

Yilgarn Gold Limited

ABN 34 002 527 906

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Company Announcements Office
Australian Stock Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

Farmout Agreement

Yilgarn is pleased to announce that it has now executed an agreement to farm-in to SC54 in the Philippines with Nido Petroleum Limited ("Nido") as contemplated in the company's announcement on March 21, 2005.

Under the farm-in, Yilgarn will earn a 40% participating interest in SC 54 upon completion of two stages. The first stage requires that Yilgarn fund a seismic programme to a cap of US\$3.2 million (Yilgarn's share) on a 4:3 basis. On completion of the seismic programme and technical evaluation of the seismic data, Yilgarn may proceed with the second stage set out below or exit the farm-in without any further obligation or interest.

If Yilgarn elects to continue into the drilling phase (the second stage) it will earn its interest by paying 80% of the costs of drilling a well. Yilgarn has the right to assign all or part of its interest in the farm-in at any time.

Completion of the farm-in by Yilgarn is subject to Philippine regulatory approvals and raising sufficient funds to finance the seismic programme. Shareholder approval to issue 70 million shares at 8 cents each for aggregate proceeds of \$5.6 million to be used to fund the seismic programme is being sought at a meeting of shareholders to be held on 2 June 2006.

The company is presently liaising with the Philippine National Oil Company to commence a group 2D seismic shoot covering the Palawan basin and SC54 in July 2006. Furthermore, Yilgarn is presently negotiating with a contractor to shoot 3D seismic over its prospects in SC54 in September 2006.

Yilgarn is also pleased to announce that it has appointed Patrick Boss as Exploration Manager. Mr Boss is a geophysicist who has held senior exploration positions recently with Woodside Energy. He has significant experience working with deepwater exploration targets which include Mauritania and Gabon.

N J Bassett
Company Secretary