

Yilgarn Gold Limited

ABN 34 002 527 906

Notice of General Meeting

Explanatory Statement

and

Proxy Form

YILGARN GOLD LIMITED

ABN 34 002 527 906

NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of members of Yilgarn Gold Limited (**Yilgarn** or the **Company**) will be held on Friday, 2 June 2006 commencing at 11.00am at the Holiday Inn City Centre, 788 Hay Street, Perth, WA.

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

AGENDA

SPECIAL BUSINESS

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

1. Ratification of Placement - 19 January 2006

"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the prior issue and allotment of 5,000,000 fully paid ordinary shares in the capital of the Company at an issue price of 1.5 cents each, together with the grant of one free Option for every Share subscribed for and issued, to the parties listed in the Explanatory Statement accompanying this Notice of 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.

2. Proposed Capital Raising – Shares

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the issue and allotment of up to 70,000,000 ordinary fully paid shares ranking equally in all respects with the existing ordinary shares on issue at a subscription price of 8 cents each on the terms and conditions contained in the Explanatory Statement accompanying this Notice of 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 an ordinary 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.

3. Proposed Capital Raising – Shares to Directors

“That, subject to the passing of Resolution 2, for the purposes of Listing Rule 10.11 and for all other purposes, the issue and allotment to Directors of up to 1,250,000 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 8 cents each 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 an ordinary 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.

For the purposes of determining voting entitlements at the general meeting, Shares will be taken to be held by persons who are registered as holding Shares at 11.00am on 31 May 2006. 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 General Meeting.

BY ORDER OF THE BOARD

NEVILLE BASSETT
COMPANY SECRETARY
1 MAY 2006

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 general meeting of members to be held at the Holiday Inn City Centre, 788 Hay Street, Perth, WA on Friday, 2 June 2006 at 11.00am.

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

Shareholders should note that all the directors approved the proposal to put the resolutions to shareholders as outlined in the Notice of 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 and Options outlined in resolution 1 did 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 General Meeting.

The number of securities to be issued by Yilgarn under proposed resolution 2 will exceed 15% and accordingly shareholder approval is sought for the placement.

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 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 allotment to related parties pursuant to resolutions 3.

2. RATIFICATION OF PLACEMENT – 19 JANUARY 2006 (Resolution 1)

Resolution 1 of the Notice of General Meeting proposes the ratification for the issue and allotment of 5,000,000 Shares, together with 5,000,000 free attaching options, on 16 February 2006, 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:

5,000,000 Shares and 5,000,000 Options

- (b) Price at which the securities were issued:

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

- (c) Terms of the securities:

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

- (d) Names of the allottees:

Clients of Westar Capital Limited

No related party participated in the allotment of securities.

- (e) Intended use of funds raised:

Funds raised from the issue of securities will be utilised 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.

3. PROPOSED CAPITAL RAISING – SHARES (Resolution 2)

Resolution 2 of the Notice of General Meeting proposes the issue and allotment of up to 70,000,000 Shares in the capital of Yilgarn at an issue price of 8 cents each, to raise \$5,600,000 (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 Shares:

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

70,000,000 Shares

- (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:

8 cents per Share

- (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
- 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.

(f) Intended use of funds raised:

Funds raised from the issue of securities will be utilised to 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:

	\$
Farm-in commitments to earn 40% participating interest in Service Contract 54	4,500,000
Expenses of the issue	325,000
Administration and corporate overheads	775,000
Total Funds Applied	5,600,000

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 2 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 3.

4. PROPOSED CAPITAL RAISING – SHARES TO DIRECTORS (Resolution 3)

Subject to the passing of resolution 2, Resolution 3 is seeking approval under Listing Rule 10.11 to permit Directors to participate in the proposed issue of Shares up to a maximum of 1,250,000 Shares.

In compliance with the information requirements of ASX Listing Rule 10.13 members are advised of the following particulars:

(a) Names of participants:

Directors of the Company, being:

Paul Fry or his nominee; and
Laurie Brown or his nominee

(b) Maximum number of securities to be issue:

1,250,000 Shares

(c) Date by which Yilgarn will issue securities:

No later than one month after the date of this meeting.

(d) Price at which securities to be issued:

8 cents per Share

(e) Terms of issue:

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

(f) Intended use of funds raised:

As outlined in Section 3(f) of this Explanatory Statement.

5. CAPITAL STRUCTURE

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

BEFORE NEW ISSUES

Shares

<i>Number</i>	<i>Description</i>
196,320,368	fully paid ordinary shares

Options

<i>Number</i>	<i>Exercise Price</i>	<i>Expiry date</i>
4,500,000	\$0.15	31 May 2007
178,500,000	\$0.05	31 December 2008

ON COMPLETION OF NEW ISSUES

Shares

<i>Number</i>	<i>Description</i>
266,320,368	fully paid ordinary shares

Options

<i>Number</i>	<i>Exercise Price</i>	<i>Expiry date</i>
4,500,000	\$0.15	31 May 2007
178,500,000	\$0.05	31 December 2008

6. 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 11.00am on Friday, 2 June 2006 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.

The Chairman intends to vote all undirected proxies in favour of all resolutions, except with resolution 3. The Corporations Act 2001 does not allow the Chairman to vote undirected proxies in case of resolution 3.

RESOLUTIONS

	FOR	AGAINST	ABSTAIN
1 Ratification of Placement – 19 January 2006	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Proposed Capital Raising – Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Proposed Capital Raising – Shares to Directors	<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

2006.

If the member is a Company:

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

Director/Sole Director

Dated this _____

Director/Secretary

day of _____

Sole Director and Sole Secretary

2006.

INSTRUCTIONS AS TO VOTING

If the Chair of the meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect to the resolution, please place a mark in the box.



By marking this box, you acknowledge that the Chair of the meeting may exercise your proxy even if he has an interest in the outcome of the resolution and that votes cast by the Chair of the meeting other than as proxy holder will be disregarded because of that interest.

If you do not mark the box, and you have not directed your proxy how to vote, the Chair will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called on the resolution.

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.