

Yilgarn Gold Limited

ABN 34 002 527 906

PROSPECTUS

for

**the offer by way of placement of up to 70,000,000 Shares
at an issue price of 8 cents each to raise \$5,600,000**

Important Information

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the Shares being offered under this Prospectus or any other matter, then you should consult your professional adviser.

The Shares offered by this Prospectus should be considered as speculative and read in conjunction with the risk factors outlined in this Prospectus.

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SECTION 1 IMPORTANT NOTES AND STATEMENTS

This Prospectus is dated 7 June 2006. A copy of this Prospectus was lodged with the ASIC on 7 June 2006.

No responsibility as to the contents of this Prospectus is taken by the ASIC or ASX or their respective officers.

No Shares will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus, being the expiry date of this Prospectus. Shares issued pursuant to this Prospectus will be issued on the terms and conditions set out in this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in the Prospectus. In making representations in this Prospectus regard has been made to the fact that ASX maintains a file containing publicly disclosed information about the Company and that the Company is a disclosing entity for the purpose of the Corporations Act, and certain matters may reasonably be expected to be known to professional advisers whom potential investors may consult.

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Key Definitions

Throughout this Prospectus, for ease of reading, various words and phrases have been defined rather than used in full on each occasion and are set out in section 9 of this Prospectus.

SECTION 2 CORPORATE DIRECTORY

Directors

Peter Vassileff (Chairman)
Paul Damien John Fry (Managing Director)
Lawrence James Brown (Technical Director)
Graeme John Clatworthy (Non-Executive Director)

Secretary

Neville John Bassett

Registered Office

Level 9
190 St George's Terrace
Perth WA 6000

Telephone: (08) 9486 7066
Facsimile: (08) 9486 8066

Business Office

Suite 17, Level 1
18 Stirling Highway
Nedlands WA 6009

Telephone: (08) 9333 8650
Facsimile: (08) 9333 8615

Auditors *

Rothsay
Chartered Accountants
2 Barrack Street
Sydney NSW 2000

Share Registry *

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

Securities Quoted: *

Australian Stock Exchange Limited (ASX)
Code - YGL (Shares)
- YGLO (Options)

* These entities are included for information purposes only and have not consented to be named in this Prospectus.

SECTION 3 IMPORTANT DATES

The following key dates are indicative only and may be subject to change without notice:

Lodgement of this Prospectus with ASIC and ASX	7 June 2006
Offer Opening Date	7 June 2006
Offer Closing Date *	7 July 2006
Allotment of securities and advice of uncertificated holdings *	11 July 2006
Expected official quotation on ASX of the Shares *	13 July 2006

- * The Directors reserve the right to close the Offer or extend the Closing Date at any time after the Opening Date without notice. As such, the allotment date and the date the Shares are expected to commence trading on ASX may vary with any change in the Closing Date.

SECTION 4 DETAILS OF THE ISSUE

4.1 Introduction

This Section is not intended to provide full information for those intending to apply for Shares offered by this Prospectus. This Prospectus should be read and considered in its entirety.

This Prospectus is to enable the Company to issue Shares for the purposes particulars of which are referred to in this Prospectus.

4.2 The Issue

Pursuant to this Prospectus, the Company is offering up to 70,000,000 Shares at an issue price of 8 cents each to raise \$5,600,000 before expenses of the issue.

A summary of the rights attaching to the Shares is set out in Section 7 of this Prospectus.

Shares issued pursuant to this Prospectus will be at the discretion of the Directors.

4.3 Shareholder Approval

The Offer is made pursuant to the approval of its shareholders at the General Meeting called for pursuant to the Notice of General Meeting for, among other things the issue of the Shares the subject of the Issue. Pursuant to the shareholder approval, Directors have the right to participate in the Offer up to a maximum of 1,250,000 Shares.

4.4 Subscribing to the Issue

The parties offered Shares pursuant to the Issue may:

- (a) accept the offer in whole or in part only (using the relevant Application Form); or
- (b) do nothing (in which case no benefit will be received).

4.5 General Instructions

It is important that you consider this Issue carefully. If you decide to accept the offer to you (either in whole or in part), you must do so in accordance with the instructions set out in this Prospectus. If you are in doubt as to the course you should follow you should consult your professional adviser.

An application for Shares can only be made on the Application Form which accompanies this Prospectus. Cheques should be in Australian currency and made payable to "**Yilgarn Gold Limited Share Issue Account**" and crossed "not negotiable".

Applications must be for a minimum of 10,000 Shares and thereafter in multiples of 1,000 Shares.

Completed Application Forms must be accompanied by the application monies and lodged in person or by post at:

By person:
Yilgarn Gold Limited
Level 9
190 St George's Terrace
Perth WA 6000

By post:
Yilgarn Gold Limited
PO Box Z5431
St George's Terrace
Perth WA 6831

4.6 Rights and liabilities attaching to Shares

The Shares the subject of this Offer, will rank pari passu with the existing Shares on issue. The Shares to be issued will be credited as fully paid. The Company does not currently have a set dividend policy and any future dividends will be determined based on the profitability and future cash requirements of the Company. A summary of the rights and liabilities attaching to Shares is outlined in Section 7.

4.7 Closing Date

The Closing Date for issuing Shares pursuant to this Prospectus will be 5.00pm WST on 7 July 2006, however, the Directors reserve the right to extend the Closing Date.

Application Forms should be submitted as soon as possible, however, they must be received by the Closing Date. The Company reserves the right to vary the Closing Date without prior notice. The Company also reserves the right not to proceed with the Issue at any time prior to issuing the Shares.

4.8 Minimum Subscription and Oversubscriptions

The minimum subscription pursuant to the Offer is \$5,600,000.

In accordance with section 723 of the Corporations Act, the Company will allot no securities until the minimum subscription has been subscribed. Should the minimum subscription not be reached within 4 months after the date of issue of this Prospectus, the Company will either repay the Application monies to the Applicants or issue a supplementary or replacement prospectus and allow Applicants one month to withdraw their Application and be repaid their Application monies. Interest will not be paid on Application monies refunded.

Oversubscriptions will not be accepted.

4.9 Brokerage and Commission

The Issue is not underwritten, however, the Company will pay a placement fee of 5% in respect of Applications lodged by any member organisation of the ASX or the holder of an Australian Financial Services License, and accepted by the Company, provided the relevant stamp of the organisation is on the Application Form.

4.10 ASX Listing

Within 7 days after the date of this Prospectus, the Company will apply to ASX to have the Shares granted Official Quotation. If approval is not granted by the ASX within three months after the date of this Prospectus, the Company will not allot or issue any Shares and will repay all application monies within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation of the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription pursuant to this Prospectus.

4.11 Issue of Securities

The Shares will be issued and an uncertificated holding statement sent to the Applicant as soon as practicable after lodgement of the Application Form (together with application monies). The statement will be posted to the Applicant at the address appearing on their Application Form.

No Shares will be allotted on the basis of this Prospectus later than 13 months after the date of this Prospectus.

The company retains an absolute discretion in allocating Shares under the Offer and reserves the right to allot to an Applicant a lesser number of Shares than the number for which the Applicant applies, or to reject an Application. Where the number of Shares is less than the number applied for, or where no allotment is made, surplus application monies will be refunded without interest to the Applicant as soon as practicable after the Closing Date. The acceptance of Applications and the allocation of Shares are at the absolute discretion of the Directors.

Pending the issue and allotment of the Shares or payment of refunds (if applicable) pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on such bank account and each Applicant waives the right to claim any such interest.

4.12 Jurisdiction of Offer

This Prospectus does not, and is not intended to, constitute an offer or invitation to subscribe in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law.

No action has been taken to register or qualify these Shares or otherwise permit a public offering of the Shares the subject of this Prospectus in any jurisdiction outside Australia.

It is the responsibility of applicants outside Australia to obtain all necessary approvals for the allotment and issue of Shares pursuant to this Prospectus. The return of a completed Application Form by Applicants outside Australia will be taken by the Company to constitute a representation and warranty by the applicant that all relevant approvals have been obtained and that the Company may lawfully issue the Shares applied for to the Applicant.

4.13 Risk Factors

Prospective investors in the Company should be aware that subscribing for Shares under this Prospectus involves a number of risks. These risks are set out in Section 6 and investors are urged to consider those risks carefully (and if necessary, consult their professional adviser) before deciding whether to invest in the Company.

An investment in Shares described in this Prospectus should be considered speculative.

4.14 Privacy

If you complete and submit an Application Form, you will be providing personal information to the Company (either directly or through the Share Registry). The Company collects, holds and will use that information to assess your Application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your Shares in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised Share brokers, print service providers, mail houses and the Share Registry.

You can access, correct and update the personal information that we hold about you. Please contact the Share Registry if you wish to do so.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (as amended), the Corporations Act and certain rules such as the ASTC Settlement Rules. You should note that if you do not provide the information required on the relevant Application Forms, the Company may not be able to accept or process your Application.

SECTION 5 PURPOSE AND EFFECT OF THE ISSUE

5.1 Purpose of the Issue

The purpose of the Issue is to raise \$5,600,000 (before expenses) 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. In particular, funds will be directed to the Company's farm-in commitments to earn a 40% interest in Service Contract 54.

Further information on Service Contract 54, details of which were included in the Company's announcement to ASX on 21 March 2006, is outlined in Section 5.3.

5.2 Use of Funds

Pursuant to the Issue, the Company is seeking to raise \$5,600,000. It is proposed that these funds will be utilised as follows:

Expenses of the Issue	325,000
Farm-in commitments to earn 40% interest in Service Contract 54	4,500,000
Working capital	775,000
Total Funds Applied	\$5,600,000

The information set out in the above table is a statement of intention as at the date of this Prospectus. 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 Prospectus.

5.3 Farm-in to Service Contract 54

On 21 March 2006 the Company announced that it had entered into a farm-in letter agreement with Nido Petroleum Limited ("Nido"), an ASX listed company, to earn a 40% participating interest in Service Contract 54 ("SC 54"). SC 54 consists of over 5,000 square kilometres in the Northwest Palawan Basin, offshore Philippines and is currently held 100% by Nido. A formal farmout agreement was executed on 29 May 2006 (refer Material Contracts in Section 8.5)

Farm-in

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 (to constitute both 3D and 2D) and technical evaluation of the seismic data, Yilgarn may proceed with the second stage, the drilling phase, or exit the farm-in without any further obligation or interest.

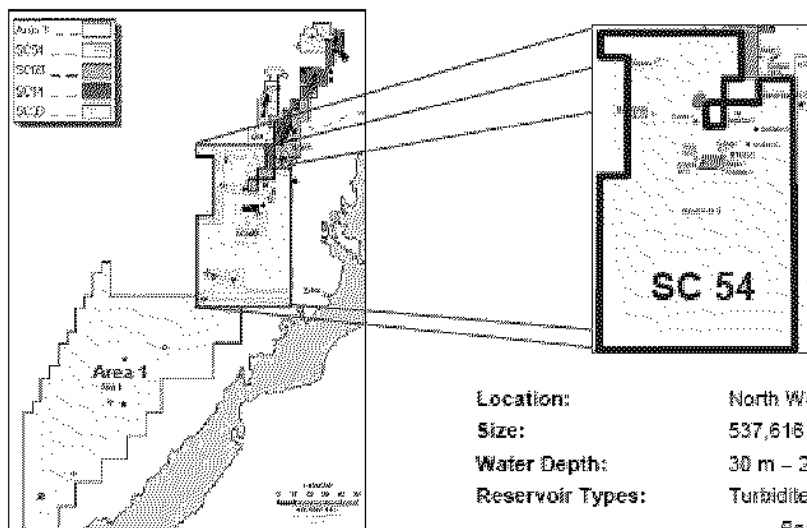
If Yilgarn elects to continue into the drilling phase (the second stage) it will earn its interest by paying 80% of the costs of drilling a well. Yilgarn has the right to assign all or part of its interest in the farm-in at any time.

The farm-in is subject to regulatory approvals and raising sufficient funds to finance the seismic programme (refer Material Contracts in Section 8.5)

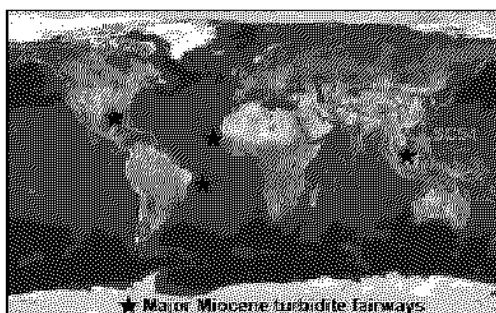
SC 54 provides access to conventional plays targeting Nido limestone reservoirs in structural closures and reefal build-ups and to a highly prospective Miocene turbidite play fairway.

The primary target of the seismic programme will be the Coron North structure which has been mapped as a large 4-way dip closed structure with the primary reservoir target being the Nido Limestone. The seismic programme is also intended to cover the Miocene deep water turbidite play and the original Coron well drilled in 1993 by Fletcher Challenge.

SC 54



Location: North West Palawan Basin, Philippines
Size: 537,616 hectares (1.33 million acres)
Water Depth: 30 m – 2,000 m
Reservoir Types: Turbidite Sandstones
*Being developed at Galoc Platform/Pinnacle Reef Carbonates
 Producing at Malampaya*
Seismic: 2D & 3D coverage
Nearby Field: Malampaya Gas Field (Shell/Chevron-Texaco) 3.2 Tcf Gas/100 million bbl Oil
Commitment: 3D seismic program in 2006, well commitment in 2007



Miocene Turbidites are the productive reservoirs in some of the World's most prolific basins including Gulf of Mexico, Campos Basin, Mauritania & Brunel/Sabah... these same reservoirs have been identified on 3D seismic in SC54 in the Philippines

Company	Before Farm in	After Farm in
Nido Petroleum Ltd	100%	60%
Yilgarn Gold Ltd	0%	40%

5.4 Principal Effects

The principal effects on the Company of the Issue are as follows:

- (a) The Company will issue 70,000,000 Shares, as approved by shareholders at the General Meeting, thereby increasing the number of Shares on issue from 197,170,368 to 267,170,368.
- (b) Following the issue of Shares, the cash reserves of the Company will increase by \$5,600,000 (less expenses of the Issue which are estimated to be \$325,000).

5.5 Statements of Financial Position

The principal financial effect of the Issue will be to increase the Company's cash reserves by approximately \$5,275,000 (net of expenses of the Issue). The unaudited condensed balance sheet of the Group as at 31 March 2006 and a pro forma condensed balance sheet of the Group incorporating the effects of the Issue are set out below:

	Group Unaudited 31 March 2006 \$	Pro-Forma Group \$
CURRENT ASSETS		
Cash assets	1,074,714	6,349,714
Receivables	49	49
Total Current Assets	1,074,763	6,349,763
NON-CURRENT ASSETS		
Property, plant & equipment	8,474	8,474
Exploration costs	1,169,939	1,169,939
Total Non-Current Assets	1,178,413	1,178,413
Total Assets	2,253,176	7,528,176
CURRENT LIABILITIES		
Payables	57,747	57,747
Provisions	13,575	13,575
Total Current Liabilities	71,322	71,322
Total Liabilities	71,322	71,322
Net Assets	2,181,854	7,456,854
EQUITY		
Contributed equity	5,984,636	11,259,636
Reserves	379,968	379,968
Accumulated losses	(4,182,750)	(4,182,750)
Total Equity	2,181,854	7,456,854

The above pro forma condensed balance sheet has been prepared on the basis that there have been no material movements in the assets and liabilities of the Company between 31 March 2006 and the completion of the Issue, except:

- i) the issue of 70,000,000 Shares pursuant to the Issue to raise \$5,600,000 (before expenses of the Issue); and
- ii) Expenses of the Issue of approximately \$325,000 which have been offset against proceeds of the issue.

The Company does not expect there to be any material impact on the statement of financial position as a result of adoption of Australian equivalents to International Financial Reporting Standards, other than the financial impact of the issue of incentive options as described in Section 5.6.

No allowance has been made for expenditure incurred in the normal course of business from 31 March 2006 to the date of this Prospectus. The Issue will have no immediate effect on the Company's Statement of Financial Performance other than interest earned on additional monies on deposit pending their expenditure on the Company's projects.

5.6 Capital Structure

The pro forma capital structure of the Company, based on the issued capital at the date of this Prospectus and assuming the issue of Shares pursuant to the Issue is set out below:

Shares

<i>Number</i>	
197,170,368	Shares at the date of this Prospectus
<u>70,000,000</u>	Shares offered pursuant to this Prospectus
<u>267,170,368</u>	Total Shares on issue

As at the date of this Prospectus, the Company also had on issue the following options to subscribe for Shares:

Options

<i>Number</i>	<i>Expiry Date</i>	<i>Exercise Price</i>
4,500,000	Options expiring 31 May 2007	\$0.20
<u>177,650,000</u>	Options expiring 31 December 2008	\$0.05
<u>182,150,000</u>		

In addition, the Company is seeking shareholder approval to issue a further 27,500,000 options at a general meeting of shareholders to be held on 5 July 2006. The details of those options are as follows

Options

	<i>Number</i>	<i>Expiry Date</i>	<i>Exercise Price</i>
Director Options – Unlisted	7,500,000	30 June 2008	\$0.07
Director Options – Unlisted	3,750,000	30 June 2009	\$0.10
Director Options – Unlisted	3,750,000	30 June 2009	\$0.12
Director Options – Unlisted	2,500,000	30 September 2007	\$0.015
Director Options – Listed	5,000,000	31 December 2008	\$0.05
Consultant Options – Unlisted	2,500,000	30 June 2008	\$0.07
Consultant Options – Unlisted	1,250,000	30 June 2009	\$0.10
Consultant Options – Unlisted	1,250,000	30 June 2009	\$0.12

SECTION 6 RISK FACTORS

11.1 Introduction

An investment in the Company is not risk free and prospective investors should consider the risk factors described below, together with information contained elsewhere in this Prospectus and disclosed pursuant to the Company's continuous disclosure obligations under the Listing Rules, before deciding whether to apply for the Shares offered pursuant to this Prospectus.

11.2 General Risks

The future prospects of the Company's business may be affected by circumstances and external factors beyond the Company's control. Financial performance of the Company may be affected by a number of business risks that apply to companies generally and may include economic, financial, market or regulatory conditions.

The following is not intended to be an exhaustive list of risk factors to which the Company is exposed.

11.2.1 Economic Conditions

Economic conditions, both domestic and global, may affect the performance of the Company. Factors such as fluctuations in currencies, commodity prices, inflation, interest rates, supply and demand and industrial disruption may have an impact on operating costs and share market prices. The Company's future possible revenues and Share price can be affected by these factors, all of which are beyond the control of the Company or its Directors. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company. In addition, the Company's ability to raise additional capital, should it be required, may be affected.

11.2.2 Market Conditions

A number of factors affect the performance of share market investments that could also affect the price at which the Shares trade on the ASX. The market price of Shares can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general. These factors may materially affect the market price of the Company's Shares regardless of the Company's operational performance.

11.2.3 Changes in Legislation and Government Regulation

Government legislation, including changes to the taxation system, may affect future earnings and relative attractiveness of investing in the Company. Changes in government policy or statutory changes may affect the Company and the attractiveness of an investment in it.

11.3 Specific Risks

A number of specific risk factors that may impact on the performance of the Company are described below. Investors should note that this list of risk factors is not exhaustive. Some of the risks may be mitigated by the use of appropriate safeguards and systems, whilst others are outside the control of the Company and cannot be mitigated.

11.3.1 Exploration and Exploitation Risk

The Australian tenement interests of Yilgarn are at various stages of exploration and potential investors should understand that mineral exploration and development are high risk undertakings. There can be no assurance that exploration of the Company's project areas, or any other tenements that may be acquired in the future, will result in the discovery of an economic ore deposit. Even if an apparently viable deposit is identified, there is no guarantee

that it can be commercially developed. Further, all of the tenements are largely under-explored and have only a very limited mining history and there is no certainty that proposed exploration will reveal any mineable mineralisation or that any such mineralisation will ultimately be commercially viable.

Potential investors should also understand that oil/gas production and development is a high-risk undertaking. There can be no assurance that the proposed activities in Service Contract 54, or any other properties or interests that may be acquired in the future, will result in the exploitation of an economic hydrocarbon resource. Financial success depends upon the successful exploration and/or acquisition of recoverable and economic reserves, design and construction of efficient processing facilities, competent operation and proficient marketing of the product.

11.3.2 Operating Risks

The operations of Yilgarn may be affected by various factors including failure to locate or identify economic reserves or mineral deposits, failure to achieve predicted production levels or grades in exploration and mining, operational and technical difficulties, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown.

There is a risk of inadequate water supplies, unanticipated metallurgical problems which may affect extraction costs, inability to obtain satisfactory joint venture partners, adverse weather conditions, industrial disputes, unexpected shortages and increases in the cost of consumables, spare parts, plant and equipment.

There is a risk that key management may leave Yilgarn and that Yilgarn may have difficulty in replacing such personnel. No assurances can be given that Yilgarn will achieve commercial viability through the successful exploration and/or mining of its tenement interests. Until Yilgarn is able to realise value from its projects, it is likely to incur ongoing operating losses.

11.3.3 Regulatory Approvals

Operations of the Company may require approvals from regulatory authorities, which include renewal of the Philippines service contract, which may not be forthcoming or which may not be able to be obtained on terms acceptable to the Company. While the Company has no reason to believe that all requisite approvals will not be forthcoming and while the Company's obligations for expenditure will be predicated on any requisite approvals being obtained it should be understood that the Company cannot guarantee that any requisite approvals will be obtained. A failure to obtain any approvals would mean that the ability of the Company to develop or operate any project, or possibly acquire any project, may be limited or restricted either in part or absolutely.

11.3.4 Commodity Price Volatility & Exchange Rate Risks

If Yilgarn achieves success which results in hydrocarbon or mineral production, the revenue it will derive through the sale of commodities exposes the potential income of Yilgarn to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of Yilgarn, including supply and demand fluctuations for oil and gas, precious and base metals, technological advancement, forward selling activities and other micro and macro factors.

11.3.5 Sovereign Risk

Yilgarn's farm-in activities will be based in the Philippines, which could be perceived as having political risk. The political conditions in the Philippines are considered stable, however, changes may occur in the political, fiscal and legal system which may affect the ownership or operations of the Service Contract 54, including amongst other things, changes in exchange rates, control or regulations, changes in legislation, fiscal and regulatory regimes and the threat of regional terrorism.

11.3.5 Transfer of Participating Interest Risk

Completion of the Farmout Agreement is subject to any necessary governmental approvals being obtained in respect of the transfer and assignment of the proposed 40% participating interest in Service Contract 54. The condition must be satisfied or waived not later than 20 March 2008 or such later date as agreed by the parties. Whilst the Directors anticipate that the condition will be satisfied and/or waived no assurances can be given in this regard. In the event that all the necessary consents and approvals are not satisfied and/or waived by the parties and Yilgarn does not secure the interest in Service Contract 54 this could have a significant material adverse impact on the Company's prospects.

11.3.6 Title Risk and Native Title

Interests in exploration and mining tenements in Australia are governed by State legislation and are evidenced by the granting of leases or licences. Each lease or licence is for a specific term and carries with it annual expenditure and reporting conditions as well as other conditions requiring compliance. These conditions include the requirement, particularly for exploration licences, for compulsory reduction in the area held under licence from time to time. Consequently, Yilgarn could lose title to or its interest in its tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments. It is also possible that, in relation to tenements in which Yilgarn has an interest or in the future may acquire such an interest, there may be areas over which legitimate common law native title rights of Aboriginal Australians exist. If native title rights do exist, the ability of Yilgarn to obtain the consent of any relevant land owner, or to progress from the exploration phase to the development and mining phases of the operation, may be adversely affected.

It is possible that there will exist on Yilgarn's tenements areas containing sacred sites or sites of significance to Aboriginal people subject to the provisions of the Aboriginal Heritage Act or areas subject to the Native Title Act. As a result land within the mining tenements may be subject to exploration, mining or other restrictions as a result of claims of Aboriginal heritage sites or native title.

11.3.7 Environmental Risks

The operations and proposed activities of Yilgarn will be subject to relevant governmental laws and regulations concerning the environment. As with most production operations, exploration projects and mining operations, Yilgarn's activities are expected to have an impact on the environment, particularly if advanced production, exploration or mine development proceeds. Yilgarn will attempt to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

11.3.8 Insurance

Insurance against all risks associated with mineral exploration production is not always available or affordable. Yilgarn will maintain insurances where it is considered appropriate for its needs however it will not be insured against all risks either because appropriate cover is not available or because the directors consider the required premiums to be excessive having regard to the benefits that would accrue.

11.3.9 Additional Capital

While the Directors believe that Yilgarn will have sufficient funds to fund its activities in the short term, Yilgarn is operating in a dynamic and highly volatile sector. There can be no assurance that Yilgarn will not seek to exploit business opportunities of a kind which will require it to raise additional capital from equity or debt sources. There can also be no assurance that Yilgarn will be able to raise such capital on favourable terms or at all.

Any additional equity raising may dilute the interests of Yilgarn's shareholders, and any debt financing, if available, may involve financial covenants which limit Yilgarn's operations. If Yilgarn is unable to obtain such additional capital, Yilgarn may be required to reduce the scope of its business activities, which could adversely affect its business, operating results and financial condition.

11.3.10 Potential Acquisitions

As part of its business strategy, Yilgarn may make acquisitions of or significant investments in companies, products, technologies or resource projects. Any such future transactions would be accompanied by the risks commonly encountered in making acquisitions of companies, products, technologies or resource projects.

11.3.11 Resource Estimates

Reserve and resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates, which were valid when originally calculated, may alter when new information or techniques become available. In addition, by their very nature, reserve and resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates may change. This could result in alterations to development, production and/or mining plans, which may, in turn, affect the Company's operation.

SECTION 7 RIGHTS AND LIABILITIES ATTACHING TO SHARES

The Shares issued pursuant to this Prospectus will rank *pari passu* with all other Shares presently on issue. The Shares when issued will be credited as fully paid. The following is a broad summary (though not necessarily an exhaustive or definitive statement) of the rights and liabilities attaching to all Shares:

a) Meetings of Shareholders

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

b) Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (i) each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and
- (iii) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each share held by him, or in respect of which he is appointed proxy, attorney or representative, have one vote for the share.

c) Dividend Rights

The directors may from time to time declare a dividend to be paid to shareholders entitled to the dividend. The dividend shall (subject to clause 25 of the Company's Constitution and to the rights of any preference shareholders and to the rights of the holders of any shares created or raised under any special arrangement to dividends) be payable on all shares in accordance with the Corporations Act. The directors may from time to time pay to the shareholders such interim dividends as they may determine. No dividends shall be payable except out of profits. A determination by the directors as to the profits of the Company shall be conclusive. No dividend shall carry interest as against the Company.

d) Rights on Winding Up

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the shareholders in kind the whole or any part of the property of the Company in specie, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the shareholders or different classes of shareholders. The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

e) *Transfer of Shares*

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the Listing Rules.

f) *Changes to Capital Structure*

The Company may by ordinary resolution and subject to the Corporations Act and the Listing Rules:

- (i) increase its share capital by the issue of shares of such amount as is specified in a resolution;
- (ii) consolidate and divide all or any of its shares capital into shares of larger amounts than its existing shares;
- (iii) sub-divide all or any of its shares into shares of smaller amount than is fixed by the Constitution, but so that in the sub-division the proportion between the amount paid and that amount (if any) unpaid on each such share of a smaller amount is the same as it was in the case of the share from which the share of a smaller amount is derived; and
- (iv) cancel shares that, at the date of passing of the resolution, have not been taken or agreed to be taken by any person or have been forfeited and reduce its share capital by the amount of the shares so cancelled.

g) *Variation of Rights*

Pursuant to Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution of the Company, a copy of which can be inspected, free of charge, at the Company's registered office, at C/- Westar Capital Limited, Level 9, 190 St George's Terrace, Perth, Western Australia, during normal business hours.

SECTION 8 ADDITIONAL INFORMATION

8.1 Legal Framework of this Prospectus

The Company is a “disclosing entity” under the Corporations Act and is subject to the regime of continuous disclosure and periodic reporting requirements. Specifically as a listed company, the Company is subject to the Listing Rules which require continuous disclosure to the market of any information possessed by the Company which a reasonable person would expect to have a material effect on the price or value of its Shares.

8.2 Applicability of Corporations Act

As a “disclosing entity”, the Company has issued this Prospectus in accordance with section 713 of the Corporations Act applicable to prospectuses for an offer of securities, or options to acquire securities, which are quoted securities and the securities are in a class of securities, or underlie a class of securities, that were quoted securities at all times in the 12 months before the issue of this Prospectus.

Having taken such precautions and having made such enquiries as are reasonable, the Company believes that it has complied with the provisions of the Listing Rules as in force from time to time which apply to disclosing entities, and which require the Company to notify the ASIC of information available to the stock market conducted by the ASX, throughout the 12 months before the issue of this Prospectus.

The ASX maintains files containing publicly disclosed information about all listed companies. The Company’s file is available for inspection at the ASX in Perth during normal working hours. In addition, copies of documents lodged by, or in relation to, the Company with the ASIC may be obtained from, or inspected at, any regional office of the ASIC.

The Shares to be issued under this Prospectus are in a class of shares that were quoted on the stock market of the ASX at all times in the 12 months before the issue of this Prospectus.

8.3 Information Available to Shareholders

The Company will provide a copy of each of the following documents, free of charge, to any person who requests a copy during the period between the date of this Prospectus and the Closing Date:

- i) the audited annual financial report of the Company for the financial year ended 30 June 2005 (being the last financial report for a financial year to be lodged with the ASIC in relation to the Company before the date of this Prospectus);
- ii) the half-year financial report of the Company for the six months ended 31 December 2005; and
- iii) all continuous disclosure notices given by the Company after the lodgement of the annual financial report referred to in paragraph (i) above and before the lodgement of this Prospectus with ASIC.

The financial report referred to in sub-paragraph (i) above was lodged with the ASIC on 13 September 2005.

The following announcements have been lodged with ASX in accordance with paragraph (iii) above.

Lodgement Date	Description of Announcement
7 June 2006	Investor Presentation
2 June 2006	Results of Meeting
31 May 2006	Notice of General Meeting
30 May 2006	Farmout Agreement
16 May 2006	Appendix 3B
9 May 2006	Response to ASX Query
2 May 2006	Notice of Meeting
28 April 2006	Third Quarter Activities Report
28 April 2006	Third Quarter Cashflow Report
5 April 2006	Initial Director's Interest Notice
5 April 2006	Initial Director's Interest Notice
4 April 2006	Director Appointments
21 March 2006	Philippines Offshore Oil & Gas Acreage/ Appt New Directors
20 March 2006	Trading Halt
16 March 2006	Completion of Drilling
3 March 2006	Half Year Accounts
10 February 2006	New Bulong Drill Program
25 January 2006	Second Quarter Activities Report
25 January 2006	Second Quarter Cashflow Report
23 January 2006	Top 20 & Range of Optionholders
19 January 2006	Appendix 3B and Sec 708A Notice
16 January 2006	Placement Shares & Options
23 December 2005	Change of Director's Interest Notice
23 December 2005	Change of Director's Interest Notice
23 December 2005	Change of Director's Interest Notice
23 December 2005	Section 708A Notice
21 December 2005	Appendix 3B
20 December 2005	Appendix 3B
14 December 2005	Disclosure Document
25 November 2005	Results of AGM
31 October 2005	First Quarter Activities Report
31 October 2005	First Quarter Cashflow Report
25 October 2005	Dispatch of Annual Report & Notice of AGM

There is no information which has been excluded from a continuous disclosure notice in accordance with the Listing Rules that investors or their professional advisers:

- (a) would reasonably require for the purpose of making an informed assessment of:
 - (i) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
 - (ii) the rights and liabilities attaching to the Shares the subject of this Prospectus; and
- (b) would reasonably expect to find in this Prospectus.

True copies of the Constitution of the Company and other material documents are available for inspection free of charge by any person, at the registered office of the Company. The documents will be available for inspection during normal office hours and for up to 13 months after the date of issue of this Prospectus with the ASIC.

This Prospectus contains details specific to the Issue. If potential investors require any further information in relation to the Company, the Directors recommend that potential investors take advantage of the ability to inspect or obtain copies of disclosures made by the Company as referred to in this Prospectus.

8.4 Interests of Directors

Other than as set out below or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in the promotion of the Company and no amounts have been paid or agreed to be paid (whether in cash or shares or otherwise) to any Director or to any firm in which any such Director is a partner, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in connection with the promotion or formation of the Company:

(a) Directors Remuneration

The remuneration paid or due and payable to Directors or Director-related entities for the past two financial years is set out below:

	2006 \$	2005 \$
P Vassileff	24,000	-
P Fry	29,167	-
L Brown	22,500	-
G Clatworthy	24,000	-

The above includes all directors' fees and all other fees paid to Directors (or their related entities) but excludes any reimbursements of out of pocket expenses incurred by Directors in the normal course of performing their duties.

Mr Fry receives an annual salary of \$175,000 per annum.

Mr Brown receives director fees of \$36,000 per annum and in addition provides consulting services to the Company based on a commercial day rate basis.

b) Directors Interests

At the date of this Prospectus the relevant interest of each of the Directors in the securities of the Company are as follows:

	Shares	Options 31 Dec 2008 5 cents
P Vassileff	8,111,130	7,250,000
P Fry	2,500,000	5,000,000
L Brown	692,372	-
G Clatworthy	5,440,000	8,250,000

In addition, the Company is seeking shareholder approval to issue a further 22,500,000 options to directors at a general meeting of shareholders to be held on 5 July 2006. The details of those options are as follows

<i>Director</i>	<i>Number</i>	<i>Expiry Date</i>	<i>Exercise Price</i>
P Fry	3,750,000	Options expiring 30 June 2008	\$0.07
P Fry	1,875,000	Options expiring 30 June 2009	\$0.10
P Fry	1,875,000	Options expiring 30 June 2009	\$0.12
L Brown	3,750,000	Options expiring 30 June 2008	\$0.07
L Brown	1,875,000	Options expiring 30 June 2009	\$0.10
L Brown	1,875,000	Options expiring 30 June 2009	\$0.12
L Brown	2,500,000	Options expiring 30 September 2007	\$0.015
L Brown	5,000,000	Options expiring 31 December 2008	\$0.05

8.5 Material Contracts

In the opinion of the Directors, the only contract entered into by the Company which is or may be material in terms of this Prospectus or the operation of the business of the Company or otherwise to potential investors of the Company is the contract summarised below.

8.5.1 Farmout Agreement

Pursuant to a farmout agreement ("Agreement") dated 29 May 2006 between Yilgarn Petroleum and Nido Petroleum Philippines Pty Ltd ("Nido"), and effective as of 20 March 2006, Nido has agreed to transfer and assign a 40% participating interest in Service Contract 54 on the terms and conditions of the Agreement.

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

If Yilgarn Petroleum 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 Petroleum has the right to assign all or part of its interest in the farm-in at any time subject to obtaining Nido's written consent.

Under the farmout agreement Nido will be the operator of SC54.

The assignment of the 40% interest in SC 54 to Yilgarn Petroleum is subject to the satisfaction or waiver of each of the following conditions:

- (a) Yilgarn Petroleum securing sufficient finance to meet its earning obligations in respect of the seismic operations;
- (b) Yilgarn Petroleum satisfying its earning obligations in respect of the seismic operations;
- (c) Yilgarn Petroleum serving a drill phase notice; and
- (d) the parties obtaining in writing any approval of the government of the Republic of the Philippines to the assignment under Service Contract 54.

Yilgarn Petroleum will have earned its farmout interest upon completion of its obligations in respect of both the seismic operations and the drilling phase.

8.5.2 Director Indemnity Agreements

The Company has entered into deeds of indemnity and access with each of the Directors on normal commercial terms.

8.6 Interests of Named Parties

No Director of the Company or any named person in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus holds, or held at any time during the last two years, any interest in:

- the formation of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Issue; or
- the Issue;

except as disclosed in this Prospectus.

8.7 Consents

The following have given their written consent to inclusion in this Prospectus of their reports or references to them in the form and context in which they are included, or have been deemed to have been included, and have not withdrawn such consent before lodgement of this Prospectus with ASIC.

- Peter Vassileff, Paul Fry, Lawrence Brown and Graeme Clatworthy each being directors of the Company have given their consent to the issue of this Prospectus.

8.8 Share Trading History

The highest and lowest market sale prices of the Company's quoted Shares on ASX during the three months immediately preceding the date of this Prospectus and the respective dates of those sales and the last available market sale price of Shares on ASX immediately before the date of this Prospectus were:

	Shares	
	Date	¢
Highest	10 May 2006	18
Lowest	8 March 2006	5
Latest	6 June 2006	14.5

8.9 Expenses of the Issue

A summary of the estimated expenses of the Issue is as follows:

Commission on Applications	280,000
ASX and ASIC fees	14,285
Miscellaneous issue expenses	30,715
	\$325,000

8.10 Litigation

The Company has not been involved in any legal proceedings which have had a significant effect on the financial position of the Company in the last 12 months, or which are likely to have a significant effect on future results, nor is the Company aware that any such proceedings are pending or threatened.

8.11 Directors Responsibility Statement and Consent

The Directors' state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements made by the Directors' in this Prospectus are not misleading or deceptive.

The Prospectus is prepared on the basis that certain matters may be reasonably expected to be known to likely investors or their professional advisers.

Each Director has consented in writing to the lodgement of this Prospectus with the ASIC and has not withdrawn that consent.

SECTION 9 DEFINITIONS

\$	means Australian dollars. All amounts in this Prospectus are in Australian dollars unless otherwise stated.
Applicant	means a person who submits an Application Form under this Prospectus.
Application	means a valid application made to subscribe for Shares pursuant to this Prospectus.
Application Form	means the application form accompanying this Prospectus.
ASIC	means Australian Securities and Investments Commission.
ASX	means Australian Stock Exchange Limited.
Board	means the board of Directors of the Company.
Closing Date	means 5.00pm WST on 7 July 2006, or such other date as the Company may, in its absolute discretion, notify.
Corporations Act	means the Corporations Act 2001 (Cth) (as modified or varied by ASIC).
Constitution	means the constitution of the Company.
Directors	means the directors of the Company.
General Meeting	means the general meeting held on 2 June 2006.
Group	means Yilgarn Gold Limited and its controlled entities.
Issue	means the issue pursuant to this Prospectus of up to 70,000,000 Shares.
Listing Rules	means the official listing rules of ASX.
Notice of General Meeting	means the notice of general meeting dated 1 May 2006 calling the general meeting of the members of the Company held on 2 June 2006.
Offer	means the offer of Shares pursuant to this Prospectus.
Official Quotation	has the same meaning as in the ASX Listing Rules.
Prospectus	means this Prospectus dated 7 June 2006.
Share	means a fully paid ordinary share in the capital of the Company.
WST	means Australian Western Standard Time.
Yilgarn or the Company	means Yilgarn Gold Limited (ABN 34 002 527 906).
Yilgarn Petroleum	means Yilgarn Petroleum Philippines Pty Ltd ACN 119 507 265, a wholly owned subsidiary of Yilgarn.

SECTION 10 DIRECTORS' AUTHORISATION

This Prospectus is issued by Yilgarn Gold Limited and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented in writing to the lodgement of this Prospectus with the ASIC.

Dated this 7th day of June 2006.

Signed for and on behalf of
Yilgarn Gold Limited by
Paul Fry - Director

Application Form

Yilgarn Gold Limited

ABN 34 002 527 906

Please read all instructions on the reverse of this form. This Application Form must not be handed on unless attached to the Prospectus.

To be completed by persons eligible to participate in the Issue.

PLEASE USE BLOCK LETTERS

Applicant (Print your name - refer to the guide on reverse side for correct forms of registration)

Title	Surname	Given Name(s)
-------------	---------------	---------------------

Joint Applicant

Title	Surname	Given Name(s)
-------------	---------------	---------------------

Company Applicant

Company Name	ACN (if applicable)
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Enter your postal address

Address		
Suburb/Town	State	Postcode

Contact Name

Telephone (Work)

Telephone (Home)

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CHES Participant

PID (Participant Identifier)	HIN (Holder Identification Number)
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Application Money

I/We apply for

Shares @ 8 cents

\$00
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Lodge your Application Form as soon as possible.

APPLICATION MONIES MUST BE ENCLOSED FOR THE FULL AMOUNT

Please complete cheque details

Cheques should be made payable to: 'Yilgarn Gold Limited Share Issue Account'

Cheque details:

Drawer	A\$
Bank	Branch

This Application Form does not need to be signed. By lodging this Application Form and a cheque for the Application Money the Applicant hereby:

- (1) applies for the number of Shares specified in the Application Form or such lesser number as may be allocated by the Directors;
- (2) agrees to be bound by the terms and conditions set out in the Prospectus and Constitution of the Company; and
- (3) authorises the Directors to complete or amend this Application Form where necessary to correct any errors or omissions.

Enter your tax file number(s) or exemption category

TFN	TFN	Exemption category
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Application Form

INSTRUCTIONS TO APPLICANTS

This Application Form relates to the offer of up to 70,000,000 Shares in Yilgarn Gold Limited at an issue price of 8 cents per Share pursuant to the Prospectus dated 7 June 2006. The expiry date of the Prospectus is the date which is 13 months after the date of the Prospectus. The Prospectus contains information about investing in the Shares of the Company and it is advisable to read this document before applying for Shares. A person who gives another person access to this Application Form must at the same time and by the same means, give the other person access to the Prospectus, and any supplementary prospectus (if applicable). While the Prospectus is current, the Company will send paper copies of the Prospectus, and any supplementary prospectus (if applicable), on request and without charge.

Application

The Application Form must only be completed in accordance with instructions included in this Prospectus.

Instructions

Please complete all relevant sections of the Application Form. If you have any questions on how to complete this Application Form please telephone the Company on 08 9486 7066.

Please post or deliver the completed Application Form together with your cheque to:

By post:

Yilgarn Gold Limited
PO Box Z5431
St George's Terrace
Perth WA 6831

By delivery:

Yilgarn Gold Limited
Level 9
190 St George's Terrace
Perth WA 6000

Application forms must be received no later than 5.00pm (WST) on the Closing Date.

“CHESS”

The Company participates in CHESS. If the applicant is already a participant in this system, the Applicant may complete this section or forward an application form to the Applicant's sponsoring broker for completion prior to lodgment. Otherwise leave the section blank and the Applicant will receive an issuer sponsored statement.

Payment for Shares

The price for each Share is payable in full on acceptance by a payment of 8 cents per Share.

Payment will be accepted only in Australian dollars by cheque or bank draft drawn on, and payable at any Australian bank. Cheques or drafts should be made payable to “Yilgarn Gold Limited Share Issue Account” and crossed “not negotiable”. Receipts for payments will not be issued.

Declaration

Before completing the Application Form the Applicant(s) has read the Prospectus to which the Application relates. The Applicant(s) agree that this application is for Shares in Yilgarn Gold Limited upon and subject to the terms of the Prospectus, agree to take any number of Shares equal to or less than the number of Shares indicated on the front of the form that may be allotted to the Applicant pursuant to the Prospectus and declare(s) that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.