

Yilgarn Gold Limited
ABN 34 002 527 906

Interim Financial Report

for the

Half-Year ended 31 December 2005

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2005 and any public announcements made by Yilgarn Gold Limited during the half-year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Yilgarn Gold Limited

ABN 34 002 527 906

Corporate Directory

Directors

Peter Vassileff
Graeme John Clatworthy
Nigel James Gellard

Company Secretary

Neville John Bassett

Registered Office

Level 9, 190 St George's Terrace
Perth WA 6000

Tel: (08) 9486 7066
Fax: (08) 9486 8066

Business Office

137 Edward Street
Perth WA 6000

Tel: (08) 9227 0197
Fax: (08) 9227 0172

Share Registry

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St George's Terrace
Perth WA 6000

Investor enquiries:

Tel: 1300 557 010
(08) 9323 2000
Fax: (08) 9323 2033

Auditor

Rothsay
Chartered Accountants
2 Barrack Street
Sydney NSW 2000

Stock Exchange Listing

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

Yilgarn Gold Limited

Directors' Report

The Directors of Yilgarn Gold Limited submit herewith the financial report for the half-year ended 31 December 2005. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of directors of the Company during the whole of the half-year and up to the date of this report are:

Name	Position
Peter Vassileff	Non-Executive Chairman
Graeme John Clatworthy	Non-Executive Director
Nigel James Gellard	Non-Executive Director

Review and Results of Operations

The review of the company's operations during the half year ended 31 December 2005 is as follows.

Financial

	Segment Revenue	Segment result
	\$	\$
Mining and exploration	-	(192,652)
Interest	403	403
Other income	8,000	(11,893)
	<u>8,403</u>	<u>(204,142)</u>
Unallocated expenses		<u>(112,464)</u>
Operating profit (loss)		<u>(316,606)</u>
Income Tax		-
Operating profit (loss) for half-year		<u><u>(316,606)</u></u>

Exploration activities

The economic entity continues to be actively involved in exploration, focussing primarily on gold and nickel in Western Australia.

Changes in State Of Affairs

During the half year ended 31 December 2005 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.

Auditor's Independence Declaration

The following is a copy of a letter received from the Company's auditors:

"Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To: the directors of Yilgarn Gold Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2005, there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

Graham Swan
Lead auditor
Rothsay Chartered Accountants"

This report is made in accordance with a resolution of the directors.

P Vassileff
Director
PERTH, this 28th day of February 2006

Yilgarn Gold Limited

Independent Auditor's Report To The Members of Yilgarn Gold Limited

Scope

We have reviewed the financial report of Yilgarn Gold Limited for the half-year ended 31 December 2005 as set out on pages 4 to 12. The company's directors are responsible for the preparation and presentation of the financial report and information contained therein.

We have performed an independent review of the half-year financial report in order for the company to lodge the half-year 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 AASB134: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 company's financial position, and performance as represented by the results of its operations and its cash flows.

Review Statement

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 entity's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and
 - (ii) comply with Accounting Standard AASB134:Interim Financial Reporting and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

Rothsay

Chartered Accountants

Graham R Swan

Partner

PERTH

Dated this 28th day of February 2006

The liability of Rothsay Chartered Accountants is limited by, and to the extent of, the Accountants' Scheme under the Professional Standards Act 1994 (NSW).

Yilgarn Gold Limited

ABN 34 002 527 906

Directors' Declaration

For The Half-Year Ended 31 December 2005

The directors declare that:

- (a) The attached financial statements and notes thereto comply with Accounting Standards;
- (b) The attached financial statements and notes thereto give a true and fair view of the financial position and performance of the entity;
- (c) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act, 2001; and
- (d) In the directors' opinion there are reasonable grounds to believe that Yilgarn Gold Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors pursuant to s 303(5) of the Corporations Act, 2001.

On behalf of the Directors

P Vassileff
Director

PERTH, 28th day of February 2006

Yilgarn Gold Limited
Condensed Income Statement
For The Half-Year Ended 31 December 2005

	Note	Half-year ended 31 Dec 2005 \$	Half-year ended 31 Dec 2004 \$
Revenue from continuing operations		8,403	7,476
Expenses from continuing operations			
Depreciation expense		(2,617)	(4,694)
Salaries and employee benefits expense		(3,149)	(3,044)
Consultants and directors fees		(78,850)	(81,158)
Legal costs		-	(3,879)
Travel costs		-	(27,809)
Accounting, audit and tax fees		(5,500)	(1,900)
ASIC/ASX fees		(8,803)	(16,167)
Rental of office premises		(19,893)	(13,117)
Share registry fees		(6,610)	(8,321)
Insurance costs		(1,025)	(8,697)
Write off of exploration costs		(192,652)	(290,711)
Other costs		(5,910)	(57,735)
Loss before income tax		(316,606)	(509,756)
Income tax expense		-	-
Loss from continuing operations		(316,606)	(509,756)
Loss from discontinued operations		-	-
Loss for the half-year attributable to members of Yilgarn Gold Limited		(316,606)	(509,756)
Earnings per share for loss attributable to the ordinary equity holders of the Company			
Basic earnings per share	5	\$(0.0028)	\$(0.0080)

Yilgarn Gold Limited
Condensed Balance Sheet
As at 31 December 2005

	Note	As at 31 Dec 2005 \$	As at 30 June 2005 \$
Current Assets			
Cash and cash equivalents	3	140,777	105,006
Receivables		165	20,908
Total Current Assets		140,942	125,914
Non-Current Assets			
Property, plant & equipment		8,474	11,091
Other - exploration tenements		1,134,390	1,237,050
Total Non-Current Assets		1,142,864	1,248,141
Total Assets		1,283,806	1,374,055
Current Liabilities			
Payables		113,850	47,937
Non Interest-bearing liabilities		115,000	100,000
Provisions		13,575	10,481
Total Current Liabilities		242,425	158,418
Total Liabilities		242,425	158,418
Net Assets		1,041,381	1,215,637
Equity			
Contributed equity	4	4,837,136	4,709,636
Reserves		299,968	285,118
Accumulated losses	2	(4,095,723)	(3,779,117)
Total Equity		1,041,381	1,215,637

The above statement should be read in conjunction with the accompanying notes.

Yilgarn Gold Limited

Condensed Statement of Changes in Equity

For the half-year ended 31 December 2005

	Issued Capital \$	Accumulate d Losses \$	Other Reserves \$	Total \$
At 1 July 2004	4,841,604	(2,885,095)	285,118	1,881,627
Shares issued during the period	60,000	-	-	60,000
	4,541,604	(2,885,095)	285,118	1,941,627
Net loss for period	-	(509,756)	-	(509,756)
At 31 December 2004	4,541,604	(3,394,851)	285,118	1,431,871
At 1 July 2005	4,709,636	(3,779,117)	285,118	1,215,637
Shares issued during the period	127,500	-	-	127,500
Cost of share based payment	-	-	14,850	14,850
	4,837,136	(3,779,117)	299,968	1,357,987
Net loss for period	-	(316,606)	-	(316,606)
At 31 December 2005	4,837,136	(4,095,723)	299,968	1,041,381

The above statement should be read in conjunction with the accompanying notes.

Yilgarn Gold Limited

Cash Flow Statement

For The Half-Year Ended 31 December 2005

	Half-year ended 31 Dec 2005 \$	Half-year ended 31 Dec 2004 \$
Cash Flows from Operating Activities		
Payments to suppliers and employees	(23,880)	(248,270)
Interest and other items of a similar nature received	354	7,476
Sundry income	8,000	-
Net Operating Cash Flows	(15,526)	(240,794)
Cash Flows from Investing Activities		
Exploration expenditure	(91,203)	(226,156)
Net Investing Cash Flows	(91,203)	(226,156)
Cash Flows from Financing Activities		
Proceeds from issue of shares and options	127,500	-
Proceeds from borrowings	15,000	-
Net Financing Cash Flows	142,500	-
Net increase / (decrease) in cash held	35,771	(466,950)
Cash and Cash Equivalents at beginning of half year	105,006	582,389
Cash and Cash Equivalents at End of Half Year	140,777	115,439

The above statement of cash flows should be read in conjunction with the accompanying notes.

Yilgarn Gold Limited

Notes to the Financial Statements

For the Half-Year ended 31 December 2005

1. Basis of Preparation of Half-Year Financial Statements

This general purpose financial report for the interim half-year ended 31 December 2005 has been prepared in accordance with the Corporations Act 2001 and Accounting Standard AASB 134 *Interim Financial Reporting*. This half-year report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the Annual Report for the year ended 30 June 2005 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 principle accounting policies have been consistently applied to all the periods presented, unless otherwise stated.

This interim financial report is the first Yilgarn Gold Limited interim financial report to be prepared in accordance with Australian equivalents to International Financial Reporting Standards ('AIFRSs'). AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of the Company until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles ('AGAAP').

The conversion of the balance sheet at 30 June 2005 from AGAAP to AIFRS has not resulted in any material financial impact on balance sheet carrying values or any alteration to the income statement or cashflow.

Share based payments

The Company has taken the exemption, available for first time adoption of AIFRS under AASB 1 (25B), not to bring to account the effect of share-based payments, including options, on its income statement and balance sheet.

Taxation

The Company has not brought to account the estimated future income tax benefits attributable to tax losses and temporary differences as a deferred tax asset, as it is not yet considered probable that future taxable profit will be available for utilisation.

Impairment of Assets

The recoverable amount of an asset is determined as the higher of net selling price and value in use. Property plant and equipment is carried at cost less accumulated depreciation and any accumulated impairment losses (the cost method). The fair value of property plant and equipment, as determined by reference to observable prices, is not materially different to the carrying amount.

Capitalisation of Exploration and Evaluation Costs

The Company uses the 'area of interest' principle which is in accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*. 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.

2. Accumulated Losses

	Half-year ended 31 Dec 2005 \$	Annual Report 30 June 2005 \$
Loss from ordinary activities after related income tax expense	(316,606)	(894,022)
Accumulated profits (losses) brought forward	(3,779,117)	(2,885,095)
Accumulated profits (losses) at end of half-year	(4,095,723)	(3,779,117)

Yilgarn Gold Limited

Notes to the Financial Statements

For the Half-Year ended 31 December 2005

3. Reconciliation of cash

For the purposes of this statement of cash flows, cash includes

	Half-year ended 31 Dec 2005 \$	Half-year ended 31 Dec 2004 \$
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	140,777	105,006
Deposits at call	-	-
	<u>140,777</u>	<u>105,006</u>

4. Issued and quoted securities at end of current half-year

Category of Securities	Number Issued	Number Quoted		
<u>Ordinary Shares:</u>				
Listed	119,820,368	119,820,368		
Of which issued during half-year ended 31 December 2005	8,500,000	8,500,000		
<u>Options:</u>			Exercise Price	Expiry Date
Unlisted	4,500,000	-	15 cents	31/05/07
Unlisted	22,000,000	-	5 cents	31/12/08
Of which issued during half-year ended 31 December 2005	22,000,000	-	5 cents	31/12/08

666,667 unlisted options exercisable at 20 cents each expired on 19 October 2005.

5. Earnings per share

	Half-year ended 31 Dec 2005	Half-year ended 31 Dec 2004
Basic earnings per share – dollars	\$(0.0028)	\$(0.0080)
Diluted earnings per shares is not materially different from Basic earnings per share		
The weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	111,736,129	63,771,140

Yilgarn Gold Limited

Notes to the Financial Statements

For the Half-Year ended 31 December 2005

6. Explanation of transition to Australian equivalents to IFRSs

(1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS)

(a) At the date of transition to AIFRS: 1 July 2004

	1 July 2004
	\$
Total equity under AGAAP	1,881,627
Adjustments for effect of transition to AIFRSs	-
Total equity under AIFRS	<u>1,881,627</u>

(b) At the end of the last half-year reporting period under previous AGAAP: 31 December 2004

	31 December 2004
	\$
Total equity under AGAAP	1,431,871
Adjustments for effect of transition to AIFRSs	-
Total equity under AIFRS	<u>1,431,871</u>

(c) At the end of the last reporting period under previous AGAAP: 30 June 2005

	30 June 2005
	\$
Total equity under AGAAP	1,215,637
Adjustments for effect of transition to AIFRSs	-
Total equity under AIFRS	<u>1,215,637</u>

(2) Reconciliation of loss reported under previous AGAAP to loss AIFRS

(a) Reconciliation of loss for the half-year ended 31 December 2004

	31 December 2004
	\$
Net loss as reported under AGAAP	509,756
Adjustments for effect of transition to AIFRSs	-
Net loss under AIFRS	<u>509,756</u>

(b) Reconciliation of loss for the year ended 30 June 2005

	30 June 2005
	\$
Net loss as reported under AGAAP	894,022
Adjustments for effect of transition to AIFRSs	-
Net loss under AIFRS	<u>894,022</u>

(3) Reconciliation of cash flow statement for the year ended 30 June 2005

The adoption of AIFRS has not resulted in any material adjustment to the cash flow statement.

Yilgarn Gold Limited

Notes to the Financial Statements

For the Half-Year ended 31 December 2005

7. Segmental 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.

8. Subsequent Events

Subsequent to the half-year end, the Company has raised \$1,152,500 through the issue of 71,500,000 ordinary fully paid shares (together with a free attaching option) at an issue price of 1.5 cents per share and 80,000,000 options at an issue price of 0.1 cents per option. The options are exercisable at 5 cents each on or before 31 December 2008.

No other matter or circumstance has arisen since the end of the half-year which has significantly affected or may significantly affect the operations of the Company, the results of the Company, or the state of affairs of the Company as reported for the half-year ended 31 December 2005.

9. Commitments for Expenditure (Contingent Liability)

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 Western Australian Department of Industry and Resources and pay tenement lease rents. The company will be required to outlay in 2005/06 amounts of approximately \$397,000 to meet these minimum expenditure requirements. These obligations will be fulfilled in the normal course of operations, which may include farm-out, joint venture and direct exploration expenditure.