000 Shares

(b) Price at which the securities were issued:

3.0 cents per Share

(c) Terms of the securities:

The Shares rank equally in all respects with the existing Shares on issue.

(d) Names of the allottees:

Sherlock Bay Nickel Corporation Limited

(e) Intended use of funds raised:

No funds were raised from the issue of Shares. The shares were issued as consideration for the acquisition of Sherlock Bay Nickel Corporation Limited's 10% interest in the New Bulong Project.

3. RATIFICATION OF PLACEMENT – 16 FEBRUARY 2005 (Resolution 6)

Resolution 6 of the Notice of Annual General Meeting proposes the ratification for the issue and allotment of 11,996,665 Shares on 16 February 2005, thereby satisfying the requirements of ASX Listing Rule 7.4.

In compliance with the information requirements of ASX Listing Rule 7.5 members are advised of the following particulars in relation to the placement:

(a) Number of securities allotted:

11,996,665 Shares

(b) Price at which the securities were issued:

1.5 cents per Share

(c) Terms of the securities:

The Shares rank equally in all respects with the existing Shares on issue.

(d) Names of the allottees:

| | |
|---|------------------|
| Christopher Arthur Thomson | 700,000 shares |
| Stephen Stone <The Pearlstone Family A/C> | 1,333,333 shares |
| Lamerton Pty Ltd | 1,000,000 shares |
| Zarzal Pty Ltd <DT Jones Family A/C> | 1,000,000 shares |
| Langtry Trust Company (Channel Islands) Limited | 1,666,666 shares |
| Colin Earl Garnsworthy Bennett & Burnice Anne Bennett | 800,000 shares |
| INXS Pty Ltd | 2,000,000 shares |
| Westvelt Superannuation Pty Ltd | 350,000 shares |
| Esta Nominees Pty Ltd | 380,000 shares |
| Pegmont Mines NL | 1,500,000 shares |
| Dongarra Limited | 1,266,666 shares |

(e) Intended use of funds raised:

Funds raised by the issue were to provide sufficient funds to complete discussions with third parties interested in working with the Company to exploit New Bulong, to finalise the preparation of a major work programme on the project, for ongoing exploration on the Company's Western Australian mineral interests, for evaluation of new opportunities and for working capital requirements.

4. PROPOSED CAPITAL RAISING – SHARES AND OPTIONS (Resolutions 7 and 8)

Resolutions 7 of the Notice of Annual General Meeting proposes the issue and allotment of up to 80,000,000 Shares in the capital of Yilgarn at an issue price of 1.5 cents each, together with the grant of one free Option for every one Share subscribed for and issued, to raise \$1,200,000 (before expenses of the issue).

Pursuant to Resolution 8 the Company is seeking approval under Listing Rule 10.11 to permit directors to participate in the proposed issue up to a maximum of 10,000,000 Shares and Options.

In compliance with the information requirements of ASX Listing Rule 7.3 and 10.13 members are advised of the following particulars in relation to the proposed issue of Shares and Options:

(a) Maximum number of securities to be issued:

80,000,000 Shares and 80,000,000 Options

The maximum number of securities to be issued to Directors is 10,000,000 Shares and 10,000,000 Options.

(b) Date by which Yilgarn will issue securities:

No later than three months after the date of this meeting, other than for any issue to Directors which will no later than one month after the date of this meeting.

(c) Price at which securities to be issued:

1.5 cents per Share, together with the grant of one free Option for every one Share subscribed for and issued.

(d) Basis upon which allottees will be determined:

The allottees will be determined at the discretion of the Directors having regard to a number of issues, including:

- the level of demand for Shares and Options
- the identification of shareholders with a long term commitment to Yilgarn; and
- other issues that the Board may consider appropriate from time to time.

(e) Terms of issue:

The Shares will rank equally in all respects with the existing Shares on issue. The Options will be issued on the terms and conditions as outlined in Appendix "A".

(f) Intended use of funds raised:

Funds raised from the issue of securities will be utilised to retire debt and provide funds to strengthen the financial position of the Company allowing it to take advantage of potential project acquisitions as they arise and to provide working capital for the conduct of the Company's current and future activities, including meeting the Company's exploration expenditure commitments.

It is proposed that the funds will be utilised as follows:

| | \$ |
|--|------------------|
| Exploration expenditure | 686,000 |
| Repayment of debt | 100,000 |
| Expenses of the issue | 60,000 |
| Administration and corporate overheads | 354,000 |
| Total Funds Applied | 1,200,000 |

The information set out in the above table is a statement of present intention. The exact quantum of funds expended by the Company on any particular item will be dependant on many factors that cannot be ascertained with complete accuracy at the date of this Explanatory Statement.

(g) Dates of allotment:

Allotment will occur progressively.

No shareholder/placee would be permitted to have an entitlement exceeding 20% of the issued capital of Yilgarn pursuant to the placement proposed under Resolution 7 and therefore no change in control of Yilgarn is anticipated as a result of the placement.

It is proposed that the Share placement be made on the basis described in (d) above and will be issued pursuant to a disclosure document or, where appropriate, as an "excluded issue" pursuant to the Corporations Act 2001.

Directors and their associates are not entitled to participate in the placement, other than to the level approved by shareholders pursuant to Resolution 8.

5. PROPOSED CAPITAL RAISING – OPTIONS (Resolution 9)

Resolution 9 of the Notice of Annual General Meeting proposes the issue and allotment of up to 80,000,000 Options at an issue price of 0.1 cents each to raise \$80,000 (before expenses of the issue).

In compliance with the information requirements of ASX Listing Rule 7.3 members are advised of the following particulars in relation to the proposed issue of Options pursuant to resolution 9:

(a) Maximum number of securities to be issued:

80,000,000 Options.

(b) Date by which Yilgarn will issue securities:

No later than three months after the date of this meeting.

(c) Price at which securities to be issued:

0.1 cents per Option.

(d) Basis upon which allottees will be determined:

The allottees will be determined at the discretion of the Directors having regard to a number of issues, including:

- the level of demand for the Options
- the identification of holders with a long term commitment to Yilgarn; and
- other issues that the Board may consider appropriate from time to time.

(e) Terms of issue:

The Options will be issued on the terms and conditions as outlined in Appendix "A".

(f) Intended use of funds raised:

Funds raised from the issue of securities will be utilised to retire debt and provide funds to strengthen the financial position of the Company allowing it to take advantage of potential project acquisitions as they arise and to provide working capital for the conduct of the Company's current and future activities, including meeting the Company's exploration expenditure commitments.

(g) Dates of allotment:

Allotment will occur progressively.

It is proposed that the Option placement be made on the basis described in (d) above and will be issued pursuant to a disclosure document or, where appropriate, as an "excluded issue" pursuant to the Corporations Act 2001.

Directors and their associates are not entitled to participate in the placement.

6. ALLOTMENT OF OPTIONS TO DIRECTORS - (Resolution 10)

The purpose of the issue is to remunerate the specified directors as an incentive for future services. The Directors believe that the future success of the Company will depend in large measure on the skills and motivation of the people engaged in and overseeing the management of the Company's operations. It is therefore important that the Company is able to attract and retain people of the highest calibre.

The Directors consider that the most appropriate means of achieving this is to provide the directors with an opportunity to participate in the Company's future growth and give them an incentive to contribute to that growth.

Issue of options as part of the remuneration packages of directors, senior executives and key consultants is a well established practice of public listed companies and, in the case of the Company, has the benefit of conserving cash whilst properly rewarding directors, executives and consultants.

The proposed participants in the issue of Options and the number of Options to be issued are:

| Name | Position | Incentive Options |
|-----------------|------------------------|--------------------------|
| Mr P Vassileff | Non-Executive Chairman | 3,000,000 |
| Mr G Clatworthy | Non-Executive Director | 5,000,000 |
| Mr N Gellard | Non-Executive Director | 2,500,000 |

ASX Listing Rules and the Corporations Act 2001 require shareholder approval to be obtained for the issue of options to related parties (the Directors).

The options referred to in resolution 10 will be issued free of charge and within one month after the date of this meeting to the nominated Directors.

In accordance with section 219 of the Act (and, in satisfaction of the information requirements of ASX Listing Rule 10.13), the following information is provided to shareholders to allow them to assess whether or not it is in the Company's interests to pass resolution 10:

- (a) Mr P Vassileff, Mr G Clatworthy and Mr N Gellard, are the related parties to whom the proposed resolution would permit a financial benefit to be given. They are a related party to the Company by virtue of section 228 of the Act.
- (b) The nature of the financial benefit to be given to the related party is the allotment of the Options free of charge on the terms and conditions set out in Annexure "A" to this Explanatory Statement.

The Options to be allotted will be freely transferable. The options must be exercised on or before 31 December 2008, after which date all of the options automatically lapse.

On the basis of the indicative option value, as detailed herein, the value of options proposed to be issued to the related parties, is as follows:

| Name | No. of Options | Indicative Value \$ |
|-----------------|-----------------------|-------------------------------|
| Mr P Vassileff | 3,000,000 | 3,300 |
| Mr G Clatworthy | 5,000,000 | 5,500 |
| Mr N Gellard | 2,500,000 | 2,750 |

The current annual director emoluments of Messrs Vassileff, Clatworthy and Gellard as non-executive directors is \$2,000 per month each. Messrs Vassileff, Clatworthy and Gellard were appointed directors on April 2005 and no remuneration was paid to them for the year ended 30 June 2005.

- (c) Mr Vassileff, Mr Clatworthy and Mr Gellard do not wish to make any recommendation to members in their capacity as directors of the Company in relation to proposed resolution 10 because of their interest in the proposed grant of Options.
- (d) Excluding any securities proposed to be allotted to the related parties pursuant to resolution 8, Mr Vassileff, Mr Clatworthy and Mr Gellard have a relevant interest in the securities set out below:

| Name | Shares | Options |
|-----------------|---------------|----------------|
| Mr P Vassileff | 3,868,000 | - |
| Mr G Clatworthy | 2,190,000 | 166,666 |
| Mr N Gellard | - | - |

- (e) The parties to be granted Options have an interest in Resolution 10. Details of the potential benefits and costs to the Company are listed below.
- (f) There is no other information known to the Directors or the Company that is reasonably required by shareholders to make a decision whether or not it is in the Company's interests to pass resolution 10, other than as set out throughout this Explanatory Statement (including the current entitlements of the Directors to securities in the Company). The Directors note that ASX Corporate Governance Principles and Recommendations state that non-executive directors should not be granted options or bonus payments as part of their remuneration package. Ultimately, shareholders will make that determination, but the Directors reiterate that options (for both executive and non-executive directors) are a cost effective benefit for small companies that seek to conserve cash reserves.

Potential Benefits

If the options are issued pursuant to the proposed resolution, the Company considers the following benefits arise:

- Mr Vassileff, Mr Clatworthy and Mr Gellard will have a vested interest in the affairs of the Company. As options are a performance based incentive, they will have that incentive to ensure the market price of the shares of the Company increases to create value in the options and this will benefit all shareholders.
- The issue of options is a non-cash form of remuneration, thus conserving liquid funds.
- The exercise of the options will provide working capital for the company at no significant cost. If all the options proposed to be issued pursuant to resolution 9 are ultimately exercised, an amount of \$525,000 would be raised.

Dilution Effect and Potential Costs

The potential cost to the Company of the issue of an aggregate of 10,500,000 Options pursuant to resolution 10 is that there will be a dilution of the issued share capital if the Options are exercised. Based on 111,320,368 shares currently on issue, the exercise of the proposed options to related parties would have a dilution effect of approximately 8.6% of non-associated shareholders interest in the company. If the other existing and proposed options held by third parties were also to be exercised and on completion of the other proposed share issues the dilution effect would be significantly smaller.

The Directors do not consider that there are any opportunity costs to the Company or benefits foregone by the Company in respect of the proposed issue of options other than, if the options are exercised at a time when the market price of the Company's shares is greater than the exercise price of the options, there will be a detriment insofar as the Company will be required to issue shares at a price lower than it might otherwise have been able to, with the result that less funds will be raised.

The value of Incentive Options proposed to be issued is calculated using the Black and Scholes option valuation model as follows:

| | Incentive Options |
|--|-------------------|
| Exercise price of options | 5 cents |
| Share price used (closing share price prior to preparation of this notice) | 2.6 cents |
| Risk free interest rate (based on the 3 year bond rate) | 5.36% |
| Length of exercise period | 3 years 3 months |
| Volatility | 25% |
| Black and Scholes notional value | 0.11 cents |

The price of the Company's Shares quoted on ASX over the past twelve months has ranged from a low of 2.0 cents on 19 April 2005, 10 May 2005 and 10 June 2005 to a high of 4.0 cents on 12 November 2004. The latest available price of the Company's shares quoted on the ASX, prior to the date of this Explanatory Statement, on 5 October 2005 was 2.6 cents.

Using the notional value computed above, the value of the proposed issues of securities is as follows:

| | Number of Incentive Options | \$ |
|--------------|------------------------------------|-----------|
| P Vassileff | 3,000,000 | 3,300 |
| G Clatworthy | 5,000,000 | 5,500 |
| N Gellard | 2,500,000 | 2,750 |

Further details of the terms and conditions of the Options to be issued are at Appendix A to this Explanatory Statement. The granting of approval for the issue of these securities by shareholders excludes the issues from the calculation of the 15% limit on the further issue of securities by the Company over the next 12 months.

The securities referred to in resolution 10 will be issued free of charge and within one month after the date of this meeting.

7. PROPOSED GRANT OF OPTIONS TO CONSULTANTS (Resolution 11)

Resolution 11 of the Notice of Annual General Meeting proposes the grant of 3,000,000 Options to consultants of Yilgarn.

The purpose of the proposed allotment of the Options is to provide a performance incentive to the consultant.

The Options will be issued for no consideration.

No directors or their associates will participate in the allotment of Options approved under Resolution 11.

In compliance with the information requirements of ASX Listing Rule 7.3 members are advised of the following particulars in relation to the proposed issue of options:

- (a) Maximum number of options to be issued:

3,000,000

- (b) Date by which Yilgarn will issue options:

No later than three months after the date of the meeting.

- (c) Price at which options to be issued:

The options are being issued free as an incentive for work done for the Company.

- (d) Names of the allottees:

Mandevilla Pty Ltd

- (e) Terms of issue:

The Options will be issued on the terms and conditions as outlined in Appendix "A".

(f) Intended use of funds raised:

The options will be issued for no consideration. There are no funds being raised from the allotment as the options will be issued as an incentive for work done for the Company.

(g) Dates of allotment:

Allotment will occur on one date.

8. CAPITAL STRUCTURE

On completion of the issue of securities contemplated by this Notice of Annual General Meeting the capital structure of the Company will change as follows:

BEFORE NEW ISSUES

Shares

| <i>Number</i> | <i>Description</i> |
|---------------|----------------------------|
| 111,320,368 | fully paid ordinary shares |

Options

| <i>Number</i> | <i>Exercise Price</i> | <i>Expiry date</i> |
|---------------|-----------------------|--------------------|
| 4,500,000 | \$0.15 | 31 May 2007 |
| 666,667 | \$0.20 | 19 October 2005 |

ON COMPLETION OF NEW ISSUES

Shares

| <i>Number</i> | <i>Description</i> |
|---------------|----------------------------|
| 191,320,368 | fully paid ordinary shares |

Options

| <i>Number</i> | <i>Exercise Price</i> | <i>Expiry date</i> |
|---------------|-----------------------|--------------------|
| 4,500,000 | \$0.15 | 31 May 2007 |
| 666,667 | \$0.20 | 19 October 2005 |
| 173,500,000 | \$0.05 | 31 December 2008 |

9. DEFINITIONS

ASX means Australian Stock Exchange Limited.

ASX Listing Rules means the official listing rules of ASX.

Director means a director of the Company.

Option means an option to acquire a Share on the terms and conditions as outlined in Appendix "A".

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

Share means a fully paid ordinary share in the capital of the Company and **Shares** has a corresponding meaning.

APPENDIX "A"

Terms and Conditions of Options

The terms and conditions of the Options are as follows:

- (a) Each Option entitles the holder to subscribe for and be allotted one ordinary fully paid share in the company.
- (b) The Options are exercisable at 5 cents each.
- (c) The Options will expire on 31 December 2008 (the "**Expiry Date**").
- (d) The Options are exercisable at any time on or prior to the Expiry Date by notice in writing to the directors of the company accompanied by payment of the exercise price.
- (e) The Options are freely transferable.
- (f) All shares issued upon exercise of the Options will rank pari passu in all respects with the company's then existing ordinary fully paid shares. The company will apply for Official Quotation by the ASX of all shares issued upon exercise of the Options.
- (g) There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Options. However, if from time to time on or prior to the Expiry Date the company makes an issue of new shares to the holders of ordinary fully paid shares, the company will send a notice to each holder of Options at least nine (9) Business Days before the record date referable to that issue. This will give Optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (h) If from time to time on or prior to the Expiry Date the company makes an issue of shares to the holders of ordinary fully paid shares in the company by way of capitalisation of profits or reserves (a **bonus issue**), then upon exercise of their Options, Optionholders will be entitled to have issued to them (in addition to the shares which would otherwise be issued to them upon such exercise) the number of shares of the class which would have been issued to them under that bonus issue (**bonus shares**) if on the record date for the bonus issue they had been registered as the holder of the number of shares of which they would have been registered as holder if, immediately prior to that date, they had duly exercised their Options and the shares the subject of such exercise had been duly allotted and issued to them. The bonus shares will be paid up by the company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the bonus issue and upon issue will rank pari passu in all respects with the other shares allotted upon exercise of the Options.
- (i) There is no right to a change in the exercise price of the Options or to the number of shares over which the Options are exercisable in the event of a new issue of capital (other than a bonus issue) during the currency of the Options.
- (j) In the event of any reorganisation of the issued capital of the company on or prior to the Expiry Date, the rights of an Optionholder will be changed to the extent necessary to comply with the applicable ASX Listing Rules in force at the time of the reorganisation.

PROXY FORM

The Secretary
Yilgarn Gold Limited
PO Box 7315
Perth WA 6850

I/We (full name)

of _____

being a member(s) of Yilgarn Gold Limited, hereby appoint as my/our proxy

of _____

or, failing him/her the Chairperson of the Meeting to attend and vote for me/us at the general meeting of the Company to be held at 10.00am on Friday, 25 November 2005 and at an adjournment thereof in respect of _____% of my/our shares or, failing any number being specified, ALL of my/our shares in the Company.

RESOLUTIONS

| | FOR | AGAINST | ABSTAIN |
|--|--------------------------|--------------------------|--------------------------|
| 1 Adoption of Remuneration Report | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2 Re-Election of Director – Mr P Vassileff | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3 Re-Election of Director – Mr G Clatworthy | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4 Re-Election of Director – Mr N Gellard | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5 Ratification of Placement – 9 December 2004 | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6 Ratification of Placement – 16 February 2005 | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7 Proposed Capital Raising – Shares and Options | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 8 Proposed Capital Raising – Shares and Options to Directors | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 9 Proposed Capital Raising – Options | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 10 Allotment of Options to Directors | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 11 Allotment of Options to Consultants | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

If the member is an individual or joint holder:

Usual Signature

Dated this _____ day of

Usual Signature

2005.

If the member is a Company:

Signed in accordance with the
Constitution of the company
the presence of:

Director/Sole Director

Director/Secretary

Sole Director and Sole Secretary

Dated this

_____ day of

2005.

INSTRUCTIONS AS TO VOTING

If you wish to direct your proxy how to vote with respect to the proposed resolutions, please indicate the manner in which your proxy is to vote by placing a "X" in the appropriate box for each Resolution, otherwise your proxy will vote as he/she thinks fit or abstain from voting.

If you do not wish to direct your proxy how to vote, please place a mark in the 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 that interest.

NOTES

1. A member entitled to attend and vote is entitled to appoint not more than two proxies.
2. Where more than one proxy is appointed and that appointment does not specify the proportion or number of the member's votes, each proxy may exercise half of the votes.
3. A proxy need not be a member of the Company.
4. A proxy is not entitled to vote unless the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed is either deposited at the registered office of the Company (Level 9, 190 St George's Terrace, Perth, Western Australia or PO Box 7315, Perth, WA 6850) or sent by facsimile to that office on Fax: 08 9486 8066 to be received not less than 48 hours prior to the time of the meeting.
5. If the member is a company it must execute under its Common Seal or otherwise in accordance with its Constitution.
6. The Chairman intends to vote all undirected proxies in favour of all resolutions, except with resolution 8 and 10. The Corporations Act 2001 does not allow the Chairman to vote undirected proxies in case of resolution 8 and 10.