



## QUARTERLY ACTIVITY REPORT

For the period ending 31 December 2006

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On 12 January 2007 the company announced the appointment of two new directors to the Board of the Company. Chris Swarbrick has been appointed as Non-Executive Chairman and Rae Jefferies who has been appointed as a Non-Executive Director replacing Peter Vassileff and Graeme Clatworthy respectively, who both retired from the Board.

Chris Swarbrick is a petroleum geologist with over 38 years international oil and gas industry experience. He recently retired from Chevron after more than 30 years with ChevronTexaco and Texaco. He has held senior exploration management positions with ChevronTexaco and Texaco in several parts of the world, most recently as Exploration Manager in Kazakhstan and Senior Exploration Advisor/Acting Exploration Manager in Perth. Chris has been involved in the discovery of several significant oil and gas fields including Jansz and other major gas fields in the Greater Gorgon area of NW Australia.

Chris has a M.Sc. degree in Petroleum Geology from Imperial College, London and is a member of the American Association of Petroleum Geologists (AAPG) and the Petroleum Exploration Society of Australia (PESA).

Rae Jefferies has over 25 years international oil and gas experience as a Reservoir Engineer, specialising in field development planning, reservoir management and optimisation.

From 1981 to 1991 Rae worked for Mobil and Conoco on major UK oil and gas fields in operational and development roles. In 1991 she settled in Australia as an independent reservoir engineering consultant. Since then she has conducted numerous field assessments ranging from small onshore to major offshore deepwater developments in the UK, USA, Australasia and Africa. Rae has also advised on development feasibility and optimisation projects for Shell, Woodside, Chevron, Mobil, Apache and local Perth independents. She has also lectured in Reservoir Engineering for the University of Western Australia.

The addition of Chris and Rae, both seasoned and widely respected oil industry veterans, marks a significant point in Yilgarn's development further enhancing the Board's skill-sets and reputation as we focus on growing our oil and gas business beyond Service Contract 54 (SC 54) in the Philippines.

### **Philippines Offshore Oil and Gas Farm-in (SC 54)**

#### **Yilgarn Gold Limited – 40% Participating Interest**

During the quarter, the following progress occurred in respect of its Philippine oil and gas operations:

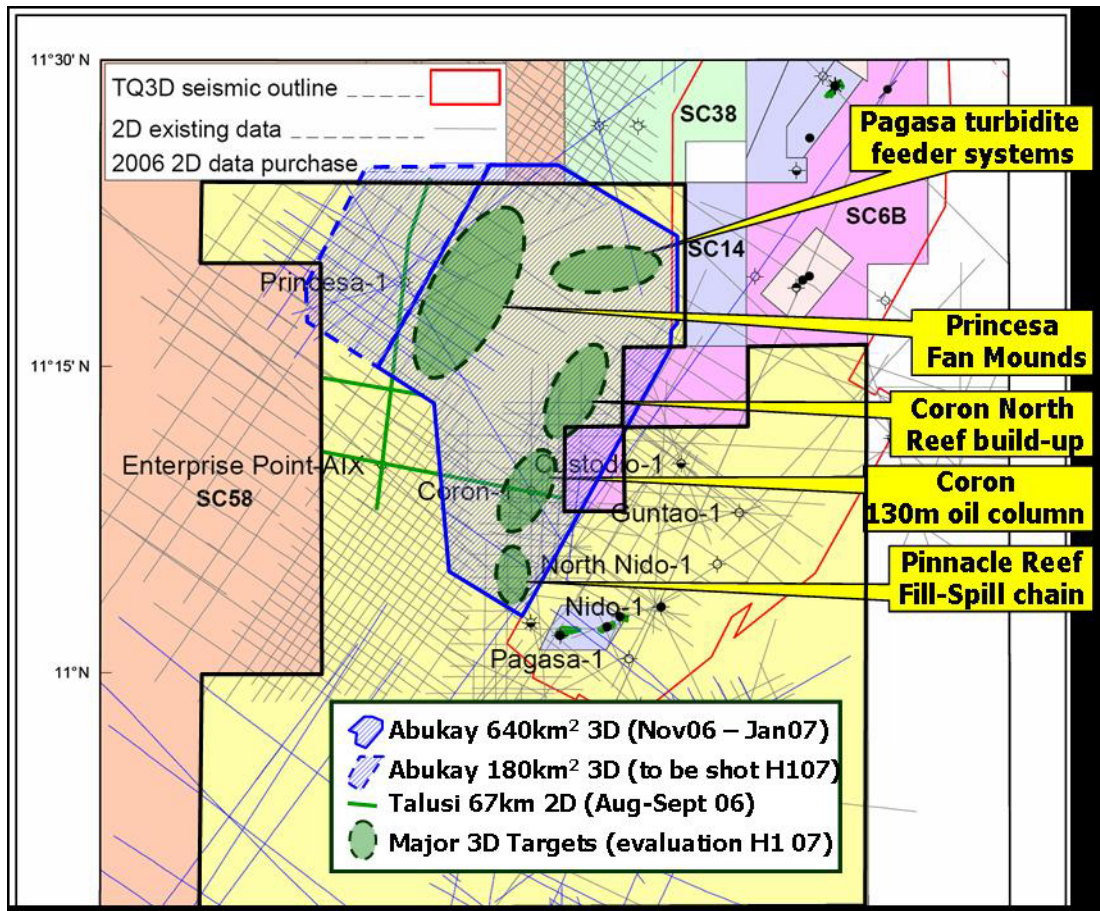
A 3D seismic survey totalling 640km<sup>2</sup> was completed providing 3D coverage over the key prospects and leads identified in SC 54. These are as follows:

- Coron North - undrilled four-way Malampaya-style structure with reef build-up potential;
- Deepwater Pagasa turbidite fairway (Princesa fan mound leads);
- Coron-1 (previously drilled by Fletcher Challenge in 1993 with an untested 120m oil column);
- Coron to Nido interpreted fill-spill chain; and
- Pagasa turbidite feeder system.

Processing of the 640km<sup>2</sup> survey area commenced in mid January 2007.

The completion of 640km<sup>2</sup> 3D, in combination with the 2D acquired in the third quarter of 2006, satisfies the work commitments of the current phase of the SC 54 contract area.

The SC 54 joint venture plan to acquire an additional 180km<sup>2</sup> of 3D in the second quarter of 2007 to further evaluate the Pagassa turbidite play fairway.



## **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.

No further exploration work was carried out during the quarter. The company is currently progressing discussion with a number of interested parties.

## **Goodenough Project**

**Yilgarn Gold Limited 100%**

The Goodenough Project, M29/141 is situated 5km to the north east of the town of Menzies and can be accessed by a good unsealed road which is located on the eastern side of Menzies. The Goodenough mine has reported historic production of approximately 10,408oz of gold from underground workings. The main zone of gold mineralisation is found in the Lode Sequence which is situated between the hangingwall amphibolite and the footwall felsic schist. It is mainly a low angle shear zone dipping at 35 degrees to the south, consisting of quartz, pyrite and pyrrhotite with carbonaceous shales, cherts and sediments.

A number of approaches have been made to the company by other parties to farm-in to various areas held by Yilgarn in the Menzies project area. The Company continues to assess proposals.

## **Browns Lagoon**

**Yilgarn Gold Limited 100%**

The Browns Lagoon project consists of four granted prospecting licences, P24/3595 – P24/3598 which cover an area of approximately 778 hectares. It is situated approximately 60km northwest of Kalgoorlie in the Broad Arrow Mineral Field, The Project contains a northwest trending Archaean sequence dominated by the Zuleika shear zone which extends the length of the package. To the east of the shear exists the volcanic sediments of the Black Flag group and the Kurrawang conglomerates. To the west of the Zuleika shear zone lay an ultramafic sequence which is bounded by a gabbroic unit along the northern section of the project area. Gold deposits in the region are usually associated with the northwest trending Zuleika shear zone and associated cross cutting faults striking at 020 degrees.

The Company is considering various options for the future of the Browns Lagoon Project.

## **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.

No work was carried out during the quarter.

## **Golden Cliffs**

**Yilgarn Gold Limited 100%**

Golden Cliffs Project is situated in the Laverton district approximately 33 km south west of Laverton. Mt. Margaret Mission lies 3 kilometres to the north east of the project and access which is good can be gained either via Laverton or through Mt Morgan's mine 11 kilometres to the northwest from the main Laverton Leonora road.

No work was carried out during the quarter.

## **Great Southern Project**

**Yilgarn Gold Limited 100%**

Situated in the Forrestania district the Great Southern Project M77/729 & 1014 is located 150 kilometres south of Southern Cross on the Forrestania road and 13.5km south east of the "Four Ways Crossing" at Forrestania.

The project lies in the southern portion of the Southern Cross Province of the Archaean Yilgarn Craton. To the west of the property lies the eastern boundary of the Forrestania greenstone belt, which is known for its ridges of banded iron formation (Iron Cap). It is located in an east south east trending shear zone which is hosted in altered granites. Limited drilling was completed in 1987.

The Company is considering 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%**

The Clinker Hill project comprises a Mining Lease Application, MLA26/766, located 25km southeast of Kalgoorlie within the Norseman-Wiluna greenstone belt adjacent to the Golden Ridge Mining Centre and the Mount Monger Fault. This prospective area requires further systematic evaluation of structural targets associated with the Mount Monger Fault. Until the mining lease is granted no field work can be carried out.

