

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 Wednesday, 5 July 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 resolution:

1. Issue of Incentive Options to Paul Fry

“That, for the purposes of ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act 2001 and for all other purposes, the Company approves the issue and allotment of:

*3,750,000 7 cent unlisted options exercisable on or before 30 June 2008;
1,875,000 10 cent unlisted options exercisable on or before 30 June 2009; and
1,875,000 12 cent unlisted options exercisable on or before 30 June 2009.*

by way of remuneration to Mr Paul Fry or nominee on the terms and conditions as set out in the Explanatory Statement accompanying this Notice of General Meeting.”

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.

2. Issue of Incentive Options to Lawrence Brown

“That, for the purposes of ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act 2001 and for all other purposes, the Company approves the issue and allotment of:

*2,500,000 1.5 cent unlisted options exercisable on or before 30 September 2007
5,000,000 5 cent listed options exercisable on or before 31 December 2008
3,750,000 7 cent unlisted options exercisable on or before 30 June 2008;
1,875,000 10 cent unlisted options exercisable on or before 30 June 2009; and
1,875,000 12 cent unlisted options exercisable on or before 30 June 2009.*

by way of remuneration to Mr Lawrence Brown or nominee on the terms and conditions as set out in the Explanatory Statement accompanying this Notice of General Meeting.”

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.

3. Issue of Incentive Options to Consultants

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the directors be authorised to grant a total of 5,000,000 Incentive Options to subscribe for Shares to Consultants, Employees or their nominees as set out in the Explanatory Statement, (such Incentive Options to be issued on the terms and conditions set out in the Explanatory Statement accompanying this Notice of 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 general meeting, Shares will be taken to be held by persons who are registered as holding Shares at 11.00am on 3 July 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
16 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 Wednesday, 5 July 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 the Company is required to an issue of equity securities if the securities will, when aggregated with the securities issued by the Company during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12 month period.

The number of securities to be issued by the Company under proposed resolutions 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 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 1 and 2.

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 Fry and Mr L Brown, (parties to which resolutions 1 and 2 relate) are considered "related parties" for this purpose, whilst the issue of Incentive Options to them constitutes a "financial benefit" for this purpose.

The information required by Chapter 2E of the Act to be provided to shareholders is contained within this Explanatory Statement and the Notice of General Meeting

2. ISSUE OF INCENTIVE OPTIONS TO DIRECTORS (Resolutions 1 and 2)

2.1 Purpose of Issue of Incentive Options

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 and key consultants is a well established practice of junior public listed companies and, in the case of the Company, has the benefit of conserving cash whilst properly rewarding directors and consultants.

In determining the number of securities to be issued and the terms, consideration was given to the relevant experience and role of each of the directors, their respective overall remuneration terms, the market price of the Company's shares over the last 3 months, and the terms of the options. Messrs Fry and Brown commenced advising the Company in mid February 2006, with the Company reaching agreement for the farm-in to Service Contract 54 in the Philippines in mid March 2006. The weighted average price of the Company's shares during this period was 5.71 cents.

The securities will be issued for no cash consideration. The Incentive Options will be issued on the terms and conditions set out in Annexures "A" and "E" to this Explanatory Statement.

The proposed related party participants in the issue of Incentive Options and the number of Incentive Options to be issued are as detailed in section 2.2 and 2.3.

2.2 Issue of Incentive Options to Mr Paul Fry

The company seeks approval for the issue to Mr Paul Fry or his nominee, the following free Incentive Options:

- 3,750,000 Tranche A Incentive Options;
- 1,875,000 Tranche B Incentive Options; and
- 1,875,000 Tranche C Incentive Options.

The Incentive Options proposed to be issued to Mr Fry are not listed and are non-transferable.

2.3 Issue of Incentive Options to Mr Lawrence Brown

The company seeks approval for the issue to Mr Laurie Brown or his nominee, the following free Incentive Options:

- 3,750,000 Tranche A Incentive Options;
- 1,875,000 Tranche B Incentive Options;
- 1,875,000 Tranche C Incentive Options.
- 2,500,000 Tranche D Incentive Options; and
- 5,000,000 Tranche E Incentive Options;

The Incentive Options proposed to be issued to Mr Brown are not listed, other than the Tranche E Incentive Options, and are non transferable.

2.4 Other Information

The Incentive Options referred to in resolutions 1 and 2 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 resolutions 1 and 2:

- (a) Mr Fry and Mr Brown, are the related parties to whom the proposed resolutions 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 parties is the allotment of the Incentive Options free of charge on the terms and conditions set out in Annexures "A" to "E".

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:

Director	Option Type	Number of Options	Indicative Value \$
Paul Fry	Tranche A Incentive	3,750,000	108,708
	Tranche B Incentive	1,875,000	46,284
	Tranche C Incentive	1,875,000	38,050
			<u>193,042</u>
Lawrence Brown	Tranche A Incentive	3,750,000	108,708
	Tranche B Incentive	1,875,000	46,284
	Tranche C Incentive	1,875,000	38,050
	Tranche D Incentive	2,500,000	163,892
	Tranche E Incentive	5,000,000	204,786
			<u>561,720</u>

Other than the Tranche E Incentive Options, the options are unlisted and non transferable. The options must be exercised by their respective expiry dates, after which date such options automatically lapse.

- (c) The current annual directors' remuneration for Messrs Fry and Brown is as follows:

Director	Position	Annual Remuneration \$
Paul Fry	Managing Director	175,000
Lawrence Brown	Technical Director	36,000

- (d) Excluding any options proposed to be allotted to the related parties pursuant to proposed resolutions 1 and 2, Mr Fry and Brown have a relevant interest in the securities set out below:

Name	Shares	Options 31-Dec-2008 (5 cents)
Mr P Fry	2,500,000	5,000,000
Mr L Brown	692,372	-

- (e) Mr Fry and Mr Brown do not wish to make any recommendation to members in their capacity as directors of the Company in relation to proposed resolutions 1 and 2 because of their interest in the proposed grant of Incentive Options.
- (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 resolutions 1 and 2, 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. They also provide an incentive that ultimately benefits both shareholders and the optionholder, as optionholders will only benefit if the market value of the underlying shares exceeds the option strike price.

Potential Benefits

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

- Mr Fry and Mr Brown 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 resolutions 1 and 2 are ultimately exercised, an amount of \$1,637,500 would be raised.

Dilution Effect and Potential Costs

The potential cost to the Company of the issue of an aggregate of 22,500,000 Incentive Options pursuant to resolutions 1 and 2 is that there will be a dilution of the issued share capital if the Incentive Options are exercised. Based on 196,320,368 Shares currently on issue, the exercise of the proposed options to related parties would have a dilution effect of approximately 10.3% of non-associated shareholders interest in the company. Subject to shareholder approval and completion for the proposed placement of 70,000,000 Shares as announced on 1 May 2006, the number of Shares on issue will increase to 266,320,368 Shares and the dilutionary effect will be 7.7%.

If the other existing options on issue held by third parties were also to be exercised and the dilution effect would be significantly smaller. There are currently on issue, 4,500,000 options exercisable at 15 cents each on or before 31 May 2007 and 178,500,000 options exercisable at 5 cents each on or before 31 December 2008.

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.

Indicative Value of Incentive Options

The value of Incentive Options to be issued has been calculated using the Binomial Option Pricing Model ("the Binomial Model"). The value of an option calculated by the Binomial Model is a function of a number of variables. The indicative value of the Incentive Options has been prepared using the following variables:

	Tranche A	Tranche B	Tranche C	Tranche D	Tranche E
Valuation Date	1 Jun 2006	1 Jun 2006	1 Jun 2006	1 Jun 2006	1 Jun 2006
Expiry Date	30 Jun 2008	30 Jun 2009	30 Jun 2009	30 Sep 2007	31 Dec 2008
Underlying Share Price	\$0.08	\$0.08	\$0.08	\$0.08	\$0.08
Exercise Price	\$0.07	\$0.10	\$0.12	\$0.015	\$0.05
Expected Exercise Date	16 Jun 2007	15 Dec 2007	15 Dec 2007	30 Jan 2007	16 Sep 2007
Vesting Date	1 Jun 2006	1 Jun 2006	1 Jun 2006	1 Jun 2006	1 Jun 2006
Expected Life	1.04	1.54	1.54	0.67	1.29
Risk Free Rate	5.57%	5.58%	5.58%	5.58%	5.58%
Volatility	73.54%	73.60%	73.60%	71.85%	73.05%

The underlying share price of 8 cents is based on the issue price of the proposed placement of Shares announced by the Company on 1 May 2006 and to be considered by shareholders in general meeting on 2 June 2006.

Based on the above variables the indicative value of the Incentive options proposed to be issued to related parties is as detailed in (b) above.

The Company's Shares and the Tranche E Incentive Options are listed for quotation on ASX. Over the last twelve the trading history of these securities has been as follows:

	Shares		Tranche E Incentive Options	
	Date	Price	Date	Price
Low	10/6/05	2.0¢	25/1/06 30/1/06 15/2/06	2.0¢
High	10/5/06	18.0¢	11/5/06	11.0¢
Latest Available Price	15/5/06	12.5¢	15/5/06	7.9¢

Director's Recommendation

The Directors of the Company (with the exception of Mr Fry and Mr Brown who have an interest in the outcome of resolutions 1 and 2 and therefore do not consider themselves justified in making a recommendation) recommend to members that they vote in favour of resolutions 1 and 2 for the reasons as outlined in this Explanatory Statement.

ASX Requirements

In compliance with the information requirements of ASX Listing Rule 10.13 members are advised of the following particulars in relation to the proposed issue of options under resolutions 1 and 2:

(a) Maximum number of options to be issued:

- 7,500,000 Tranche A Incentive Options
- 3,750,000 Tranche B Incentive Options
- 3,750,000 Tranche C Incentive Options
- 2,500,000 Tranche D Incentive Options
- 5,000,000 Tranche E Incentive Options

(b) Date by which the Company will issue options:

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

(c) Price at which options to be issued:

The options are being issued to remunerate the specified directors as an incentive for future services.

(d) Names of the allottees:

Paul Fry and Lawrence Brown (refer Section 2.2 and 2.3).

(e) Terms of issue:

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

(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 future services.

(g) Dates of allotment:

Allotment will occur on one date.

3. PROPOSED GRANT OF OPTIONS TO CONSULTANTS (Resolution 3)

Resolution 3 of the Notice of General Meeting proposes the grant of 5,000,000 Incentive Options to consultants, employees or their nominees, of the Company, as follows:

- 2,500,000 Tranche A Incentive Options;
- 1,250,000 Tranche B Incentive Options; and
- 1,250,000 Tranche C Incentive Options.

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

The Incentive Options will be issued for no consideration. No directors or their associates will participate in the allotment of Incentive Options approved under Resolution 3.

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:

2,500,000 Tranche A Incentive Options

1,250,000 Tranche B Incentive Options

1,250,000 Tranche C Incentive Options

(b) Date by which the Company 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:

Selected consultants or employees of the company or their nominee.

(e) Terms of issue:

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

(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.

5. DEFINITIONS

ASX	means Australian Stock Exchange Limited.
ASX Listing Rules	means the official listing rules of ASX.
Director	means a director of the Company.
Incentive Option	means a Tranche A Incentive Option, Tranche B Incentive Option, Tranche C Incentive Option, Tranche D Incentive Option and Tranche E Incentive Option, individually or in combination, as the circumstance requires.
Tranche A Incentive Option	means an option to acquire a Share at an exercise price of \$0.07 per share on or before 30 June 2008 on the terms and conditions as outlined in Appendix "A".
Tranche B Incentive Option	means an option to acquire a Share at an exercise price of \$0.10 per share on or before 30 June 2009 on the terms and conditions as outlined in Appendix "B".
Tranche C Incentive Option	means an option to acquire a Share at an exercise price of \$0.12 per share on or before 30 June 2009 on the terms and conditions as outlined in Appendix "C".
Tranche D Incentive Option	means an option to acquire a Share at an exercise price of \$0.015 per share on or before 30 September 2007 on the terms and conditions as outlined in Appendix "D".
Tranche E Incentive Option	means an option to acquire a Share at an exercise price of \$0.05 per share on or before 31 December 2008 on the terms and conditions as outlined in Appendix "E".
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 Tranche A Incentive Options

The terms and conditions of the Tranche A Incentive 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 7 cents each.
- (c) The options will expire on 30 June 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 non 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.

APPENDIX "B"

Terms and Conditions of Tranche B Incentive Options

The terms and conditions of the Tranche B Incentive 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 10 cents each.
- (c) The options will expire on 30 June 2009 (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 non 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.

APPENDIX "C"

Terms and Conditions of Tranche C Incentive Options

The terms and conditions of the Tranche C Incentive 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 12 cents each.
- (c) The options will expire on 30 June 2009 (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 non 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.

APPENDIX "D"

Terms and Conditions of Tranche D Incentive Options

The terms and conditions of the Tranche D Incentive 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 1.5 cents each.
- (c) The options will expire on 30 September 2007 (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 non 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.

APPENDIX "E"

Terms and Conditions of Tranche E Incentive Options

The terms and conditions of the Tranche E Incentive 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

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 5 July, 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 the resolutions, except with resolution 1 and 2. The Corporations Act 2001 does not allow the Chairman to vote undirected proxies in case of resolution 1 and 2.

RESOLUTIONS

	FOR	AGAINST	ABSTAIN
1 Issue of Incentive Options – P Fry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Issue of Incentive Options – L Brown	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Issue of Incentive Options – 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

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.