

Yilgarn Gold Limited

ACN 002 527 906
ABN 34 002 527 906

QUARTERLY REPORT

For the period ending 30 June 2006

Corporate Summary

Capital Raising

Following the approval of shareholders on 2 June 2006, on 7 June 2006 the Company lodged a prospectus for a capital raising of \$5.6 million by the offer of 70,000,000 ordinary fully paid shares at an issue price of 8 cents each. The capital raising was successfully completed on 6 July 2006.

The monies raised will be used by the Company to fund its participation in the 2D and 3D seismic programme on SC 54 and will enable the Company to meet the first part of its SC 54 farm-in agreement commitments with Nido Petroleum Limited

Philippines Offshore Oil and Gas Farm-in (SC 54) Yilgarn Gold Limited – 40% Participating Interest

During the quarter, Yilgarn has made significant progress in respect of its Philippine oil and gas operations. The following key milestones were achieved:

- In May 2006 Yilgarn formally executed an agreement to farm-in to SC 54 in the Philippines with Nido Petroleum (Nido) as contemplated in its letter agreement signed with Nido on 21 March 2006.

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\$3.2m (Yilgarn's share) on a 4:3 basis. On completion of the seismic programme and technical evaluation of the seismic data, Yilgarn may proceed with the second stage, 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.

The completion of the farm-in is now only subject to Philippine regulatory approval which was recently submitted for their approval.

- In April 2006 Yilgarn was pleased to announce the appointment of Pat Boss as its exploration manager. Pat is a geophysicist who has held senior exploration positions with Woodside Petroleum Ltd and Sterling Oil and Gas plc. Pat has had significant experience working with deepwater exploration targets throughout West Africa and was instrumental in discovering Tiof in Mauritania while with Woodside.

Pat has strong technical expertise in high end quantitative geophysics supplemented by strong project management skills involving joint venture management and administration in both operating and non operating environments.

The appointment of Pat is a welcome addition to our technical team led by Laurie Brown, the company's technical director.

- In July, Yilgarn announced that Nido, the operator, had signed an agreement with Veritas to shoot and process over 650km² of 3D seismic in the SC 54 permit. Veritas has agreed to provide a

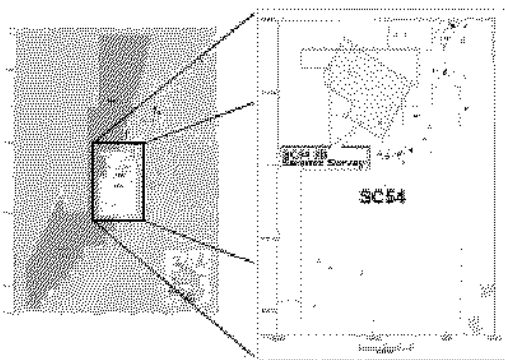


comprehensive state-of-the-art processing flow up to and including pre-stack depth migration and delivery of interim products to ensure rapid turnaround of the interpretation of the data.

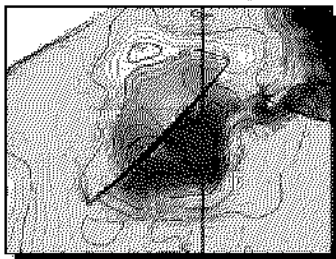
In addition, Nido signed a conditional LOI to acquire a further 500km of 2D seismic in SC 54 as part of a group shoot led by PNOC Exploration Corporation, the Philippine national oil company. The additional coverage in SC 54 is critical to tie-in the pre-existing well data base and the proposed 3D coverage into the modern regional data set that will be delivered from the group shoot.

The 3D program is expected to start in October 2006 and the 2D programme is planned for September 2006.

- An amendment to the SC 54 work programme from the Philippines Department of Energy was obtained in July 2006. The drilling commitment phase for SC 54 was due to commence on 5 Feb 2005 and finish on 4 February 2007 and this has now been extended to 5 August 2007. This six month extension provides the joint venture with the additional time required to fully interpret and integrate the results of the combined 2D and 3D seismic programmes up to a risked and ranked high graded drill ready prospect portfolio prior to having to commit to drilling a well in the contract area.



Coron North Prospect



KEY FACTS

Location:	North West Palawan Basin, Philippines
Size:	537,616 hectares (1.33 million acres)
Water Depth:	30m – 2,000m
Reservoir Types:	Miocene Age, Turbidite Sandstones & Platform/Pinnacle Reef Carbonates
Seismic Coverage:	2D 4,770 line km 3D 600 km ²
Work Commitment:	Aug 2005 – Feb 2006 G&G Complete Feb 2006 – Aug 2007 2D-3D Seismic Aug 2007 – Feb 2009 Exploration Well
Discoveries, Prospects & Leads:	Coron North; Princessa; Signal Head; Guntao; Nido-1;
Analogous Play Fairways:	Deepwater Sabah; Offshore Mauritania
Nearby Field:	Malampaya Gas Field (Shell/Chevron-Texaco) 3.2 Tcf Gas/100 Million bbl oil

New Bulong Project
Yilgarn Gold Limited 100%

The project is situated 30 kilometres east of Kalgoorlie and covers approximately 60 square kilometres of highly prospective greenstone terrain, which includes 19 km of strike and contains numerous old workings and gold mines, the most notable being the Queen Margaret which closed in 1908.

Rehabilitation work and low impact prospecting using a local prospector continued with work concentrating around the Queen Margaret workings south of the Bulong road. Two hectares are completed at any one time to the satisfaction of the Dept of Industry and Resources Environmental Division before any further work is undertaken. This work aids in the clean up of the old historical mining which was not previously rehabilitated and being undertaken at no cost to the company.

QUEEN MARGARET

Historical mining from the Queen Margaret Mine was from underground stopes which did not penetrate to the surface and was limited to the Queen Margaret main lode, a high grade quartz shear zone approximately one metre wide and grading 27g/t gold. It was mined extensively down to the 600 foot level (182m). An exploration crosscut mined 400 metres into the footwall exposed the Queen Margaret footwall lode containing gold mineralisation. Two small trial stopes were mined from 6 and 3 level, but only produced a grade of 6-7dwts/ton (approximately 9g/t) over 3 metres. In the early 1900's this was not a sustainable underground grade and mining of the footwall lode was abandoned.

The Queen Margaret footwall was tested with RC drilling from 1992-1994. The drill lines were spaced at 25 metres with all holes drilled vertical. The justification for vertical holes was based on the interpretation that the mineralised zones had a shallow plunge to the south. The Queen Margaret structure dips at 65 degrees to the west.

The latest drill program tested the gaps in the drilling for near surface footwall gold mineralisation with angled -60 degree holes to the east. The holes covered the interpreted surface expression of the lode south of the vertical shaft. Due to rig commitments the 10 most northerly holes were not drilled and are planned for the future. Once those results are available the economics of the footwall lode can be determined.

STRATHFIELD PROSPECT

The Strathfield prospect is located over the old workings at Castle Corner and Storm King and is located on strike from the Queen Margaret and the Melbourne United in the northern section of M25/24. The prospect is located on a low hill and is thickly vegetated by scrub and a few larger trees. Historically, the Castle Corner and Storm King produced 475.60 ounces of gold from 282.14 tonnes at a grade of 51.60 g/t to 1909.

From 1992 to 1995 some 3,097 metres in 34 RC drill holes tested the prospect in an east west direction. Most holes were 60 degrees to the east with some vertical holes. The Gold assay results had some spotty very high grades, the bulk of the gold values, although consistent were mostly less than 1.0g/t. Elevated but patchy gold values occur both in the sheared upper contact of the felsite and in the footwall metasediments which are typically biotite bearing. The main host rock, the Storm King Felsite is weathered to 70 metres and the host sequence has widened out to 70 metres. North trending oblique dextral faulting has effected the terminations of the lens to the north and south defining a block 200 metres long.

The Storm King felsite lens is deeply weathered and evenly mineralised in a stock work style with gold concentrations focused particularly in the footwall and adjacent faulted footwall sediments. Surface enrichment and depletion is evident in the upper 15 metres of the body where erratic high and low values occur.

Drilling is needed to test the gold reef area covered by the historical workings to the north and south of the drilled section 6599325N which intersected reasonable gold values. The old workings concentrated on a narrow rich quartz reef, however the drilling has shown that the gold although lower grade is disseminated over a width of 70 metres. Therefore, there is good potential for a near surface gold mineralisation over a strike of 200 metres.

Goodenough Project

Yilgarn Gold Limited 100%

SOIL GEOCHEM PROGRAM MENZIES - GOODENOUGH PROJECT

The Goodenough Project is situated 5km to the east of Menzies.

During the quarter a total of 200 soil geochemical samples were collected from two areas covered by P29/1343 to the west of the Goodenough mining lease and P29/1345 which lies 1km to the south west. The sampling in P29/1343 was conducted on 50 metre spaced lines at intervals of 20 metres, covering the target zone which was a low ridge made up of chert and sediments and forms the horse shoe shaped structure containing the Goodenough deposit. A felsic quartz zone lies to its north west with little outcrop and the basalt lies to the south east of the ridge. The second area situated in P29/1345 to the south also covered an area previously mapped as a chert zone however most of this area was soil covered with little outcrop.

For both areas 1kg samples were obtained from a depth of 20cm and the whole sample was submitted to Kalassay Group for analysis using the Aqua Regia Digest / ICP-MS Analysis method. All samples were tested for Au, As, Ni, Cu and Co and Al.

Results

The gold ppb values on P29/1343 situated just to the west of the Goodenough mining lease exhibit elevated values in the vicinity of the chert ridge on two of the sample lines with a high of 1308 ppb (1.3g/t) These results would need to be verified before it is considered a drill target. The gold ppb contour plot illustrates the position of the elevated area in relation to the Goodenough mining lease.

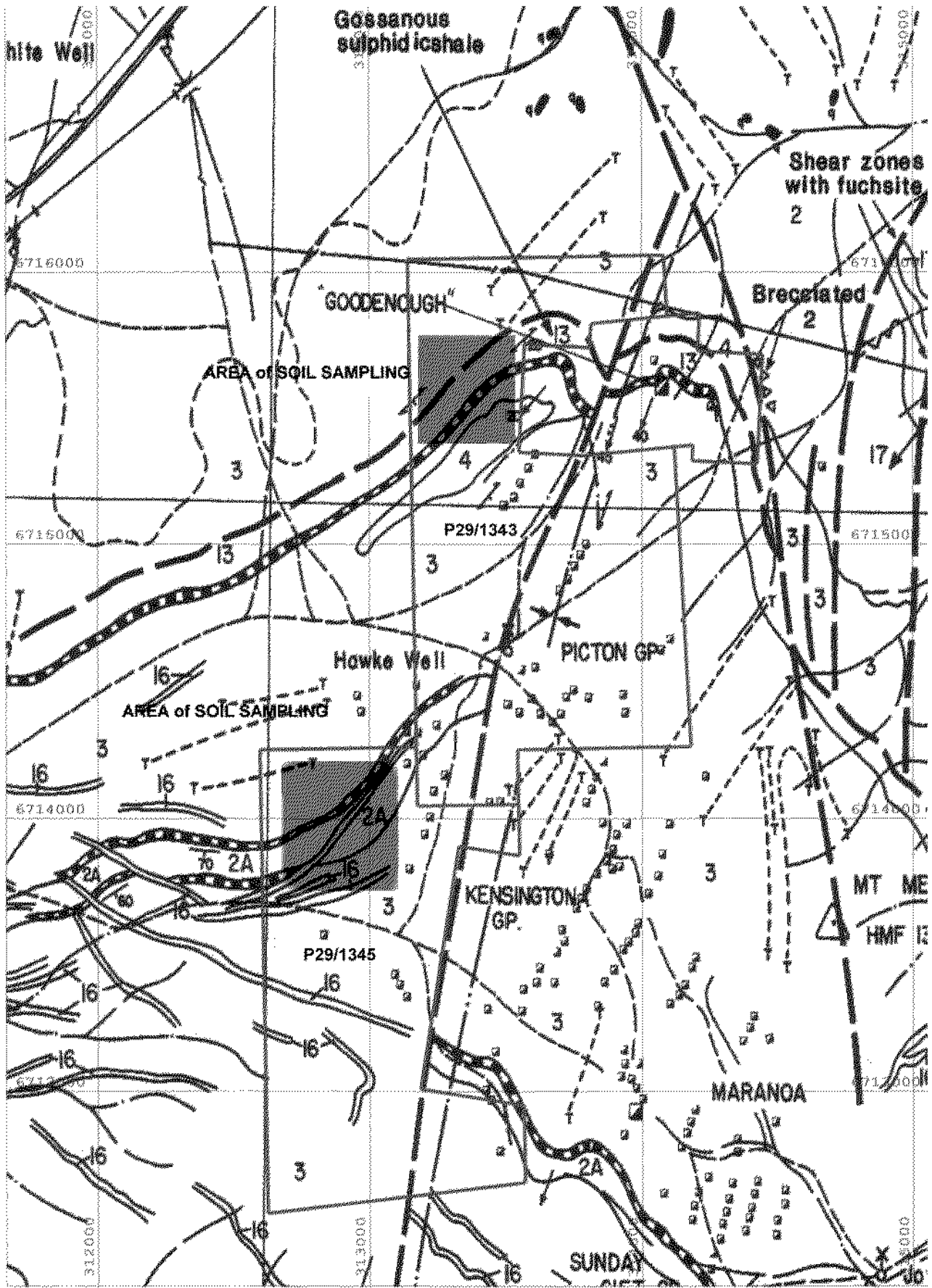
The As ppm values are also elevated on this one sample line however they drop off sharply to the south. The Ni values show a gradual increase to the north and once the PL applications to the north are granted follow up sampling in that area is warranted.

The Al Cu and Co results did not exhibit any outstanding significant results.

From P29/1345 a total of 100 samples were collected on a 50 X 50 metre grid. The results were disappointing with no real significant results except for the four slightly elevated gold results oriented in a NW line. These may indicate a narrow NW structure. However, this does not fit the mapping as depicted in the plan.

The company continues to discuss the future of this project with interested parties.

Three prospecting licence applications to the south of the Goodenough mining lease continue the right to negotiate phase with the Wutha and the Wongatha People.



1. Contour lines
 2. Fault lines
 3. Shear zones
 4. Brecciated zones
 5. Gossanous sulphidic shale
 6. Shear zones with fuchsite
 7. Brecciated zones
 8. "GOODENOUGH"
 9. AREA of SOIL SAMPLING
 10. Hawke Well
 11. PICTON GP
 12. KENSINGTON GP
 13. MARANCA
 14. SUNDAY
 15. MT ME
 16. HMF 13

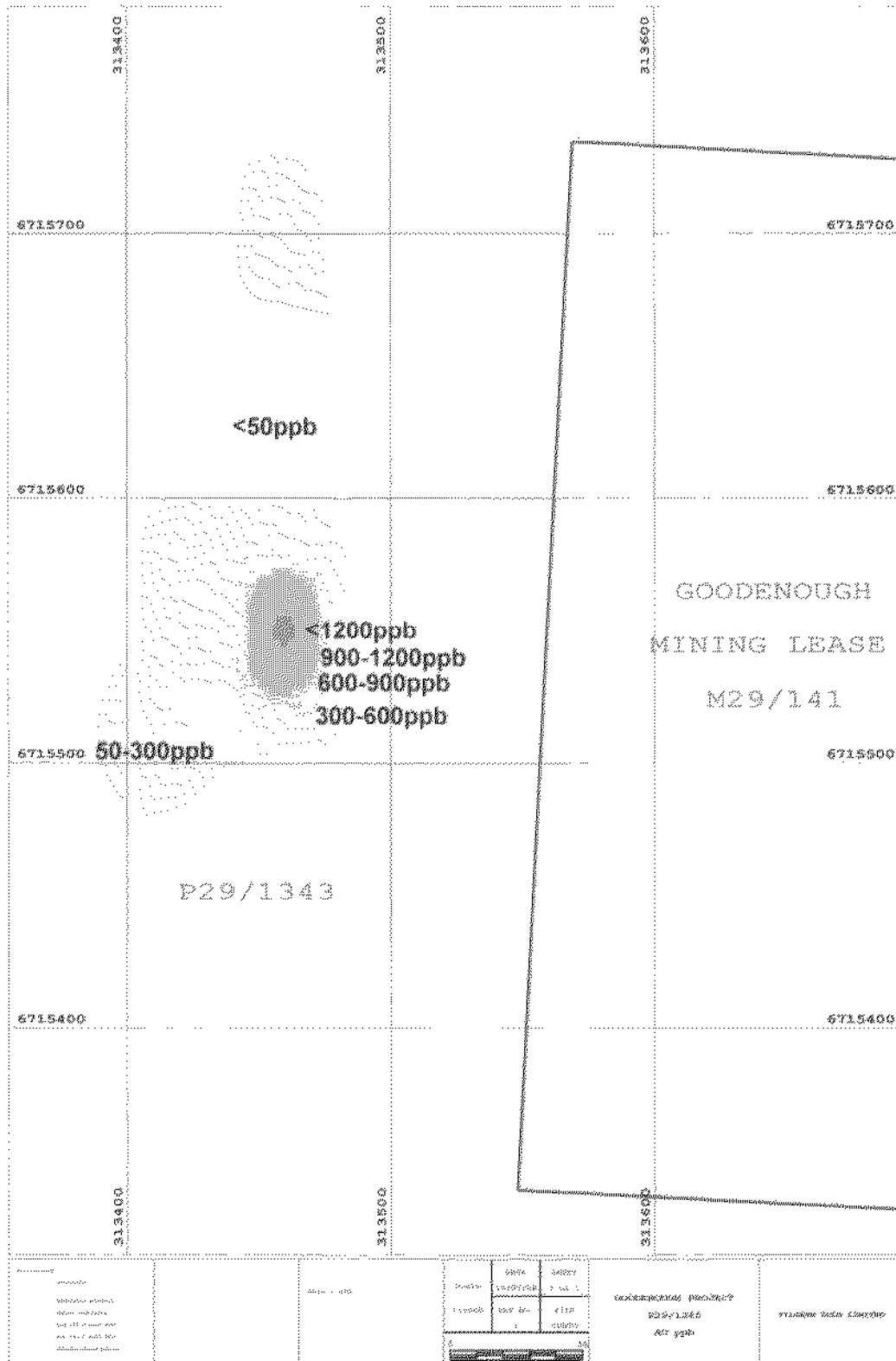
17. Scale 1:50,000
 18. North arrow
 19. Date of issue: 1998
 20. Author: J. G. ...
 21. ...

NO.	DESCRIPTION	DATE	BY
1	Issue	1998	J. G. ...
2

NO.	DESCRIPTION	DATE	BY
1	Issue	1998	J. G. ...
2

GEOLOGICAL SURVEY
 GEOLOGY AFTER HALLIBURY
 YILGARN GOLD LIMITED

YILGARN GOLD LIMITED
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Browns Lagoon

Yilgarn Gold Limited 100%

The Browns Lagoon Project is situated approximately 60km northwest of Kalgoorlie in the Broad Arrow Mineral Field just west of Ora Banda.

In 1999 Goldfields Exploration Pty Ltd carried out a RAB program consisting of 86 holes for 4,041 metres. Goldfields targeted previously defined gold and lead anomalies in the surface soils.

The > 20ppb gold contour roughly defined the Zuleika shear Zone which is interpreted to run the length of the project situated roughly in the centre. The following two holes drilled by Goldfields intersected significant gold values.

Hole	North AMG	East AMG	Azimuth	Dip	Depth From	Interval (m)	Gold Grade (g/t)
BLRB0059	6631743	304523	040 NE	-60	32	8	1.00
BLRB0060	6631681	304471	040 NE	-60	0	4	1.46

Lower cut-off-grade of 0.1g/t, 1m minimum interval

Hole BLRB0059 which intersected 8 metres at 1g/t Au from 32 metres is sited on the interpreted position of the Zuleika shear zone, while hole BLRB0060 is sited in the komatiites and intersected 1.46 g/t Au in the first 4 metres. This is probably a O20 structure connected to the Zuleika shear zone. The logging indicated the grade was associated with vein quartz which is probably due to O20 splay structures from the Zuleika Shear zone. Additional holes need to be drilled north and south of these two holes with the intention of intersecting the Zuleika shear zone and possible gold mineralisation.

Cowarna Rocks E28/1041

Yilgarn Gold Limited 100%

The Cowarna Rocks project lies 85km east of Kalgoorlie and covers 14 square kilometres of the Jubilee Greenstone Terrane.

The Railway shear, which is interpreted to run through the middle of the exploration licence, separates the Kurnalpi belt which lies to its east and consists of mafic and ultramafic rocks with the North-West striking Penny Dam conglomerate covering most of the western portion of the licence.

Previous soil sampling on 400m metre spaces lines identified an anomalous gold area in the centre and a second area situated in the southern part of the exploration licence. Infill sampling is planned in the areas of the defined soil anomalies which it is hoped will confirm the anomalies and possible drill targets will be defined. The area is totally soil covered with no outcrop. Geological interpretation using ground information, air photography and aeromagnetic data is ongoing.

Great Southern Project

Yilgarn Gold Limited 100%

The Company continues to consider various options for the future of the Great Southern Project.

Foley Well

Yilgarn Gold Limited 100%

Foley Well is in joint venture with Gutnick Resources who manage the project. The project now consists of 3 mining lease applications and an exploration licence application. Until these are granted no further field work can be carried out.

Clinker Hill

Yilgarn Gold Limited 100%

ML application is still pending.

YILGARN GOLD LIMITED (Projects, excluding Philippines Oil and Gas Farm-in)

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr N Taylor MAusIMM MAIG, a full time employee of the Company. Mr Taylor has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Taylor consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

