



Half Year Report

31 December 2006

Yilgarn Gold Limited

ABN 34 002 527 906

Corporate Directory

Directors

Christopher Francis John Swarbrick
Lawrence James Brown
Paul Damien John Fry
Rae Jefferies

Company Secretary

Neville John Bassett

Registered Office

Suite 2, 11 Ventnor Avenue
West Perth WA 6005

Tel: (08) 9322 8081
Fax: (08) 9322 8091

Share Registry

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St George's Terrace
Perth WA 6000
Investor enquiries:
Tel: 1300 557 010
(08) 9323 2000
Fax: (08) 9323 2033

Auditor

Rothsay
Chartered Accountants
2 Barrack Street
Sydney NSW 2000

Stock Exchange Listing

Australian Stock Exchange Limited
ASX Code: YGL
YGLO

Yilgarn Gold Limited

Directors' Report

The Directors of Yilgarn Gold Limited submit herewith the financial report of the consolidated entity for the half-year ended 31 December 2006. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors who held office during or since the end of the half year and until that date of this report are as below. Directors were on office for this entire period unless otherwise stated.

Name

Christopher Francis John Swarbrick	Non-Executive Chairman	Appointed 12 January 2007
Lawrence James Brown	Technical Director	
Paul Damien John Fry	Managing Director	
Rae Jefferies	Non-Executive Director	Appointed 12 January 2007
Peter Vassileff	Non-Executive Chairman	Resigned 12 January 2007
Graeme John Clatworthy	Non-Executive Director	Resigned 12 January 2007

Review and Results of Operations

The net loss for the half-year attributable to members of Yilgarn Gold Limited was \$875,548.

Philippines Offshore Oil and Gas Farm-In (SC 54) – 40% Participating Interest

During the half-year, the following progress occurred in respect of the company's Philippine oil and gas operations:

A 3D seismic survey totalling 640km² 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 640km² survey area commenced in mid January 2007. The SC 54 joint venture plan to acquire an additional 180km² of 3D in the second quarter of 2007 to further evaluate the Pagassa turbidite play fairway.

In addition the company acquired approximately 70km of 2D seismic coverage as part of a group shoot led by PNOG Exploration Corporation, the Philippines national oil company. The coverage acquired in SC 54 is critical to tie-in the pre-existing well database with the 3D coverage to provide regional context, in interpreting all SC 54 data into the regional grid that the group shoot delivers.

Mineral Interests - Australia

During the half-year the company commenced a review and evaluation of all mineral interests for the purpose of determining the best course of action for progressing the various projects. Alternatives currently being considered include the joint venture or farm-in over all or selected projects.

Corporate

- On 5 July 2006 shareholders approved the issue of incentive options to key management personnel, consultants and employees, as follows:
 - 2,500,000 options expiring 30 September 2007, exercisable at 1.5 cents each
 - 5,000,000 options expiring 31 December 2008, exercisable at 5 cents each
 - 10,000,000 options expiring 30 June 2008, exercisable at 7 cents each
 - 5,000,000 options expiring 30 June 2009, exercisable at 10 cents each
 - 5,000,000 options expiring 30 June 2009, exercisable at 12 cents each

These options were issued during the half-year. The fair value of the options is estimated at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted.

- On 10 July 2006, the company completed a placement of 70,000,000 ordinary fully paid shares at an issue price of 8 cents each, raising \$5,600,000 to fund the company's participation in the 2D and 3D seismic programme on SC54 enabling the Company to meet the first part of its SC 54 farm-in agreement commitments with Nido Petroleum Limited.

Changes In State Of Affairs

During the half year ended 31 December 2006 there was no significant change in the entity's state of affairs other than that referred to in the half-year financial statements or notes thereto.

Auditor's Independence Declaration

The following is a copy of a letter received from the Company's auditors:

"Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To: the directors of Yilgarn Gold Limited

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

- no contraventions of the auditor independence requirements of the Act in relation to the review of the 31 December 2006 half-year financial statements; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

Frank Vrachas
Lead auditor
Rothsay Chartered Accountants
Dated 14th March 2007

This report is made in accordance with a resolution of the directors.



Paul D Fry
Managing Director
PERTH, this 15th day of March 2007

ROTHSAY

Level 1, 2 Barrack Street, Sydney NSW 2000 · G.P.O. Box 2759, Sydney NSW 2001
Phone 9299 0091 · Facsimile 9299 2595 · E-mail swan2000@bigpond.com

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF YILGARN GOLD LIMITED

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Yilgarn Gold Limited:

- does not give a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of the company at 31 December 2006 and of its performance for the half-year ended on that date, and
- is not presented in accordance with the Corporations Act 2001, Accounting Standard AASB 134: Interim Financial Reporting and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001.

This statement must be read in conjunction with the rest of our review report.

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Yilgarn Gold Limited, for the half-year ended 31 December 2006.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review in order for the company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with the Corporations Act 2001, Accounting Standard AASB 134: Interim Financial Reporting and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and its performance as represented by the results of its operations, changes in equity and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of company personnel, and
- analytical procedures applied to financial data.

Our procedures include reading the other information with the financial report to determine whether it contains any material inconsistencies with the financial report.



Chartered Accountants

Liability limited by the Accountants Scheme, approved
under the Professional Standards Act 1994 (NSW).

**INDEPENDENT REVIEW REPORT TO THE MEMBERS OF YILGARN GOLD
LIMITED (continued)**

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

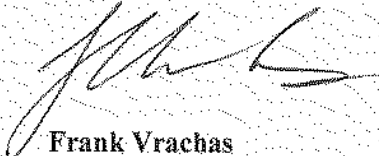
Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.



Rothsay



Frank Vrachas
Partner

Dated this 15th day of March 2007

Yilgarn Gold Limited

ABN 34 002 527 906

Directors' Declaration

For The Half-Year Ended 31 December 2006

The directors of the company declare that:

- 1) The financial statements and notes set out on pages 7 to 13 are in accordance with the Corporations Act 2001, including:
 - (a) complying with the Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001;
 - (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year then ended.
- 2) In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts when they become due and payable.

This declaration is made in accordance with a resolution of the directors pursuant to s.303(5) of the Corporations Act, 2001.



Paul D Fry
Managing Director

PERTH, 15th day of March 2007

Yilgarn Gold Limited
Condensed Income Statement
For The Half-Year Ended 31 December 2006

	Half-year ended 31 Dec 2006	Half-year ended 31 Dec 2005
	\$	\$
Revenue	123,811	8,403
Depreciation expense	(2,100)	(2,617)
Salaries and employee benefits expense	(124,993)	(3,149)
Consultants and directors fees	(141,750)	(64,000)
Share based payments	(416,074)	(14,850)
Write off of exploration costs	(8,394)	(192,652)
Net foreign currency losses	(70,368)	-
Other costs	(235,680)	(47,741)
Loss before income tax expense	(875,548)	(316,606)
Income tax expense	-	-
Loss after tax from continuing operations	(875,548)	(316,606)
Loss from discontinued operations	-	-
Loss for the half-year attributable to members of Yilgarn Gold Limited	(875,548)	(316,606)
Basic earnings per share	5	5
	\$(0.0033)	\$(0.0028)

The accompanying notes form part of these financial statements

Yilgarn Gold Limited
Condensed Balance Sheet
As at 31 December 2006

	Note	As at 31 Dec 2006 \$	As at 30 June 2006 \$
Current Assets			
Cash and cash equivalents		5,473,259	1,005,730
Trade and other receivables		97,665	8,743
Total Current Assets		5,570,924	1,014,473
Non-Current Assets			
Plant & equipment		3,607	5,800
Deferred exploration expenditure	2	5,287,032	1,052,297
Total Non-Current Assets		5,290,639	1,058,097
Total Assets		10,861,563	2,072,570
Current Liabilities			
Trade and other payables		2,710,937	124,078
Provisions		-	16,669
Total Current Liabilities		2,710,937	140,747
Total Liabilities		2,710,937	140,747
Net Assets		8,150,626	1,931,823
Equity			
Issued capital	3	11,377,136	6,042,136
Reserves		2,139,319	379,968
Accumulated losses		(5,365,829)	(4,490,281)
Total Equity		8,150,626	1,931,823

The accompanying notes form part of these financial statements

Yilgarn Gold Limited

Condensed Statement of Changes in Equity

For the half-year ended 31 December 2006

	Issued Capital \$	Accumulate d Losses \$	Other Reserves \$	Total \$
Balance at 1 July 2005	4,709,636	(3,779,117)	285,118	1,215,637
Shares issued during the period	127,500	-	-	127,500
Recognition of share based payments	-	-	14,850	14,850
Loss attributable to members of the parent entity	-	(316,606)	-	(316,606)
Balance at 31 December 2005	4,837,136	(4,095,723)	299,968	1,041,381
Balance at 1 July 2006	6,042,136	(4,490,281)	379,968	1,931,823
Shares issued during the period	5,335,000	-	-	5,335,000
Recognition of share based payments	-	-	1,759,351	1,759,351
Loss attributable to members of the parent entity	-	(875,548)	-	(875,548)
Balance at 31 December 2006	11,377,136	(5,365,829)	2,139,319	8,150,626

The accompanying notes form part of these financial statements

Yilgarn Gold Limited

Cash Flow Statement

For The Half-Year Ended 31 December 2006

	Half-year ended 31 Dec 2006 \$	Half-year ended 31 Dec 2005 \$
Cash Flows from Operating Activities		
Payments to suppliers and employees	(413,805)	(23,880)
Interest received	90,127	354
Sundry income	-	8,000
Net Operating Cash Flows	(323,678)	(15,526)
Cash Flows from Investing Activities		
Proceeds from sale of non-current assets	4,000	-
Purchase of non-current assets	(3,907)	-
Payments for exploration expenditure	(469,518)	(91,203)
Payment for rental bond	(4,000)	-
Net Investing Cash Flows	(473,425)	(91,203)
Cash Flows from Financing Activities		
Proceeds from issue of shares and options	5,335,000	127,500
Proceeds from borrowings	-	15,000
Net Financing Cash Flows	5,335,000	142,500
Net increase in cash held	4,537,897	35,771
Cash and cash equivalents at beginning of half year	1,005,730	105,006
Effect of exchange rate changes	(70,368)	-
Cash and cash equivalents at end of half year	5,473,259	140,777

The accompanying notes form part of these financial statements

Yilgarn Gold Limited

Notes to the Financial Statements

For the Half-Year ended 31 December 2006

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting".

The half-year financial report should be read in conjunction with the Annual Financial Report of Yilgarn Gold Limited as at 30 June 2006. It is also recommended that the half-year financial report be considered together with any public announcements made by Yilgarn Gold Limited and controlled entities during the half-year ended 31 December 2006 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The financial report covers the consolidated entity of Yilgarn Gold Limited and controlled entities. Yilgarn Gold Limited is a listed public company domiciled in Australia.

The half-year financial report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The half-year financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the consolidated entity as in the full financial report.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2006 annual financial report for the year ended 30 June 2006.

In the half-year ended 31 December 2006, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2006.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

2. DEFERRED EXPLORATION EXPENDITURE

Costs carried forward in respect of areas of interest in the following phases:

	31 Dec 2006	31 Dec 2005
	\$	\$
Exploration and evaluation phase – at cost		
Balance at beginning of period	1,052,297	1,237,050
Expenditure incurred	2,899,730	86,353
Recognition of share based payment - Exploration	1,343,277	-
Expenditure written off	(8,272)	(189,013)
Total deferred exploration expenditure	5,287,032	1,134,390

Ultimate recoupment of exploration and evaluation expenditure carried forward is dependent on successful development and commercial exploitation or, alternatively, sale of the relevant areas of interest, at amounts at least equal to book value.

Yilgarn Gold Limited

Notes to the Financial Statements

For the Half-Year ended 31 December 2006

3. ISSUED CAPITAL

	31 Dec 2006 \$	30 June 2006 \$
<i>Ordinary shares</i>		
Issued and fully paid	11,377,136	6,042,136
<i>Movements in ordinary shares on issue</i>	No.	\$
Balance at beginning of period	197,470,368	6,042,136
Issued on 5 July 2006 on placement of shares for cash	1,200,000	96,000
Issued on 11 July 2006 on placement of shares for cash	68,800,000	5,504,000
Issued on 2 August 2006 for cash on exercise of options	300,000	15,000
Share issue costs	-	(280,000)
Balance at end of period	267,770,368	11,377,136

4. SEGMENT REPORTING

The company operates predominantly in two business segments, being mineral exploration (Australia) and petroleum exploration (Philippines). The following table presents the revenue and earnings information regarding geographical segments for the half-year periods ended 31 December 2006 and 31 December 2005.

	Australia \$	Philippines \$	Total \$
31 December 2006			
Segment revenue	123,811	-	123,811
Segment results	(805,180)	(70,368)	(875,548)
Assets and liabilities			
Segment assets	6,402,998	4,458,565	10,861,563
Segment liabilities	180,664	2,530,273	2,710,937
31 December 2005			
Segment revenue	8,403	-	8,403
Segment results	(316,606)	-	(316,606)
Assets and liabilities			
Segment assets	2,072,570	-	2,072,570
Segment liabilities	140,757	-	140,757

5. COMMITMENTS

Farm-in Commitment

Pursuant to a farm-in agreement with Nido Petroleum Limited to earn a 40% participating interest in Service Contract 54 in the Northwest Palawan Basin, offshore Philippines, the first stage commitment requires the company to fund a seismic programme to a cap of US\$3.2 million (the Company's share) on a 4:3 basis.

The estimated outstanding commitment, for which no provision has been provided for in the financial report is A\$1,223,809.

On completion of the seismic programme and technical evaluation of the seismic data, the Company may proceed with the second stage or exit the farm-in without any further obligation or interest.

If the Company 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 Company has the right to assign all or part of its interest in the farm-in at any time.

Yilgarn Gold Limited

Notes to the Financial Statements

For the Half-Year ended 31 December 2006

6. CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

7. EVENTS SUBSEQUENT TO REPORTING DATE

There are no matter or circumstances which have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial periods.