



ABN 37 108 476 384

FINANCIAL REPORT

30 June 2010

YTC Resources Limited Corporate Directory

Directors

Dr. Wenxiang Gao – Chairman

Mr. Anthony Wehby – Vice Chairman

Mr. Rimas Kairaitis - Chief Executive Officer

Mr. Stephen Woodham

Mr. Robin Chambers

Mr. Richard Hill

Dr. Guoqing Zhang

Ms. Christine Ng

Company Secretary

Mr Richard Willson (appointed 5 February 2010)

Mr Matthew Sikirich (resigned 5 February 2010)

Registered Office and Principal Place of Business

YTC Resources Limited

2 Corporation Place

ORANGE NSW 2800

Telephone: (02) 6361 4700

Facsimile: (02) 6361 4711

Email: office@ytcresources.com

Share Register

Security Transfer Registrars Pty Ltd

770 Canning Highway

Applecross WA 6153

Telephone: (08) 9315 2333

Facsimile: (08) 9315 2233

Stock Exchange Listing

YTC Resources Limited shares

are listed on the Australian Stock

Exchange, the home branch being Perth

ASX Code: YTC

Auditors

Ernst and Young

680 George Street

Sydney NSW 2000

Website

www.ytcresources.com

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YTC Resources Limited Directors' Report

The following report is submitted in respect of the results of YTC Resources Limited ("YTC" or the "Company") and its subsidiaries, together the consolidated group ("Group"), for the financial year ended 30 June 2010, together with the state of affairs of the Group as at that date.

DIRECTORS AND OFFICERS

The names, qualifications and experience of the Company's directors in office during the financial year and until the date of this report are as follows. Directors and officers were in office for this entire period unless otherwise stated.

Dr. Wenxiang Gao - Chairman

Dr. Gao has over 20 years experience as a senior mining engineer in China. He graduated as a Master of Mining Engineering from the Mining Academy of Kunming and University of Science and Technology. He earned his Doctor Degree in the School of Resources & Safety Engineering of South Central University, China in June 2009.

Dr. Gao commenced work with Yunnan Tin Group in 1984 and has held a number of senior roles before becoming Deputy Executive General Manager.

Listed company directorships held by Dr. Gao in the past three years:

| | |
|--|---|
| Yunnan Tin Co., Ltd (Shenzhen Stock Exchange) | Vice Chairman 21 October 2006 – Present |
| China Yunnan Tin Minerals Group Company Ltd (Hong Kong Stock Exchange) | Appointed 16 May 2009 — Present |

Mr. Rimas Kairaitis – Director and Chief Executive Officer

Mr. Kairaitis is a geologist with over 16 years experience in minerals exploration and resource development in gold, base metals and industrial minerals in Queensland and NSW, working with companies including Shell Minerals, Plutonic Resources, and CRA.

Mr. Kairaitis was a founding director of the mineral exploration company LFB Resources NL (now a subsidiary of Alkane Exploration Ltd). From 1999 he worked as a geological consultant until becoming a founding director of YTC Resources Limited and its Chief Executive Officer in 2007.

Mr. Kairaitis has a strong exploration track record, leading the geological field team to the discovery of the Wyoming Gold deposit in NSW in 2001 and the McPhillamy's Gold Deposit in 2007.

He graduated with a Bachelor of Applied Science (Geology) with first class Honours and University Medal in 1992 from the University of Technology, Sydney. He is also a member of the Australian Institute of Mining and Metallurgy.

In the last three years Mr. Kairaitis has held no other listed company directorships.

Mr. Anthony Wehby

Mr. Wehby was a partner with PricewaterhouseCoopers Australia (Coopers & Lybrand) for 19 years during which time he specialised in the provision of corporate finance advice to a wide range of clients including those in the mining and exploration sectors. Since 2001, Mr. Wehby has maintained a financial consulting practice, advising corporate clients considering significant changes to their business activities. Mr. Wehby is a Fellow of the Institute of Chartered Accountants in Australia.

Mr. Wehby has been a director of Tellus Resources Limited since July 2010, He has held no other listed company directorships in the past three years.

YTC Resources Limited Directors' Report

Dr. Guoqing Zhang

Dr. Zhang was previously Deputy General Manager of the Sino-Platinum Metal Company Ltd, which is a Shanghai listed subsidiary company of the Yunnan Tin Group. Dr. Zhang is based in Australia and is a director of Australian companies controlled by the Yunnan Tin Group.

Dr. Zhang has extensive experience in research and development of metal alloys and has received a number of Chinese national awards. Dr. Zhang has a B.Sc (Hon) degree and Ph.D. in Material Science.

Dr. Zhang has held no other listed company directorships in the past three years.

Mr. Stephen Woodham

Mr. Woodham has over 17 years experience in the mining and exploration industry in Western Australia and New South Wales specialising in field logistics and support and land access in rural and remote environments. He also has a successful track record of tenement acquisition, mining investment and commercial and cross-cultural negotiation.

Listed company directorships held by Mr. Woodham in the past three years:

Centaurus Resources Ltd (Australian Stock Exchange) Appointed 11 October 2007 – 8 January 2010

Mr. Robin Chambers

Robin Chambers is a lawyer with over 30 years experience in the resources sector. He is the Senior Partner of Chambers & Company, an international law firm based in Melbourne, and Special Counsel – China for its affiliate, the New York law firm of Chadbourne & Parke, which has its China office in Beijing.

Mr. Chambers has advised a number of major Chinese state owned enterprises on their investments in Australia over more than 26 years, including Sinosteel Corporation, CITIC, Sinotrans, Everbright, Ministry of Geology & Resources (now Ministry of Land and Resources) and many of China's leading steel mills. He has also advised Australian and US corporations on a range of projects in China.

Mr. Chambers graduated with an Arts degree and an Honours Law degree from the University of Melbourne and with a Master of Laws degree from Duke University in the United States.

Mr. Chambers has held no other listed company directorships in the past three years.

Mr. Richard Hill

Mr. Richard Hill has over 17 years experience in the resource industry as both a solicitor and a geologist. He initially worked for the law firm Clayton Utz practising in commercial, corporate and resources law and litigation.

Over the past 11 years, Mr. Hill has worked as a geologist for several major Australian mining companies and more recently has founded two ASX-listed mining companies. Mr. Hill has a diversity of practical geological experience as a mine based and exploration geologist. In his commercial and legal roles, he has been involved in project generation and evaluation, acquisition and joint venture negotiation, mining law and land access issues as well as local and overseas marketing and fund raising.

Mr. Hill's professional associations include membership of the Australian Institute of Mining and Metallurgy, The Financial Services Institute of Australia and the Geological Society of Australia. Mr. Hill's qualifications are B.Juris, LLB., B.Sc. (Geology) (First Class Honours), ASIA.

Listed company directorships held by Mr. Hill in the past three years:

Centaurus Resources Ltd (Australian Stock Exchange) Appointed 11 October 2007 - Present

YTC Resources Limited Directors' Report

Ms. Christine Ng

Ms. Christine Ng is an Executive Director of China Yunnan Tin Minerals Group Co. Ltd, which is a major shareholder of YTC Resources Limited. Ms. Ng's role with China Yunnan Tin Minerals Group includes liaisons and analysis of proposals and business plans, formulation and implementation of business strategies, feasibility studies, presentations and meetings with investors.

Ms. Ng has a Bachelor of Economics from the University of Sydney and is fluent in English and Chinese.

Listed company directorships held by Ms. Ng in the past three years:

China Yunnan Tin Minerals Group (Hong Kong Stock Exchange) Appointed 31 August 2007 - Present

Mr. Richard Willson – Company Secretary & Chief Financial Officer

Richard Willson is an accountant with more than 15 years experience.

He has worked in public practice and in various financial management and company secretarial roles within the resources and agricultural sectors for both publicly listed and private companies.

Mr Willson has a bachelor of Accounting from the University of South Australia, is a member of CPA Australia, and is a member, and graduate, of the Institute of Company Directors Graduate Diploma Program.

In addition to his role as Chief Financial Officer and Company Secretary with YTC Resources Ltd, Mr Willson is a Director and Company Secretary of the not for profit Unity Housing Company and is a member of its Finance, Audit & Compliance sub-committee.

Mr Willson was previously Chief Financial Officer and Company Secretary of ASX listed companies Flinders Mines Ltd, Maximus Resources Ltd and ERO Mines Ltd. He acted as an alternate director for Flinders Mines Ltd and Maximus Resources Ltd, was heavily involved with the listing of Eromanga Uranium Ltd which later became ERO mines Ltd and has overseen many capital raisings including share placements, share purchase plans and rights issues.

As CFO and Company Secretary of the privately owned company Sydac Pty Ltd, he was instrumental in its sale to a large global company. Richard has worked in senior financial roles within the BHP Billiton group and was the Finance Manager and Company Secretary for the Provimi Australia and Jumbuck Pastoral groups. He has also acted a director for a number of private companies.

Directors' Interests in the shares and options of the Company

At the date of this report the interests of the Directors in the shares and other equity securities of the Company were:

| | Ordinary Shares | Options over ordinary Shares |
|---------------------|-----------------|------------------------------|
| Directors | | |
| Dr. Wenxiang Gao | 10,000 | 500,000 |
| Mr. Anthony Wehby | 245,000 | 500,000 |
| Mr. Rimas Kairaitis | 3,438,544 | 1,000,000 |
| Dr. Guoqing Zhang | - | - |
| Mr. Stephen Woodham | 3,520,317 | 500,000 |
| Mr. Robin Chambers | 360,003 | 500,000 |
| Mr. Richard Hill | 1,158,821 | 500,000 |
| Ms. Christine Ng | - | - |

YTC Resources Limited Directors' Report

DIVIDENDS

No dividend was paid or declared by the Company in the period since the end of the previous financial year, and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend for the financial year ended 30 June 2010.

CORPORATE STRUCTURE

YTC Resources Limited is a company limited by shares that is incorporated and domiciled in Australia.

YTC Resources has three wholly owned subsidiaries, Stannum Pty Ltd (incorporated 15 September 2007), Defiance Resources Pty Ltd (incorporated 15 May 2007) and Hera Resources Pty Ltd (incorporated 20 August 2009).

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

During the financial year, the Group's principal activity was mineral exploration. At the date of this report the Group holds gold, base metals and tin projects in New South Wales.

REVIEW AND RESULTS OF OPERATIONS

Financial Performance

The net loss of the Group for the year ended 30 June 2010 after income tax was \$1,123,169 (2009: \$2,477,216).

The net loss included the write down of deferred exploration expenditure of \$605,284 (2009: \$1,185,292)

During the financial year the Company issued 1,425,000 options to employees under the Company's Employee Share Option Plan. These options are required to be valued and expensed. For details of this option issue and their valuation refer to Notes 11 and 22 to the financial statements.

Capital Raising

On 1st October, YTC Resources Limited announced that it had completed its recent fundraising program with \$25.75m raised before costs. Details are as follows:

- On 11 September 2009 YTC completed a Placement which raised \$23,156,193 before costs.
- The Company's Share Purchase Plan closed with applications received for 8,510,000 shares to raise \$1,787,100.

The Board considers the successful capital raising and strong take up of the Share Purchase Plan is a strong endorsement of the Company's strategy and the recently acquired Hera Gold Project.

Operational Performance

Renison Success Fee

Following the successful establishment of the unincorporated Joint Venture between Metals X Ltd (ASX:MLX) and YT Parksong Australia Holding Pty Ltd ("YTPAH") on the MLX Tasmanian Tin Operations, YTC received a A\$1.5m (including GST) success fee from YTPAH.

In addition to the success fee, YTC is due an ongoing management fee equal to 5% of YTPAH's Net Profit for the provision of ongoing management, supervision and advice to YTPAH in relation to the Joint Venture.

YTC Resources Limited Directors' Report

Operational Performance (continued)

Hera Project:

Feasibility and exploration activities at the Hera Project have dominated the Company's operations for the year. In October of 2009, YTC formally commenced a Definitive Feasibility Study (DFS) on the Hera Project and in November 2009 appointed GR Engineering Services ('GRES') as the lead consultant to the DFS. The key DFS milestones reached during the year were:

- Completion of 32 drill holes for 14.7km of diamond drilling focussed on defining the Hera Resource margins and resource infill with a view to increasing Resource confidence
- Release of an updated Hera Resource on 15th June with an increased resource tonnage and a major lift in Indicated Resources
- Completion of metallurgical drilling and tailings dam site sterilisation drilling
- Completion of 1 of 2 programmes of metallurgical test work on the Hera deposit.
- Finalisation of a process flow sheet for the Project and confirmation of the excellent metallurgical characteristics of the Hera ore
- Completion of initial process plant cost estimates
- Commencement of mine planning studies
- Commencement of environmental studies and mining approvals process

The key exploration results at the Hera Project included:

- Recognition of shallow, high grade gold-zinc mineralisation above the Hera Main Lens north including drill results of:
 - HRRC001: 4m @ 6.45g/t Au, 1.68% Pb and 6.42% Zn from 116m
- Recognition that the Hera deposit remains open at depth and along strike to the north as high grade lead and zinc mineralisation. Drilling of the northernmost hole in the Hera Deposit returned:
 - HRD021: 2m @ 0.13g/t Au, 50g/t Ag, 6.5% Pb and 14.2% Zn from 623m
 -
- Recognition that the Far West Lens continued south as a continuous lens to join what had previously been labelled the 'Werners Lens'. YTC drill results in this lens included:
 - HRD014: 6.8m @ 6.3g/t Au, 2.86% Pb, 2.6% Zn from 475.5m
 - HRD014: 3m @ 8.11g/t Au, 33g/t Ag, 4.5% Pb, 3.5% Zn from 489m
 - TNY005W1: 4m @ 1.07g/t Au, 22g/t Ag, 3.25% Pb, 5.0% Zn from 552m
- A detailed ground gravity survey was completed over the Hera to Nymagee corridor. The survey confirmed the Hera Deposit gravity signature and delineated numerous, untested gravity responses. Most significant of these is the large 'Zeus' gravity anomaly, located 1.5km south of the Hera Deposit. Initial drill testing of the Zeus anomaly has identified 'Hera style' silica-sulphide alteration and low grade base metal sulphide mineralisation.
- YTC also completed a helicopter borne, time domain electromagnetic (VTEM) geophysical survey over the Hera deposit area. The survey identified a number of untested conductors in the immediate Hera Deposit area, which are the target of ongoing exploration drilling in the September 2010 quarter.

In April 2010, YTC also announce the commencement of exploration at the historic Nymagee Copper Mine. YTC considers the historic estimates, existing drilling and level sampling, point to a major mineralised system at Nymagee with the potential to add significant satellite ore-feed to the proposed mine development at Hera.

At time of report preparation, YTC was looking ahead to the completion of the Hera DFS in the September Quarter 2010.

The Company has also committed to an extensive exploration programme targeting the immediate Hera Deposit area as well as more regional exploration targets around Hera including the Nymagee Copper Mine and the Dominion prospect.

YTC Resources Limited Directors' Report

Operational Performance (continued)

Doradilla Project

The Company completed mapping and rock chip sampling to the immediate north and south of the historic Doradilla Copper Mine, where drill results in the previous year had identified high grade silver-bismuth lode mineralisation.

Results confirmed good continuity of the mineralising quartz-porphyry dykes and an extensive round of RC drilling has been designed for the coming year.

Historic drill core containing nickel sulphide mineralisation was retrieved and sampled with results to 0.2% Ni.

Baldry Project

YTC is exploring the Baldy project for high grade gold-silver mineralisation as mined from the Mt Aubrey Gold Mine in 1990-1991. The Company completed a gradient array IP survey designed to target resistive zones beneath cover 'cap-rock' sequences to the east and south of the Mt Aubrey veining.

The survey accurately located the position of the Mt Aubrey vein systems as well as identified very strong resistive zones under cover, to the south and east of Mt Aubrey.

These resistive zones represent strong drill targets for the coming year.

Tallebung Project

YTC retrieved and re-assayed historic drill core from the NSW I & I core library. Re-assay results and previous exploration by YTC confirmed the prospectively for a bulk-tonnage, low grade tin resource at Tallebung.

Torrington Project

No activities completed on the Project during the year.

Kadungle Project

Reconnaissance level mapping and rock chip sampling was completed at the Plevna Prospect. YTC has commissioned a detailed gravity survey for completion over the Mt Leadley prospect area. Targets generated from gravity results will be recommended for drill testing in the upcoming year.

YTC considers the Kadungle Project to be highly prospective for porphyry copper-gold and epithermal gold style mineralisation.

Tingha Project

No activities completed on the Project during the year. The Tingha tenement was relinquished.

Competent Persons Statement

The information in this report that relates to Exploration Results is based on information compiled by Rimas Kairaitis, who is a Member of the Australasian Institute of Mining and Metallurgy. Rimas Kairaitis 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 Kairaitis consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

YTC Resources Limited Directors' Report

Cash Flow

The Group's cash position increased by \$7,097,762 during the year mainly as a result of a share placement and share purchase plan offset by the acquisition of the Hera project and exploration work undertaken by the company on Hera and the Company's other projects.

The cash balance at the end of the financial year was \$8,364,285

Objectives, Strategy and Risks

YTC's objective for 2011 is to continue to progress the Hera project towards development and then into gold production. The work done since the acquisition of the project has been significant, an updated Resource Estimate was published in June 2010 and a Definitive Feasibility Study is due for completion late in 2010. YTC will continue exploration efforts both around the Hera Deposit and at the Company's other projects with the aim of extending the Hera Deposit and discovering new economic deposits of gold, tin and other base metals.

YTC is considered a speculative investment.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Total Group equity increased by \$22,584,926. The movement was mainly due to the loss for the financial year of \$1,123,169 offset by the increase in contributed equity \$23,613,537 arising from the share placement and Share Purchase Plan conducted during the year. Deferred Exploration and Evaluation Expenditure increased by \$5,618,746 which includes expenditure on the Hera resource DFS as well as other exploration expenditure offset by impairment of previously incurred exploration costs of \$605,284. Included within Deferred Exploration and Evaluation is an increase in the provision for estimated royalty payable on gravity gold dore production from the Hera deposit of \$1,035,258.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

The Directors are not aware of any matter or circumstance that has arisen since the end of the year to the date of this report which may significantly impact on the state of affairs of the Company.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Directors have excluded from this report any further information on the likely developments in the operations of the Company and the expected results of those operations in future financial years, as the Directors believe that it would be speculative and prejudicial to the interests of the Company.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group carries out operations in New South Wales that are subject to environmental regulations under both Commonwealth and State legislation in relation to its exploration activities. The Group has formal procedures in place to ensure regulations are adhered to. During the financial year there has been no significant breach of these regulations.

YTC Resources Limited Directors' Report

SHARE OPTIONS

(i) Unissued shares under option

As at the date of this report, there were 5,925,000 un-issued ordinary shares under options. The options are unlisted and have various terms as set out below.

| <u>Number of Options</u> | <u>Expiry</u> | <u>Exercise Price (per share)</u> |
|--------------------------|---------------|-----------------------------------|
| 4,000,000 | 4-May-12 | \$0.25 |
| 250,000 | 31-Dec-10 | \$1.50 |
| 250,000 | 31-Dec-10 | \$1.00 |
| 1,425,000 | 31-Dec-12 | \$0.40 |
| <u>5,925,000</u> | | |

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

(ii) Shares issued as a result of the exercise of options

There have been no shares issued as a result of the exercise of options during the financial year.

MEETINGS OF DIRECTORS

During the financial year, in addition to regular Board discussions, the number of meetings of directors held during the year and the number of meetings attended by each director in their capacity as an invited director were as follows:

| Name | Board Meeting | | Audit Committee Meeting | | Remuneration Committee Meeting | |
|-----------------|---------------------------------------|-----------------------------|---------------------------------------|-----------------------------|---------------------------------------|-----------------------------|
| | Number of Meetings Eligible to Attend | Number of Meetings Attended | Number of Meetings Eligible to Attend | Number of Meetings Attended | Number of Meetings Eligible to Attend | Number of Meetings Attended |
| Wenxiang Gao | 5 | 5 | - | - | - | - |
| Rimas Kairaitis | 5 | 5 | 1 | 1 | 2 | 2 |
| Anthony Wehby | 5 | 5 | 1 | 1 | 2 | 2 |
| Guoqing Zhang | 5 | 5 | - | - | 2 | 2 |
| Stephen Woodham | 5 | 5 | - | - | 2 | 2 |
| Robin Chambers | 5 | 4 | - | - | - | - |
| Richard Hill | 5 | 4 | - | - | - | - |
| Christine Ng | 5 | 4 | - | - | - | - |

EMPLOYEES

The Company had 11 employees at 30 June 2010 (2009: 8 employees).

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has an agreement indemnifying all the Directors and officers of the Company against all losses or liabilities incurred by each Director or officer in their capacity as Directors or officers of the Company. The indemnification specifically excludes wilful acts of negligence. The Company paid insurance premiums in respect of Directors' and Officers' Liability Insurance contracts for current officers of the Company, including officers of the Company's controlled entities. The liabilities insured are damages and legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group and related joint venture companies. The total amount of insurance premiums paid has not been disclosed due to confidentiality reasons.

YTC Resources Limited Directors' Report

REMUNERATION REPORT (AUDITED)

This remuneration report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the Company, and includes the five executives in the Company and the Group receiving the highest remuneration where they are also key management personnel.

Remuneration policy and committee

As part of its Corporate Governance Policies and Procedures, the Board has adopted a formal Remuneration Committee Charter and has established a remuneration committee.

The Remuneration Committee is responsible for determining and reviewing compensation arrangements for the Directors and executives. The committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. At the committee's discretion the nature and amount of executive and director's emoluments may be linked to the Company's financial and operational performance.

Due to the nature of the Company's operations which consists of minerals exploration and evaluation, the remuneration of directors and executives, at present, does not include performance-based incentives except to the extent that options may be considered performance based.

The Company does not have a policy in place relating to the executives limiting their exposure to risk in relation to the Company's equity instruments issued to them as part of remuneration.

Details of key management personnel

| | Position | Appointed | Resigned |
|----------------------|---|------------|------------|
| Directors | | | |
| Dr. Wenxiang Gao | Chairman | 25-Feb-08 | - |
| | Director | 27-Mar-07 | - |
| Mr. Rimas Kairaitis | Director | 12-Jun-08* | - |
| | Chief Executive Officer | 1-Apr-07 | - |
| Mr. Anthony Wehby | Vice-Chairman | 14-Sep-06 | - |
| Dr. Guoqing Zhang | Director | 25-Feb-08 | - |
| Mr. Stephen Woodham | Director | 24-Mar-04 | - |
| Mr. Robin Chambers | Director | 27-Mar-07 | - |
| Mr. Richard Hill | Director | 28-Apr-06 | - |
| Ms. Christine Ng | Director | 12-Jun-08 | - |
| Executives | | | |
| Mr. Richard Willson | Chief Financial Officer & Company Secretary | 5-Feb-2010 | - |
| Mr. Matthew Sikirich | Company Secretary | 13-Sep-06 | 5-Feb-2010 |

* Mr. Kairaitis was a director from 24 March 2004 - 27 March 2007.

**YTC Resources Limited
Directors' Report**

REMUNERATION REPORT (AUDITED) (continued)

Remuneration of key management personnel

| | Non-Executive Directors Fees | Salary and Fees | Non-Monetary | Super-annuation | Options | Total | Remuneration consisting of options |
|----------------------|------------------------------|-----------------|--------------|-----------------|---------------|----------------|------------------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | % |
| Directors | | | | | | | |
| Dr. Wenxiang Gao | | | | | | | |
| 2010 | 34,063 | - | - | - | - | 34,063 | - |
| 2009 | 27,250 | - | - | - | - | 27,250 | - |
| Mr. Rimas Kairaitis | | | | | | | |
| 2010 | - | 208,333 | - | 18,750 | - | 227,083 | - |
| 2009 | - | 187,085 | - | 16,838 | - | 203,923 | - |
| Mr. Anthony Wehby | | | | | | | |
| 2010 | 29,750 | - | - | 2,678 | - | 32,428 | - |
| 2009 | 25,000 | - | - | 2,250 | - | 27,250 | - |
| Dr. Guoqing Zhang | | | | | | | |
| 2010 | 27,500 | - | - | 2,475 | - | 29,975 | - |
| 2009 | 25,000 | - | - | 2,250 | - | 27,250 | - |
| Mr. Stephen Woodham | | | | | | | |
| 2010 | 27,500 | 195,018 | - | 2,475 | - | 224,993 | - |
| 2009 | 25,000 | 40,800 | - | 2,250 | - | 68,050 | - |
| Mr. Robin Chambers | | | | | | | |
| 2010 | 27,500 | 47,520 | - | 2,475 | - | 77,495 | - |
| 2009 | 25,000 | - | - | 2,250 | - | 27,250 | - |
| Mr. Richard Hill | | | | | | | |
| 2010 | 27,500 | 85,149 | - | 2,475 | - | 115,124 | - |
| 2009 | 25,000 | 62,120 | - | 2,250 | - | 89,370 | - |
| Ms. Christine Ng | | | | | | | |
| 2010 | 29,975 | - | - | - | - | 29,975 | - |
| 2009 | 27,250 | - | - | - | - | 27,250 | - |
| Executives | | | | | | | |
| Mr. Richard Willson | | | | | | | |
| 2010 | - | 74,065 | - | 6,666 | 22,785 | 103,516 | 22% |
| 2009 | - | - | - | - | - | - | - |
| Mr. Matthew Sikirich | | | | | | | |
| 2010 | - | 72,492 | - | - | - | 72,492 | - |
| 2009 | - | 56,995 | - | - | - | 56,995 | - |
| Total 2010 | 203,788 | 682,578 | - | 37,993 | 22,785 | 947,144 | |
| Total 2009 | 179,500 | 347,000 | - | 28,088 | - | 554,588 | |

Compensation options: granted and vested during the year (consolidated)

500,000 options were issued to Mr. Richard Willson on his appointment as Chief Financial Officer and Company Secretary (June 2009: Nil). These options vest on 1 January 2011. No other options were granted or vested in relation to key management personnel during the financial year ended 30 June 2010. During the financial year 925,000 options were granted to other employees. For details of these options refer to note 22 to the financial statements.

775,000 of the options issued during the year vest on 1 January 2011. All other options have vested at 30 June 2010.

YTC Resources Limited
Directors' Report

REMUNERATION REPORT (AUDITED) (continued)

Shareholdings of key management personnel (consolidated)

| 2010 | Balance at the start of the year | Granted during the year as compensation | On exercise of share options | Other changes during the year | Balance at the end of the year |
|---------------------------------------|----------------------------------|---|------------------------------|-------------------------------|--------------------------------|
| Directors | | | | | |
| Dr. Wenxiang Gao | 10,000 | - | - | - | 10,000 |
| Mr. Anthony Wehby ^(b) | 195,000 | - | - | 50,000 | 245,000 |
| Mr. Rimantas Kairaitis ^(a) | 3,321,544 | - | - | 22,000 | 3,343,544 |
| Dr. Guoqing Zhang | - | - | - | - | - |
| Mr. Stephen Woodham ^(a) | 3,446,412 | - | - | 73,905 | 3,520,317 |
| Mr. Robin Chambers ^(b) | 310,003 | - | - | 50,000 | 360,003 |
| Mr. Richard Hill ^{(a) (b)} | 1,057,984 | - | - | 100,837 | 1,158,821 |
| Ms. Christine Ng | - | - | - | - | - |
| Executives | | | | | |
| Mr. Richard Willson | - | - | - | - | - |
| Mr. Matthew Sikirich | 284,997 | - | - | - | 284,997 |
| | 8,625,940 | - | - | 296,742 | 8,922,682 |

| 2009 | Balance at the start of the year | Granted during the year as compensation | On exercise of share options | Other changes during the year | Balance at the end of the year |
|---------------------------------------|----------------------------------|---|------------------------------|-------------------------------|--------------------------------|
| Directors | | | | | |
| Dr. Wenxiang Gao | 10,000 | - | - | - | 10,000 |
| Mr. Anthony Wehby | 195,000 | - | - | - | 195,000 |
| Mr. Rimantas Kairaitis ^(a) | 3,318,044 | - | - | 3,500 | 3,321,544 |
| Dr. Guoqing Zhang | - | - | - | - | - |
| Mr. Stephen Woodham ^(a) | 3,823,804 | - | - | (377,392) | 3,446,412 |
| Mr. Robin Chambers | 310,003 | - | - | - | 310,003 |
| Mr. Richard Hill | 1,057,984 | - | - | - | 1,057,984 |
| Ms. Christine Ng | - | - | - | - | - |
| Executives | | | | | |
| Mr. Matthew Sikirich | 284,997 | - | - | - | 284,997 |
| | 8,999,832 | - | - | (373,892) | 8,625,940 |

(a) Acquired or disposed on-market.

(b) Share Purchase Plan

YTC Resources Limited
Directors' Report

REMUNERATION REPORT (AUDITED) (continued)

Option holdings of key management personnel (consolidated)

| 2010 | Balance at the start of the year | Granted during the year as compensation | Exercised during the year | Other changes during the year | Balance at the end of the year |
|----------------------|----------------------------------|---|---------------------------|-------------------------------|--------------------------------|
| Directors | | | | | |
| Dr. Wenxiang Gao | 500,000 | - | - | - | 500,000 |
| Mr. Anthony Wehby | 500,000 | - | - | - | 500,000 |
| Mr. Rimas Kairaitis | 1,000,000 | - | - | - | 1,000,000 |
| Dr. Guoqing Zhang | - | - | - | - | - |
| Mr. Stephen Woodham | 500,000 | - | - | - | 500,000 |
| Mr. Robin Chambers | 500,000 | - | - | - | 500,000 |
| Mr. Richard Hill | 500,000 | - | - | - | 500,000 |
| Ms. Christine Ng | - | - | - | - | - |
| Executives | | | | | |
| Mr. Richard Willson | - | 500,000 | - | - | 500,000 |
| Mr. Matthew Sikirich | 500,000 | - | - | - | 500,000 |
| | 4,000,000 | 500,000 | - | - | 4,500,000 |

| 2009 | Balance at the start of the year | Granted during the year as compensation | Exercised during the year | Other changes during the year | Balance at the end of the year |
|----------------------|----------------------------------|---|---------------------------|-------------------------------|--------------------------------|
| Directors | | | | | |
| Dr. Wenxiang Gao | 500,000 | - | - | - | 500,000 |
| Mr. Anthony Wehby | 500,000 | - | - | - | 500,000 |
| Mr. Rimas Kairaitis | 1,000,000 | - | - | - | 1,000,000 |
| Dr. Guoqing Zhang | - | - | - | - | - |
| Mr. Stephen Woodham | 500,000 | - | - | - | 500,000 |
| Mr. Robin Chambers | 500,000 | - | - | - | 500,000 |
| Mr. Richard Hill | 500,000 | - | - | - | 500,000 |
| Ms. Christine Ng | - | - | - | - | - |
| Executives | | | | | |
| Mr. Matthew Sikirich | 500,000 | - | - | - | 500,000 |
| | 4,000,000 | - | - | - | 4,000,000 |

YTC Resources Limited Directors' Report

REMUNERATION REPORT (AUDITED) (continued)

Executive Directors and Executives

A summary of the key terms of remuneration agreements with Directors and executives are outlined below:

The Chief Executive Officer, Mr. Rimas Kairaitis, is employed under an executive employment agreement. The agreement may be terminated by Mr. Kairaitis at any time by giving three months notice in writing, or such shorter period of notice as may be agreed. The Company may terminate the agreement by the board giving three months written notice or by paying an amount equivalent to three months remuneration or without notice in case of serious misconduct, at which time Mr. Kairaitis would be entitled to that portion of remuneration arising up to the date of termination. Mr Kairaitis was paid \$175,000 plus superannuation until 30 October 2009 and \$225,000 plus superannuation after that date for services as the Chief Executive Officer and Executive Director. Mr Kairaitis' salary had been reduced to \$175,000 during the prior financial year to reduce costs.

The Chief Financial Officer and Company Secretary, Mr Richard Willson, is employed under an executive employment agreement. The agreement may be terminated by Mr. Willson at any time by giving three months notice in writing, or such shorter period of notice as may be agreed. The Company may terminate the agreement by the board giving three months written notice or by paying an amount equivalent to three months remuneration or without notice in case of serious misconduct, at which time Mr. Willson would be entitled to that portion of remuneration arising up to the date of termination. Mr Willson's annual salary is \$210,000 plus superannuation for services as the Chief Financial Officer and Company Secretary.

Two directors have arrangements to provide additional consulting services on the following terms.

Mr. Woodham has a consulting agreement for work done in addition to his non-executive Director services. The agreement commenced on 8 May 2007 and is on an ongoing basis. It can be terminated on 4 weeks notice by either party, with remuneration calculated on a daily basis. There are no other termination benefits payable.

Mr. Hill has a consulting agreement for work done in addition to his non-executive Director services. The agreement commenced on 8 May 2007 and is on an ongoing basis. It can be terminated on 4 weeks notice by either party, with remuneration calculated on a daily basis. There are no other termination benefits payable.

No performance conditions are currently stipulated in any of the executive agreements.

Non-Executive Directors

The constitution and the ASX listing rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The latest determination was an aggregate remuneration of \$300,000 per year. Each Director was paid \$20,000 p.a plus superannuation or equivalent up to 30 October 2009 and from 1 November 2009 the following Director fees were paid:

- Chairman \$35,000 p.a plus superannuation or equivalent
- Vice Chairman \$33,000 plus superannuation or equivalent
- Directors \$30,000 plus superannuation or equivalent

Director fees had been reduced to \$20,000 plus superannuation or equivalent during the prior financial year to reduce costs

Other transactions with key management personnel

- (i) Mr. Stephen Woodham is the owner of the premises leased by the Company at 2 Corporation Place, Orange NSW. The lease is for 3 years with an option to extend by a further 3 years. The gross rent per annum is \$66,000 (including GST).

YTC Resources Limited Directors' Report

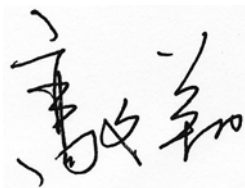
CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of the Company support and have adhered to the principles of sound corporate governance. The Board recognises the recommendations of the Australian Stock Exchange Corporate Governance Council, and considers that the Company is in compliance with those guidelines, which are of importance to the commercial operation of a junior listed resources company. During the financial year, shareholders continued to receive the benefit of an efficient and cost-effective corporate governance policy for the Company. The Company's Corporate Governance Statement and disclosures are contained elsewhere in the annual report.

AUDITOR'S INDEPENDENCE AND NON-AUDIT SERVICES

The Company has obtained an independence declaration from its auditors, Ernst and Young, which forms part of this report. A copy of that declaration is included at page 17 of this report.

Signed on behalf of the board in accordance with a resolution of the Directors.



Dr. Wenxiang Gao
Non-Executive Chairman
1 September 2010

Auditor's Independence Declaration to the Directors of YTC Resources Limited

In relation to our audit of the financial report of YTC Resources Limited for the financial year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Michael Elliott
Partner
26 August 2010

YTC Resources Limited Corporate Governance Statement

The Board of Directors of YTC Resources Limited is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

Upon listing the Company established a set of corporate governance policies and procedures. These were revised to take into account the Australian Stock Exchange Corporate Governance Council's (the Council's) "8 Principles of Good Corporate Governance and Best Practice Recommendations" (the Recommendations). For further information on corporate governance policies adopted by the Company, refer to our website: www.ytcreources.com

This report summarises the Company's application of the 8 Corporate Governance Principles and Recommendations.

Principle 1 – Lay solid foundations for management and oversight

Recommendation 1.1: Companies should establish the functions reserved to the Board and those delegated to Senior Executives and disclose those functions

The Board of Directors (hereinafter referred to as the Board) are responsible for the corporate governance of the Company. The Directors of the Company are required to act honestly, transparently, diligently, independently, and in the best interests of all shareholders in order to increase shareholder value.

The Directors are responsible to the shareholders for the performance of the Company in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Company as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Company is properly managed.

Role of the Board

The responsibilities of the Board include:

- contributing to the development of and approving the corporate strategy
- reviewing and approving business results, business plans and financial plans
- ensuring regulatory compliance
- ensuring adequate risk management processes
- monitoring the Board composition, directors selection and Board processes and performance
- overseeing and monitoring:
 - organisational performance and the achievement of the Company's strategic goals and objectives
 - compliance with the Company's code of conduct
- monitoring financial performance including approval of the annual report and half-year financial reports and liaison with the Company's auditors
- appointment and contributing to the performance assessment of the Chief Executive Officer and Key Management Personnel
- enhancing and protecting the reputation of the Company
- reporting to shareholders.

Role of Senior Executives

The responsibilities of Senior Executives include:

- managing organisational performance and the achievement of the Company's strategic goals and objectives
- management of financial performance
- management of internal controls

Recommendation 1.2: Companies should disclose the process for evaluating the performance of Senior Executives.

Performance of senior executives is measured against strategic goals approved by the Board. Performance is measured on an ongoing basis.

YTC Resources Limited Corporate Governance Statement

Principle 2 – Structure the Board to add value

Details of the members of the Board, their experience, expertise, qualifications and independent status are set out in the Directors' report.

The term in office held by each Director in office at the date of this report is as follows:

| Name | Term in office |
|---------------------|-----------------------|
| Dr. Wenxiang Gao | 3 years 6 months |
| Mr. Rimas Kairaitis | 2 year 3 months |
| Mr. Anthony Wehby | 4 years |
| Dr. Guoqing Zhang | 2 years 7 months |
| Mr. Stephen Woodham | 6 years 6 months |
| Mr. Robin Chambers | 3 years 6 months |
| Mr. Richard Hill | 4 years 5 months |
| Ms. Christine Ng | 2 years 3 months |

Recommendation 2.1: A majority of the Board should be Independent Directors

In accordance with the definition of independence set out in the ASX's Principle of Good Governance, Mr. Anthony Wehby is considered the only Independent Director. Accordingly, a majority of the Board is not considered independent.

The Directors, however, consider that the current structure and composition of the Board is appropriate to the size and nature of operations of the Group given the desire to grow.

Recommendation 2.2: The Chair should be an Independent Director.

Chairman

When assessing the independence of the Chairman under recommendation 2.1 of the best practice recommendations released by the Australian Stock Exchange Corporate Governance Council, Dr Gao, although meeting other criteria, and bringing independent judgement to bear on his role, is not defined as independent, primarily due to the fact that Dr Gao is an officer of Yunnan Tin Company Group Limited, which is a substantial shareholder of the Company.

Recommendation 2.2 has not been followed due to the following reasons;

- The Board are of the opinion that all Directors exercise and bring to bear an unfettered and independent judgement towards their duties. The Board is satisfied that Dr Gao plays an important role in the continued success and performance of the Company.

Recommendation 2.3: The roles of Chair and Chief Executive Officer should not be exercised by the same individual

The role of Chair and Chief Executive Officer is not occupied by the same individual.

Recommendation 2.4: The Board should establish a Nomination Committee

The Board has formally adopted a Nomination Committee Charter (Board Charter) but given the present size of the Group, has not formed a separate Committee. Instead the function is undertaken by the full Board in accordance with the policies and procedures outlined in the Board Charter. At such time when the Group is of sufficient size, a separate Nomination Committee will be formed.

The main requirements of the charter are to enable the Board to:

- assess the membership of the Board having regard to present and future needs of the Company
- assess the independence of Directors
- propose candidates for Board vacancies in consideration of qualifications, experience and domicile
- oversee Board succession
- evaluate Board performance.

YTC Resources Limited

Corporate Governance Statement

Recommendation 2.5: Companies should disclose the process for evaluating the performance of the Board, its Committees and Individual Directors

The Board of YTC Resources conducts its performance review of itself on an ongoing basis throughout the year. The small size of the Group and hands on management style requires an increased level of interaction between directors and executives throughout the year. Board members meet amongst themselves both formally and informally. The Board considers that the current approach that it has adopted with regard to the review of its performance provides the best guidance and value to the Group.

Principle 3 – Promote ethical and responsible decision-making

Recommendation 3.1: Companies should establish a code of conduct

The Company has developed a Code of Conduct (the Code) which has been fully endorsed by the Board and applies to all Directors and employees. The Code is regularly reviewed to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Company's integrity.

In summary, the Code requires that at all times all Company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and company policies. This includes taking into account:

- their legal obligations and the reasonable expectations of their stakeholders
- their responsibility and accountability for reporting and investigating reports of unethical practices.

Recommendation 3.2: Companies should establish a policy concerning trading in company securities by Directors, Senior Executives and employees, and disclose the policy or a summary of that policy

The Company has developed a Share Trading Policy which has been fully endorsed by the Board and applies to all Directors and employees.

Directors, executives and employees may deal in company securities; however they may not do so if in possession of information which is price sensitive or likely to be price sensitive to the security's market price. Changes in a Director's interest are required to be advised to the Company within 5 days for notification to the ASX.

The Directors are satisfied that the Company has complied with its policies on ethical standards, including trading in securities.

Principle 4 – Safeguard integrity in financial reporting

Recommendation 4.1: The Board should establish an Audit Committee

The Board has formally adopted an Audit Committee Charter and has formed a separate Committee.

It is the Committee's responsibility to ensure that an effective internal control framework exists within the entity. This includes both internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial and non financial-information. It is the Committee's responsibility to establish and maintain a framework of internal control.

Recommendation 4.2: The Audit Committee should be structured so that it:

- consists only of Non-Executive Directors
- consists of a majority of Independent Directors
- is chaired by an independent chair, who is not Chair of the Board
- has at least three members

The Audit Committee consists of three directors of which two are non-executive and one is considered independent. The Chairman of the Committee is the independent director who is not the Chairman of the Board.

The Directors consider that the current structure and composition of the Committee is appropriate for the size and nature of the Group.

YTC Resources Limited Corporate Governance Statement

Recommendation 4.3: The Audit Committee should have a formal charter

The main requirements of the Audit and Risk Management Committee Charter are to ensure that the Board:

- review, assess and approve the annual report, half-year financial report and all other financial information published by the Company or released to the market
- review the effectiveness of the organisation's internal control environment covering:
 - effectiveness and efficiency of operations
 - reliability of financial reporting
 - compliance with applicable laws and regulations.
- oversee the effective operation of the risk management framework
- recommend the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance and consider the independence and competence of the external auditor on an ongoing basis. The Board receives certified independence assurances from the external auditors
- review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence. The external auditor will not provide services to the Company where the auditor would have a mutual or conflicting interest with the Company; be in a position where they audit their own work; function as management of the Company; or have their independence impaired or perceived to be impaired in any way.
- review and monitor related party transactions and assess their priority

The external auditor will attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Principle 5 – Make timely and balanced disclosure

Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies

The Company Secretary and Chief Executive Officer have been nominated as the persons responsible for communications with the Australian Stock Exchange (ASX). This role includes the responsibility for ensuring compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and co-ordinating information disclosure to ASX. The Board and Key Management Personnel are responsible for disclosure to analysts, brokers and shareholders, the media and the public.

The Company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Company that a reasonable person would expect to have a material effect on the price of the Company's securities.

Principle 6 – Respect the rights of shareholders

Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy

The Board aims to ensure that shareholders are informed of all major developments affecting the Company.

Shareholders are updated on the Company's operations via ASX announcements "Quarterly Activities Report" and "Quarterly Cash Flow Report" and other disclosure information. All recent ASX announcements and annual reports are available on the ASX website, or alternatively, by request via email, facsimile or post. In addition, a copy of the annual report is distributed to all shareholders who elect to receive it, and is available on the Company's website.

The Board encourages participation by shareholders at the annual general meeting to ensure a high level of accountability and to ensure that shareholders remain informed about the Company's performance and goals.

YTC Resources Limited Corporate Governance Statement

Principle 7 – Recognise and manage risk

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies

The Board is committed to the identification and quantification of risk throughout the Company's operations.

Considerable importance is placed on maintaining a strong control environment. There is an organisational structure with clearly drawn lines of accountability. Adherence to the code of conduct is required at all times and the Board actively promotes a culture of quality and integrity.

Recommendation 7.2: The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes both internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial and non financial-information. It is the Board's responsibility for the establishment and maintenance of a framework of internal control.

Recommendation 7.3: The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Chief Executive Officer and the Company Secretary, namely Mr R Kairaitis and Mr R Willson have made the following certifications to the Board in accordance with Section 295A of the Corporations Act:

- that the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and its consolidated entities in accordance with all mandatory professional reporting requirements
- that the above statement is founded on a sound system of internal control and risk management which implements the policies adopted by the Board and that the Company's risk management and internal control is operating effectively and efficiently in all material respects in relation to financial reporting risks.

Principle 8 – Remunerate fairly and responsibly

Recommendation 8.1: The Board should establish a Remuneration Committee.

The Board has formally adopted a Remuneration Committee Charter and formed a separate Remuneration Committee.

Recommendation 8.2: Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors and Senior Executives.

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality board by remunerating directors fairly and appropriately with reference to relevant employment market conditions. To assist in achieving the objective, the Remuneration Committee links the nature and amount of executive and directors' emoluments may be linked to the Company's financial and operational performance.

At the Remuneration Committee's discretion the nature and amount of executive and director's emoluments may be linked to the Company's financial and operational performance.

Due to the nature of the Company's operations which consists of minerals exploration and evaluation, the remuneration of directors and executives, at present, does not include performance-based incentives except to the extent that options may be considered performance based.

The Company does not have a policy in place relating to the executives limiting their exposure to risk in relation to the Company's equity instruments issued to them as part of remuneration.

For details of remuneration of Directors and executives please refer to the Directors' Report.

YTC Resources Limited
Corporate Governance Statement

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

Corporate Governance Compliance

During the financial year YTC Resources has complied with each of the 8 Corporate Governance Principles and the corresponding Best Practice Recommendations, other than in relation to the matters specified below:

| Best Practice Recommendation | Notification of Departure | Explanation of Departure |
|-------------------------------------|--|---|
| 2.1 | The Company does not have a majority of independent directors. | The Directors consider that the current structure and composition of the Board is appropriate to the size and nature of operations of the Group given the desire to grow. |
| 2.2 | The Chair is not an Independent Director | The Board are of the opinion that all Directors exercise and bring to bear an unfettered and independent judgement towards their duties. The Board is satisfied that Dr Gao plays an important role in the continued success and performance of the Company. |
| 2.4 | The Company does not have a Nomination Committee | The role of the Nomination Committee has been assumed by the full Board operating under the Nomination Committee Charter adopted by the Board due to the small size and nature of the Group. |
| 2.5 | A Board performance review was not conducted during the year | The Board conducts its performance review of itself on an ongoing basis throughout the year. The small size of the Group and hands on management style requires an increased level of interaction between directors and executives throughout the year. Board members meet amongst themselves both formally and informally. The Board considers that the current approach that it has adopted with regard to the review of its performance provides the best guidance and value to the Group. |

**YTC Resources Limited
Financial Statements**

**Statement of Total Comprehensive Income - for the year ended 30
June 2010**

| | Notes | Consolidated | |
|--|-------|--------------------|--------------------|
| | | 2010 | 2009 |
| | | \$ | \$ |
| Revenue | | | |
| Management fee | 3(a) | 1,394,548 | - |
| Interest revenue | 3(a) | 400,677 | 225,684 |
| Total revenue | | <u>1,795,225</u> | <u>225,684</u> |
| Compliance costs | | 56,553 | 43,030 |
| Consulting expense | | 458,633 | 245,361 |
| Audit fees | | 47,778 | 42,172 |
| Employee benefits expense | 3(b) | 711,412 | 501,961 |
| Directors Fees | | 203,788 | 179,500 |
| Office rental and outgoings | | 68,466 | 63,861 |
| Promotion | | 60,159 | 6,050 |
| Administration expense | 3(c) | 345,251 | 205,657 |
| Travel expenses | | 281,163 | 172,707 |
| Capitalised exploration costs written off | 7 | 605,284 | 1,185,292 |
| (Gain) / loss on disposal of assets | | (687) | 3,776 |
| Depreciation | | 65,336 | 40,413 |
| Amortisation | | 15,258 | 13,120 |
| Expenses | | <u>2,918,394</u> | <u>2,702,900</u> |
| Loss before income tax | | <u>(1,123,169)</u> | <u>(2,477,216)</u> |
| Income tax expense | 4 | - | - |
| Loss after income tax | 12 | <u>(1,123,169)</u> | <u>(2,477,216)</u> |
| Other comprehensive income | | - | - |
| Total comprehensive loss for the period | | <u>(1,123,169)</u> | <u>(2,477,216)</u> |
| Earnings per share for loss attributable to the ordinary equity holders of the parent | | | |
| Basic loss per share (cents per share) | 16 | (0.81) | (5.67) |
| Diluted loss per share (cents per share) | 16 | (0.81) | (5.67) |

The above Statement of Total Comprehensive Income should be read in conjunction with the accompanying notes.

**YTC Resources Limited
Financial Statements**

Balance Sheet - as at 30 June 2010

| | | Consolidated | |
|---|--------------|---------------------|-------------------|
| | | 2010 | 2009 |
| | Notes | \$ | \$ |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 13(b) | 8,364,285 | 1,266,523 |
| Trade and other receivables | 5 | 160,156 | 1,588 |
| Prepayments | | 52,785 | 35,812 |
| Total current assets | | <u>8,577,226</u> | <u>1,303,923</u> |
| Non current assets | | | |
| Plant and equipment | 6 | 452,386 | 335,997 |
| Deferred exploration and evaluation expenditure | 7 | 20,938,418 | 15,319,672 |
| Total non current assets | | <u>21,390,804</u> | <u>15,655,669</u> |
| Total assets | | <u>29,968,030</u> | <u>16,959,592</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 8 | 514,642 | 11,167,890 |
| Provisions | 9 | 70,325 | 28,823 |
| Total current liabilities | | <u>584,967</u> | <u>11,196,713</u> |
| Non current liabilities | | | |
| Trade and other payables | 8 | 1,367,258 | 332,000 |
| Total non current liabilities | | <u>1,367,258</u> | <u>332,000</u> |
| Total liabilities | | <u>1,952,225</u> | <u>11,528,713</u> |
| Net assets | | <u>28,015,805</u> | <u>5,430,879</u> |
| Equity | | | |
| Contributed equity | 10 | 32,744,356 | 9,130,819 |
| Reserves | 11 | 976,375 | 881,817 |
| Retained losses | 12 | (5,704,926) | (4,581,757) |
| Total equity | | <u>28,015,805</u> | <u>5,430,879</u> |

The above Balance Sheet should be read in conjunction with the accompanying notes.

**YTC Resources Limited
Financial Statements**

Statement of Changes in Equity - for the year ended 30 June 2010

| Consolidated | Issued Share Capital | Share Option Reserve | Accumulated Losses | Total |
|---|-------------------------------------|-------------------------------------|-------------------------------|-------------------|
| | \$ | \$ | \$ | \$ |
| Balance as at 1 July 2008 | 6,370,209 | 840,142 | (2,104,541) | 5,105,810 |
| Total comprehensive loss for the period | - | - | (2,477,216) | (2,477,216) |
| Transactions with owners in their capacity as owners | | | | |
| Shares issued for the period | 2,760,610 | - | - | 2,760,610 |
| Options issued for the period | - | 41,675 | - | 41,675 |
| Balance as at 30 June 2009 | <u>9,130,819</u> | <u>881,817</u> | <u>(4,581,757)</u> | <u>5,430,879</u> |
| | | | | |
| Balance as at 1 July 2009 | 9,130,819 | 881,817 | (4,581,757) | 5,430,879 |
| Total comprehensive loss for the period | - | - | (1,123,169) | (1,123,169) |
| Transactions with owners in their capacity as owners | | | | |
| Shares issued for the period | 25,286,266 | - | - | 25,286,266 |
| Cost of share issue | (1,672,729) | - | - | (1,672,729) |
| Options issued for the period | - | 94,558 | - | 94,558 |
| Balance as at 30 June 2010 | <u>32,744,356</u> | <u>976,375</u> | <u>(5,704,926)</u> | <u>28,015,805</u> |

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

YTC Resources Limited
Financial Statements

Cash Flow Statement - for the year ended 30 June 2010

| | Consolidated | |
|--|----------------------|--------------------|
| | 2010 | 2009 |
| | \$ | \$ |
| Cash flows from operating activities | | |
| Receipts from customers | 1,497,668 | - |
| Payments to suppliers and employees | (2,103,232) | (1,384,256) |
| Interest received | 297,953 | 323,960 |
| | <u>13</u> | <u>13</u> |
| Net cash flows used in operating activities | (a) (307,611) | (1,060,296) |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (339,821) | (13,860) |
| Proceeds on sale of equipment | 3,528 | 20,909 |
| Acquisition of projects | (10,860,000) | (1,000,000) |
| Exploration and evaluation expenditure | (5,011,871) | (1,112,889) |
| Net cash flows used in investing activities | (16,208,164) | (2,105,840) |
| Cash flows from financing activities | | |
| Proceeds from issue of shares | 25,286,267 | 2,760,610 |
| Payment for share issue costs | (1,672,730) | - |
| Net cash flows from financing activities | 23,613,537 | 2,760,610 |
| Net increase / (decrease) in cash and cash equivalents | 7,097,762 | (405,526) |
| Cash and cash equivalents at beginning of year | 1,266,523 | 1,672,049 |
| | <u>13</u> | <u>13</u> |
| Cash and cash equivalents at end of year | (b) 8,364,285 | 1,266,523 |

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

YTC Resources Limited

Financial Statements

1. CORPORATE INFORMATION

The financial report of YTC Resources Limited and its subsidiaries for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the Directors on 1 September 2010.

YTC Resources Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

YTC Resources has three 100% owned subsidiaries, Stannum Pty Ltd (incorporated 15 September 2007), Defiance Resources Pty Ltd (incorporated 15 May 2007) and Hera Resources Pty Ltd (incorporated 20 August 2009).

The nature of the operations and principal activities of the Group are described in the Directors report.

2A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been adopted by YTC Resources Limited are as follows:

(a) Basis of preparation

The financial report is a general-purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, the Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis, except deferred acquisition costs which are measured at fair value.

The financial report is presented in Australian dollars.

(b) Compliance with IFRS

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.

(c) Change in accounting policy

From 1 July 2009 the Company has adopted the following Standards for annual reporting periods beginning on or after 1 January 2009. Adoption of these standards does not have any effect on the financial performance or position of the Company.

AASB 8: Operating Segments

AASB 8 replaces AASB 114 *Segment Reporting* upon its effective date. The Consolidated Entity concluded that the operating segments determined in accordance with AASB 8 are the same as the business segments previously identified under AASB 114. AASB 8 disclosures are shown in note 19, including the revised comparative information.

AASB 101: Presentation of Financial Statements

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Consolidated Entity has elected to present one statement.

YTC Resources Limited
Financial Statements

(d) New accounting standards and interpretations

The following table sets out new Australian Accounting Standards and Interpretations that have been issued but are not yet effective and which have not been early adopted by the Company for the annual reporting period ending 30 June 2010.

| Reference | Title | Summary | Application date of standard | Impact on Group financial report | Application date for Group |
|--------------|--|--|------------------------------|---|----------------------------|
| AASB 2009-12 | Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] | <p>This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations.</p> <p>The amendment to AASB 124 clarifies and simplifies the definition of a related party as well as providing some relief for government-related entities (as defined in the amended standard) to disclose details of all transactions with other government-related entities (as well as with the government itself)</p> | 1 January 2011 | Potential changes to related party transactions not yet investigated. | 1 July 2011 |

All other new Australian Accounting Standards that have been issued but are not yet effective are not expected to have a material impact on the group.

YTC Resources Limited

Financial Statements

2A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(e) Basis of consolidation

The consolidated financial statements comprise the financial statements of YTC Resources Limited and its subsidiaries (as outlined in note 1).

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered whether a group controls an entity.

The financial statements of subsidiaries are prepared for the same reporting period as the company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions, have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and ceases to be consolidated from the date of control is transferred out of the Group.

(f) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the balance sheet.

(g) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(h) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation, amortisation and any impairment in value. Depreciation is calculated on a straight-line basis over their estimated useful lives as follows:

- Plant and equipment over 4 to 8 years
- Land – not depreciated
- Motor vehicles – 7 years
- Leasehold improvements – 6 years

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any indication of impairment exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

2A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(h) Plant and equipment (continued)

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in the income statement.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

De-recognition

An item of plant and equipment is de-recognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(i) Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(j) Exploration and evaluation expenditure

Expenditure on acquisition, exploration and evaluation relating to an area of interest is carried forward where rights to tenure of the area of interest are current and;

- i) it is expected that expenditure will be recouped through successful development and exploitation of the area of interest or alternatively by its sale and/or;
- ii) exploration and evaluation activities are continuing in an area of interest but at balance date have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated then any capitalised exploration and evaluation expenditure is reclassified as capitalised 'Mine properties in development'. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

If facts and circumstances suggest that the carrying amount of any recognised exploration and evaluation assets may be impaired, the entity must perform impairment tests on those assets in accordance with AASB 136 "Impairment of Assets". Impairment of exploration and evaluation assets is to be assessed at a cash generating unit or group of cash generating units level provided this is no larger than an area of interest. Any impairment loss is to be recognised as an expense in accordance with AASB 136. Accumulated costs in relation to an abandoned area are written off to the income statement in the period in which the decision to abandon the area is made.

YTC Resources Limited

Financial Statements

2A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(k) Trade and other payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(l) Provisions and employee benefits

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(i) Employee leave benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employee's services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(m) Revenue recognition

Revenue, including management fees, is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue can be recognised:

Interest

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate. This is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(n) Share-based payment transactions

The Company provides benefits to employees (including directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using the Black Scholes model, further details of which are given in note 22.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of YTC ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

YTC Resources Limited

Financial Statements

2A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(o) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

YTC Resources Limited Financial Statements

2A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(p) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(q) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown directly in equity as a deduction, net of tax, from proceeds.

(r) Operating segments – refer note 19

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors. Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services,
- Nature of the production processes,
- Type or class of customer for the products and services,
- Methods used to distribute the products or provide the services, and if applicable
- Nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements. Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

YTC Resources Limited

Financial Statements

2A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(s) Loss per share

Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the company, excluding any costs of servicing equity other than dividends, by the weighted average number of ordinary shares, adjusted for any bonus elements.

Diluted loss per share

Diluted earnings per share is calculated as net loss attributable to members of the Company, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus elements.

2B. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements.

Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

(a) Significant accounting judgements

Exploration and evaluation expenditure

Exploration and evaluation expenditure is capitalised when either, costs are expected to be recouped through successful development and exploitation of the area of interest; or alternatively by its sale: or exploration and/or evaluation activities in the area have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. In determining this, assumptions, including the maintenance of title, ongoing expenditure and prospectivity are made and in the event that these assumptions no longer hold valid then this expenditure may, in part or full, be expensed through the income statement in future periods – see note 7 for disclosure of carrying values.

(b) Significant accounting estimates and assumptions

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

**YTC Resources Limited
Financial Statements**

Consolidated

| Note | 2010 \$ | 2009 \$ |
|------|------------|------------|
|------|------------|------------|

3. REVENUE AND EXPENSES

(a) Revenue from continuing operations

| | | |
|----------------|------------------|----------------|
| Management fee | 1,394,548 | - |
| Interest | 400,677 | 225,684 |
| | <u>1,795,225</u> | <u>225,684</u> |

Management fee income consists of a success fee earned and reimbursement of consulting costs incurred from YTC's role in introducing, assessing and negotiating a joint venture agreement between Metals X Limited and Yunnan Tin Group Partners.

Expenses from continuing operations

Loss before income tax includes the following specific expenses:

(b) Employee benefits expense

| | | | |
|-----------------------|----|----------------|----------------|
| Salaries and on-costs | | 616,854 | 460,286 |
| Options expense | 22 | 94,558 | 41,675 |
| | | <u>711,412</u> | <u>501,961</u> |

Employee benefits expense and directors fees include superannuation expense of

| | |
|--------|--------|
| 91,662 | 73,060 |
|--------|--------|

(c) Administration expense

| | | |
|-------------------------|----------------|----------------|
| Accounting fees | 127,927 | 81,717 |
| Legal Fees | 77,678 | 25,399 |
| Bank fees | 1,464 | 1,992 |
| Computer expenses | - | 2,820 |
| Courier | 2,074 | 10,667 |
| Insurance | 64,835 | 48,915 |
| Printing and stationery | 31,530 | 11,584 |
| Postage | 3,198 | 1,788 |
| Subscriptions | 7,001 | 1,600 |
| Telephone | 27,115 | 15,250 |
| Other | 2,429 | 3,925 |
| | <u>345,251</u> | <u>205,657</u> |

Office rental and outgoings include lease payments of:

| | | |
|----------------------|---------------|---------------|
| Leased Premises | 58,779 | 52,500 |
| Office Equipment | 3,660 | 11,361 |
| Total Lease Payments | <u>62,439</u> | <u>63,861</u> |

YTC Resources Limited
Financial Statements

4. INCOME TAX

| | Consolidated | |
|---|---------------------|-------------|
| | 2010 | 2009 |
| | \$ | \$ |
| The major components of income tax expense | | |
| Income Statement | | |
| <i>Current income Tax</i> | | |
| Current income tax charge | (1,392,674) | (949,797) |
| <i>Deferred income tax</i> | | |
| Relating to origination and reversal of temporary differences | 1,084,090 | 189,621 |
| Unrecognised tax losses | 308,584 | 760,176 |
| Income tax expense reported in the income statement | <u>-</u> | <u>-</u> |

A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Company's applicable income tax rate is as follows:

| | | |
|---|--------------------|--------------------|
| Accounting loss before income tax | <u>(1,123,169)</u> | <u>(2,477,216)</u> |
| At the Company's statutory income tax rate (30%) | (336,951) | (743,165) |
| Share based payments | 28,367 | 12,503 |
| Adjustments in respect of current income tax charge of previous years | - | (29,514) |
| Income tax benefit not brought to account | 308,584 | 760,176 |
| Income tax reported in the income statement | <u>-</u> | <u>-</u> |

The Group has not formed a tax consolidated group at 30 June 2010.

YTC Resources Limited
Financial Statements

4. INCOME TAX (continued)

| Consolidated | Balance Sheet | | Income Statement | |
|--|----------------------|------------------|-------------------------|-------------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$ | \$ | \$ | \$ |
| Deferred income tax | | | | |
| Deferred income tax at 30 June relates to the following: | | | | |
| <i>Deferred tax liabilities</i> | | | | |
| Deferred Exploration and evaluation expenditure | (2,274,025) | (1,208,302) | (1,065,723) | (221,186) |
| Receivables | (30,840) | (22) | (30,818) | 28,330 |
| <i>Deferred Tax Assets</i> | | | | |
| Provisions | 21,098 | 8,647 | 12,451 | 3,235 |
| Carried forward losses recognised | <u>2,283,767</u> | <u>1,199,677</u> | 1,084,090 | 189,621 |
| Net deferred tax | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Deferred tax income/(expense) | | | <u>-</u> | <u>-</u> |

At 30 June 2010 the Group had carried forward tax losses totalling \$12,464,093 (2009: \$7,997,518).

| Consolidated | |
|---------------------|-------------|
| 2010 | 2009 |
| \$ | \$ |

5. TRADE AND OTHER RECEIVABLES - CURRENT

| | | |
|-------------------|----------------|--------------|
| Trade receivables | 57,357 | 1,513 |
| Accrued Interest | <u>102,799</u> | <u>75</u> |
| | <u>160,156</u> | <u>1,588</u> |

All of the above are non-interest bearing and generally receivable on 30 day terms. Due to the short term nature their carrying value approximates their fair value.

YTC Resources Limited
Financial Statements

Consolidated
2010 **2009**
\$ **\$**

6. PROPERTY, PLANT AND EQUIPMENT

| | | |
|--|-----------|----------|
| Property, plant and equipment at cost | 620,398 | 425,655 |
| Accumulated depreciation amortisation and impairment | (168,012) | (89,658) |
| Total property, plant and equipment | 452,386 | 335,997 |

Property, plant and equipment is represented by the following:

| | | |
|--|----------|----------|
| Motor Vehicles | | |
| At 1 July, net of accumulated depreciation and impairment | 69,629 | 108,762 |
| Additions | - | 1,300 |
| Disposals | - | (23,094) |
| Depreciation expense | (14,076) | (17,339) |
| At 30 June, net of accumulated depreciation and impairment | 55,553 | 69,629 |

| | | |
|--|----------|----------|
| Plant & Equipment | | |
| At 1 July, net of accumulated depreciation and impairment | 123,497 | 85,603 |
| Additions | 165,414 | 60,968 |
| Disposals | (2,838) | - |
| Depreciation expense | (51,260) | (23,074) |
| At 30 June, net of accumulated depreciation and impairment | 234,813 | 123,497 |

| | | |
|--|----------|----------|
| Leasehold improvements | | |
| At 1 July, net of accumulated amortisation and impairment | 52,871 | 65,991 |
| Additions | 34,407 | - |
| Amortisation expense | (15,258) | (13,120) |
| At 30 June, net of accumulated amortisation and impairment | 72,020 | 52,871 |

| | | |
|--------------------------|--------|--------|
| Land ¹ | | |
| At 1 July | 90,000 | - |
| Additions | - | 90,000 |
| At 30 June | 90,000 | 90,000 |

1 – Land assets are held at cost and are not depreciated.

YTC Resources Limited
Financial Statements

Consolidated
2010 **2009**
\$ **\$**

7. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

Exploration and evaluation

| | | |
|----------------------------------|--------------------|--------------------|
| At cost | 22,662,705 | 16,504,964 |
| Accumulated impairment | <u>(1,724,287)</u> | <u>(1,185,292)</u> |
| Total exploration and evaluation | <u>20,938,418</u> | <u>15,319,672</u> |

Year ended 30 June 2010

| | | |
|---|-------------------|--------------------|
| At 1 July | 15,319,672 | 3,390,387 |
| Exploration expenditure during the year | 6,224,030 | 922,577 |
| Exploration acquired during the year | - | 12,192,000 |
| Impairment charge recognised | <u>(605,284)</u> | <u>(1,185,292)</u> |
| At 30 June | <u>20,938,418</u> | <u>15,319,672</u> |

The recoverability of the carrying amount of the deferred exploration and evaluation expenditure is dependant on successful development and commercial exploitation, or alternatively the sale, of the respective areas of interest.

An impairment charge of \$605,284 has been recognised in 2010. Impairment has been recognised for between 25% and 100% of exploration expenditure incurred on tenements where prospectivity has downgraded or will not be pursued.

Movements in the provision for impairment loss were as follows:

| | | |
|--|--------------------|--------------------|
| At 1 July | (1,185,292) | - |
| Reversal of impairment on relinquished tenements | 66,289 | - |
| Charge for the year | <u>(605,284)</u> | <u>(1,185,292)</u> |
| At 30 June | <u>(1,724,287)</u> | <u>(1,185,292)</u> |

An amount of \$1,035,258 within exploration expenditure during the 2010 year relates to an increase in the provision for estimated royalty payable on gravity gold dore production from the Hera deposit.

Refer to Note 26 for further information.

8. TRADE AND OTHER PAYABLES

Current

| | | |
|-------------------|----------------|-------------------|
| Trade payables | 381,311 | 124,138 |
| Acquisition costs | - | 11,000,000 |
| Accrued Expenses | <u>133,331</u> | <u>43,752</u> |
| | <u>514,642</u> | <u>11,167,890</u> |

Non - current

| | | |
|----------------------------|------------------|----------------|
| Deferred acquisition costs | <u>1,367,258</u> | <u>332,000</u> |
|----------------------------|------------------|----------------|

Trade payables are non-interest bearing and generally payable on 7 to 30 day terms and due to the short term nature of these payables their carrying value is assumed to approximate their fair value.

Deferred acquisition costs in 2009 relate to the acquisition of the Hera Project and an 80% interest in the adjacent Nymagee Joint Venture from CBH Resources Limited in June 2009. Refer note 26 for further information.

**YTC Resources Limited
Financial Statements**

Consolidated
2010 **2009**
\$ \$

9. PROVISIONS

| | | |
|--------------|--------|--------|
| Annual Leave | 70,325 | 28,823 |
|--------------|--------|--------|

10. CONTRIBUTED EQUITY

(a) Issued and paid up capital

| | | |
|----------------------------|------------|-----------|
| Ordinary shares fully paid | 32,744,356 | 9,130,819 |
|----------------------------|------------|-----------|

(b) Movements in ordinary shares on issue

| Details | Date | Number of shares | \$ |
|------------------------------|-----------|---------------------|------------|
| Opening Balance | 1-Jul-09 | 43,792,560 | 9,130,819 |
| Placement net of issue costs | 11-Sep-09 | 111,900,804 | 21,826,437 |
| Share Purchase Plan | 1-Oct-09 | 8,510,000 | 1,787,100 |
| Closing Balance | | 164,203,364 | 32,744,356 |

(c) Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of a winding up of the Parent, to participate in the proceeds from sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or proxy, at a meeting of the Company.

(d) Capital Risk Management

When managing capital, managements objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest costs of capital available to the entity.

In order to maintain or adjust capital structure, the entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, enter into joint ventures or sell assets.

The entity does not have a defined share buy-back plan.

No dividends were paid in the year ending 30 June 2010 and no dividends are expected to be paid in the year ending 30 June 2010.

There is no current intention to incur debt funding on behalf of the Company as ongoing exploration expenditure will be funded via equity or with joint ventures with other companies. The Group is not subject to any externally imposed capital requirements.

**YTC Resources Limited
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Consolidated
2010 **2009**
\$ **\$**

11. RESERVES

| | | |
|----------------|---------|---------|
| Option reserve | 976,375 | 881,817 |
|----------------|---------|---------|

(a) Movements

| | | |
|--|---------|---------|
| Carrying amount at beginning of financial year | 881,817 | 840,142 |
| Options issued during the year | 94,558 | 41,675 |
| Carrying amount at the end of the financial year | 976,375 | 881,817 |

(b) Details of options issued or lapsed during the year

| | Date | Number of options | \$ |
|--|-------------|--------------------------|-----------|
| Opening Balance | 1-Jul-09 | 4,600,000 | 881,817 |
| Options expired - 50,000 options exercisable at \$1.00 | 9-Dec-09 | (50,000) | - |
| Options expired - 50,000 options exercisable at \$1.50 | 9-Dec-09 | (50,000) | - |
| Options issued - 650,000 options exercisable at \$0.40 | 1-Jan-10 | 650,000 | 59,241 |
| Options issued - 775,000 options exercisable at \$0.40 | 1-Jan-10 | 775,000 | 35,317 |
| Closing Balance | | 5,925,000 | 976,375 |

*775,000 of the options issued during the year vest on 1 January 2011. The cost of these options is expensed pro rata over the vesting period. 50% of the cost of these has been expensed at 30 June 2010. All other options have vested at 30 June 2010 and have been fully expensed at that date.

(c) Valuation of Options Reserve

This reserve is used to record the options issued to Directors, executives and employees. Valuation of the options is based on Black-Scholes methodology using the following assumptions:

| | | |
|------------------------------|----------------|----------------|
| Grant Date | 1 January 2010 | 1 January 2010 |
| No. of options | 650,000 | 775,000 |
| Share price at date of grant | \$0.23 | \$0.23 |
| Exercise price of options | \$0.40 | \$0.40 |
| Vesting date of options | 1 January 2010 | 1 January 2011 |
| Expected price volatility | 79% | 79% |
| Risk free rate | 6.00% | 6.00% |
| Expected life of options | 3 years | 3 years |
| Expected Dividend yield | 0.00% | 0.00% |
| Black-Scholes fair value | \$0.091 | \$0.091 |

YTC Resources Limited
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Consolidated
2010 **2009**
\$ **\$**

12. ACCUMULATED LOSSES

Movements in accumulated losses were as follows:

| | | |
|---|--------------------|--------------------|
| Balance at beginning of year | (4,581,757) | (2,104,541) |
| Net loss attributable to members of YTC Resources Limited | <u>(1,123,169)</u> | <u>(2,477,216)</u> |
| Balance at end of year | <u>(5,704,926)</u> | <u>(4,581,757)</u> |

13. CASH FLOW STATEMENT

(a) Reconciliation of the net loss after tax to the net cash flows used in operating activities

| | | |
|--|------------------|--------------------|
| Net loss after tax | (1,123,169) | (2,477,216) |
| Adjustments for: | | |
| Issue of options | 94,558 | 41,675 |
| Capitalised exploration costs written off | 605,284 | 1,185,292 |
| Depreciation | 65,336 | 40,413 |
| Amortisation | 15,258 | 13,120 |
| Net (gain) / loss on disposal of plant and equipment | (687) | 3,776 |
| Changes in assets and liabilities: | | |
| (Increase)/Decrease in receivables | (16,305) | 96,586 |
| (Increase)/Decrease in prepayments | (16,972) | (9,389) |
| Increase/(Decrease) in trade and other payables | 27,584 | 34,665 |
| Increase/(Decrease) in provisions | <u>41,502</u> | <u>10,782</u> |
| Net cash flow used in operating activities | <u>(307,611)</u> | <u>(1,060,296)</u> |

(b) Reconciliation of cash

Cash and cash equivalents are comprised of the following:

| | | |
|--------------------------|------------------|------------------|
| Cash at bank and in hand | 2,304,431 | 1,226,523 |
| Short-term deposits | <u>6,059,854</u> | <u>40,000</u> |
| | <u>8,364,285</u> | <u>1,266,523</u> |

YTC Resources Limited
Financial Statements

14. EXPENDITURE COMMITMENTS

(a) Expenditure commitments

Commitments contracted for at reporting date but not recognised as liabilities are as follows:

| | Consolidated | Consolidated |
|--|---------------------|----------------|
| | 2010 | 2009 |
| | \$ | \$ |
| Within one year | 678,543 | 148,019 |
| After one year but not longer than 5 years | 253,416 | 594,733 |
| | <u>931,959</u> | <u>742,752</u> |

(b) Lease commitments

Commitments contracted for at reporting date but not recognised as liabilities are as follows:

| | Consolidated | Consolidated |
|--|---------------------|---------------|
| | 2010 | 2009 |
| | \$ | \$ |
| Within one year | 60,000 | 57,750 |
| After one year but not longer than 5 years | 115,000 | - |
| | <u>175,000</u> | <u>57,750</u> |

15. SUBSEQUENT EVENTS

The Directors are not aware of any matter or circumstance that has arisen since the end of the year to the date of this report which may significantly impact on the state of affairs of the Company.

YTC Resources Limited
Financial Statements

| | Consolidated | |
|---|---------------------|---------------|
| | 2010 | 2009 |
| | \$ | \$ |
| 16. LOSS PER SHARE | | |
| Loss used in calculating basic and dilutive EPS | (1,123,169) | (2,477,216) |
| Weighted number of ordinary shares outstanding during the period used in the calculation of basic EPS | 139,341,683 | 43,656,420 |
| Weighted number of ordinary shares outstanding during the period used in the calculation of diluted EPS | 139,341,683 | 43,656,420 |
| Basic loss per share (cents per share) | <u>(0.81)</u> | <u>(5.67)</u> |
| Diluted loss per share (cents per share) | <u>(0.81)</u> | <u>(5.67)</u> |

As at 30 June 2010 and 2009, share options are not considered dilutive as the conversion of the options to ordinary shares will result in a decrease in the net loss per share. There are 5,925,000 un-issued ordinary shares under options as at 30 June 2010.

17. AUDITOR'S REMUNERATION

The auditor of YTC Resources Limited is Ernst & Young

Amounts received or due and receivable by Ernst & Young for:

| | | |
|--|---------------|---------------|
| Audit or review of the financial report of the Company and any other entity in the Group | 47,778 | 41,420 |
| Taxation advice | - | 5,000 |
| | <u>47,778</u> | <u>46,420</u> |

There were no other services provided by Ernst & Young other than as disclosed above.

18. RELATED PARTY AND INTER-COMPANY DISCLOSURES

Mr. Woodham has a consulting agreement for work done in addition to his non-executive Director services. The agreement commenced on 8 May 2007 and is on an ongoing basis. It can be terminated on 4 weeks notice by either party, with remuneration calculated on a daily basis.

Mr. Woodham is the owner of the premises leased by the Company at 2 Corporation Place, Orange NSW. The lease is for a further 1 year with an option to extend by a further 3 years. The gross rent paid in 2010 was \$64,657 (including GST) (2009: \$57,750). At 30 June 2010 \$Nil (2009: \$4,813) was payable to Mr Woodham for rent.

Mr. Hill has a consulting agreement for work done in addition to his non-executive Director services. The agreement commenced on 8 May 2007 and is on an ongoing basis. It can be terminated on 4 weeks notice by either party, with remuneration calculated on a daily basis. The gross fees paid in 2010 were \$93,268 (including GST) (2009: \$68,332). At 30 June 2010 \$6,281 (2009: \$Nil) was payable to Mr Hill.

For all payments to directors and executives please refer to the "Remuneration Report" contained in the "Directors Report".

YTC Resources Limited

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19. OPERATING SEGMENTS

Identification of reportable segments

The Consolidated Entity has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer and the Board of Directors (the Chief Operating Decision Makers) in assessing performance and in determining the allocation of resources.

The Consolidated Entity operates entirely in the industry of exploration for minerals in Australia. The operating segments are identified by management based on the size of the exploration tenement. The reportable segments are split between the Hera project, being the most significant current project of the Company, all other tenements and advisory services to the Yunnan Tin Group. Financial information about each of these segments is reported to the Chief Executive Officer and Board of Directors on a monthly basis.

Corporate office activities are not allocated to operating segments and form part of the reconciliation to net loss after tax.

Accounting policies and inter-segment transactions

The accounting policies used by the Company in reporting segments are the same as those contained in note 1 to the accounts. The following items are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Interest revenue
- Corporate costs
- Depreciation and amortisation of non-project specific property, plant and equipment

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19. OPERATING SEGMENTS (continued)

The following represents profit and loss and asset and liability information for reportable segments for the years ended 30 June 2010 and 30 June 2009.

| | Hera Project | Other Exploration Projects | Yunnan Tin Group Management | Total |
|--|--------------|----------------------------------|-----------------------------------|-----------|
| Segment Results | | | | |
| <u>Year ended 30 June 2010</u> | | | | |
| Segment Revenue | - | - | 1,394,548 | 1,394,548 |
| Deferred exploration costs written-off | - | (605,284) | - | (605,284) |
| Other allocated costs | - | - | (217,165) | (217,165) |
| Segment Net Loss After Tax | - | (605,284) | 1,177,383 | 572,099 |

Reconciliation of segment net loss after tax to net loss after tax

| | |
|--|--------------------|
| Interest revenue | 400,677 |
| Corporate operating costs | (2,015,351) |
| Corporate asset depreciation and amortisation | (80,594) |
| Net Loss after tax per the statement of comprehensive income | <u>(1,123,169)</u> |

Year ended 30 June 2009

| | | | | |
|--|---|-------------|---|-------------|
| Segment Revenue | - | - | - | - |
| Deferred exploration costs written-off | - | (1,185,292) | - | (1,185,292) |
| Depreciation and amortisation | - | - | - | - |
| Other allocated costs | - | - | - | - |
| Segment Net Loss After Tax | - | (1,185,292) | - | (1,185,292) |

Reconciliation of segment net loss after tax to net loss after tax

| | |
|--|--------------------|
| Interest revenue | 225,684 |
| Corporate operating costs | (1,464,075) |
| Depreciation and amortisation | (53,533) |
| Net Loss after tax per the statement of comprehensive income | <u>(2,477,216)</u> |

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19. OPERATING SEGMENTS (continued)

| | Hera Project | Other Exploration Projects | Yunnan Tin Group Management | Total |
|--|-------------------|----------------------------------|-----------------------------------|-------------------|
| Segment assets and liabilities for the year ended 30 June are as follows: | | | | |
| Segment assets at 30 June 2010 | | | | |
| Property, plant and equipment | 213,986 | - | - | 213,986 |
| Deferred exploration and evaluation expenditure | 18,347,362 | 2,591,056 | - | 20,938,418 |
| | <u>18,561,348</u> | <u>2,591,056</u> | - | <u>21,152,404</u> |
| Reconciliation of segment assets to total assets | | | | |
| Cash and cash equivalents | | | | 8,364,285 |
| Trade and other receivables | | | | 160,156 |
| Prepayments | | | | 52,785 |
| Corporate plant and equipment | | | | <u>238,400</u> |
| Total assets per the balance sheet at 30 June 2010 | | | | <u>29,968,030</u> |
| Segment liabilities at 30 June 2010 | | | | |
| Deferred acquisition costs | 1,367,258 | - | - | 1,367,258 |
| | <u>1,367,258</u> | - | - | <u>1,367,258</u> |
| Reconciliation of segment liabilities to total liabilities | | | | |
| Trade and other payables | | | | 514,642 |
| Provisions | | | | <u>70,325</u> |
| Total liabilities per the balance sheet at 30 June 2010 | | | | <u>1,952,225</u> |
| Segment assets at 30 June 2009 | | | | |
| Property, plant and equipment | 140,000 | - | - | 140,000 |
| Deferred exploration and evaluation expenditure | 12,192,000 | 3,127,672 | - | 15,319,672 |
| | <u>12,332,000</u> | <u>3,127,672</u> | - | <u>15,459,672</u> |
| Reconciliation of segment assets to total assets | | | | |
| Cash and cash equivalents | | | | 1,266,523 |
| Trade and other receivables | | | | 1,588 |
| Prepayments | | | | 35,812 |
| Corporate plant and equipment | | | | <u>195,997</u> |
| Total assets per the balance sheet at 30 June 2009 | | | | <u>16,959,592</u> |
| Segment liabilities at 30 June 2009 | | | | |
| Acquisition costs - current | 11,000,000 | | | 11,000,000 |
| Deferred acquisition costs | 332,000 | - | - | 332,000 |
| | <u>11,332,000</u> | - | - | <u>11,332,000</u> |
| Reconciliation of segment liabilities to total liabilities | | | | |
| Trade and other payables | | | | 167,890 |
| Provisions | | | | <u>28,823</u> |
| Total liabilities per the balance sheet at 30 June 2010 | | | | <u>11,528,713</u> |

YTC Resources Limited

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20. PARENT COMPANY INFORMATION

| | 2010 | 2009 |
|--|-------------|-------------|
| | \$ | \$ |
| Information relating to the parent entity of the Group, YTC Resources Ltd: | | |
| Current assets | 8,577,226 | 1,303,923 |
| Non-current assets | 21,390,804 | 15,655,669 |
| Total assets | 29,968,030 | 16,959,592 |
| Current liabilities | 584,967 | 11,196,713 |
| Non-current liabilities | 1,367,258 | 332,000 |
| Total liabilities | 1,952,225 | 11,528,713 |
| Issued capital | 32,744,356 | 9,130,819 |
| Reserves | 976,375 | 881,817 |
| Total shareholders' equity | 28,015,805 | 5,430,879 |
| Profit or loss | (1,123,169) | (2,477,216) |
| Other comprehensive income | - | - |

(a) Expenditure commitments

Commitments contracted for at reporting date but not recognised as liabilities are as follows:

| | Parent 2010 | Parent 2009 |
|--|----------------|----------------|
| | \$ | \$ |
| Within one year | 239,174 | 597,666 |
| After one year but not longer than 5 years | - | - |
| | <u>239,174</u> | <u>597,666</u> |

(b) Lease commitments

Commitments contracted for at reporting date but not recognised as liabilities are as follows:

| | Parent 2010 | Parent 2009 |
|--|----------------|----------------|
| | \$ | \$ |
| Within one year | 60,000 | 57,750 |
| After one year but not longer than 5 years | 115,000 | 57,750 |
| | <u>57,750</u> | <u>115,500</u> |

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and a short term deposit, receivables and payables including intercompany receivables in the holding company.

The main purpose of these instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables which arise directly from its operations. It is, and has been throughout the entire period under review, the Group policy that no trading in financial instruments shall be taken.

The main risks arising from the Group's financial instruments are only cash flow interest rate risk. Other minor risks are summarised below.

There are no formal risk management policies in place against cash flow interest rate risk or any other financial risk as we are not exposed adversely to such risks.

YTC Resources Limited Financial Statements

(a) Interest rate risk

The Group's exposure to the risks of changes in market interest rates relates primarily to the Group's short-term deposits with a floating interest rate. These financial assets with variable rates expose the Group to cash flow interest rate risk. All other financial assets and liabilities in the form of receivables and payables are non interest bearing.

The Group has not entered in any hedging activities to cover interest rate risk. In regard to its interest rate risk the Group continually analyses its exposure. Within this analysis consideration is given to potential renewal of existing positions, alternative investments and the mix of fixed and variable interest rates.

The following table set out the carrying amount by maturity of the parent and Group's exposure to interest rate risk for each class of these financial instruments. Trade and other receivables and payables are not interest bearing. Also included is the effect on profit and equity after tax if interest rates at that date had been 20% or higher or lower with all other variables held constant as a sensitivity analysis.

Based on the sensitivity analysis only interest revenue from variable rate deposits and cash balances is impacted resulting in a decrease or increase in overall income.

| | | Interest Rate Sensitivity | | | | |
|----------------------------------|----------|---------------------------|---------------------------|--------|--------|--------|
| | | Carrying Amount | -20% | | 20% | |
| | | | Profit | Equity | Profit | Equity |
| | | \$ | \$ | \$ | \$ | \$ |
| 2010 | | | | | | |
| Financial Assets: | Note (i) | | | | | |
| Cash and cash equivalents assets | | 8,364,285 | (75,279) | - | 75,279 | - |
| | | | Interest Rate Sensitivity | | | |
| | | | -65% | | 65% | |
| 2009 | | | | | | |
| Financial Assets: | | | | | | |
| Cash and cash equivalents assets | | 1,266,523 | (24,697) | - | 24,697 | - |

(i) Cash and cash equivalents include only short-term deposits with floating interest rates in AUD.

A sensitivity of 20% has been selected as this is considered reasonable as it represents approximately a 1% change from current interest rates and is in line with short to medium term market expectations of movement.

A positive 20% sensitivity would move short term interest rates at 30 June 2010 from around 4.50 % to 5.40%.

In 2009 a sensitivity of 65% was selected as this was considered reasonable given the then level of both short term and long term Australian dollar interest rates. A negative 65% sensitivity would have moved short term interest rates at 30 June 2009 from around 3.00 % to 4.95 %.

(b) Commodity price risk

The Group is exposed to commodity price risk. The risk arises from its activities directed at exploration and development mineral commodities. If commodity prices fall, the market for companies exploring for these commodities is affected. The Group does not hedge its exposures.

(c) Fair values

All financial assets and liabilities recognised in the balance sheet, whether they are carried at cost or at fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable note.

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(d) Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The Group's maximum exposures to credit risk at reporting date in relation to each class of financial asset is the carrying amount of those assets as indicated in the Balance Sheet.

The Group's receivables at balance date are detailed in Note 5 and comprise primarily of accrued interest receivable and trade debtors.

The Group trades only with recognised, credit worthy third parties.

(e) Liquidity risk

The Group's exposure to liquidity risk is disclosed in note 8.

22. SHARE BASED PAYMENT ARRANGEMENTS

(a) Recognised share based payments expenses

The expense recognised for executive and employee services received during the year is shown in the table below:

| | Consolidated | |
|--|---------------------|-------------|
| | 2010 | 2009 |
| | \$ | \$ |
| Expenses arising from the equity settled share based payment transactions - eligible employees and directors | 94,558 | 41,675 |

(b) Type of share based payment plan

Employee Share Option Plan

The Company has established an employee share option plan (ESOP). The objective of the ESOP is to assist in the recruitment, reward, retention and motivation of employees of YTC. Under the ESOP, the Directors may invite individuals acting in a manner similar to employees to participate in the ESOP and receive options. An individual may receive the options or nominate a relative or associate to receive the options. The plan is open to directors and eligible employees of YTC.

(c) Options granted as at 30 June 2010

| Grant Date | Expiry Date | Exercise Price | Balance at start of the year Number | Granted during the year Number | Lapsed during the year Number | Balance at the end of the year Number | Exercisable at the end of the year Number |
|---------------------------------|-------------|----------------|--|-----------------------------------|----------------------------------|--|--|
| 4-May-07 | 4-May-12 | \$0.25 | 4,000,000 | - | - | 4,000,000 | 4,000,000 |
| 22-Nov-07 | 31-Dec-10 | \$1.00 | 50,000 | - | - | 50,000 | 50,000 |
| 22-Nov-07 | 31-Dec-10 | \$1.50 | 50,000 | - | - | 50,000 | 50,000 |
| 10-Dec-07 | 31-Dec-10 | \$1.00 | 50,000 | - | - | 50,000 | 50,000 |
| 10-Dec-07 | 31-Dec-10 | \$1.50 | 50,000 | - | - | 50,000 | 50,000 |
| 20-Dec-07 | 31-Dec-10 | \$1.00 | 50,000 | - | - | 50,000 | 50,000 |
| 20-Dec-07 | 31-Dec-10 | \$1.50 | 50,000 | - | - | 50,000 | 50,000 |
| 12-Nov-08 | 31-Dec-10 | \$1.00 | 150,000 | - | (50,000) | 100,000 | 100,000 |
| 12-Nov-08 | 31-Dec-10 | \$1.50 | 150,000 | - | (50,000) | 100,000 | 100,000 |
| 1-Jan-10 | 31-Dec-12 | \$0.40 | - | 775,000 | - | 775,000 | - |
| 1-Jan-10 | 31-Dec-12 | \$0.40 | - | 650,000 | - | 650,000 | 650,000 |
| | | | 4,600,000 | 1,425,000 | (100,000) | 5,925,000 | 5,150,000 |
| Weighted average exercise price | | | 0.38 | 0.40 | 1.25 | 0.37 | 0.37 |

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22. SHARE BASED PAYMENT ARRANGEMENTS (continued)

(d) Options granted as at 30 June 2009

| Grant Date | Expiry Date | Exercise Price | Balance at start of the year Number | Granted during the year Number | Lapsed during the year Number | Balance at the end of the year Number | Exercisable at the end of the year Number |
|---------------------------------|-------------|----------------|-------------------------------------|--------------------------------|-------------------------------|---------------------------------------|---|
| 4-May-07 | 4-May-12 | 0.25 | 4,500,000 | - | (500,000) | 4,000,000 | 4,000,000 |
| 22-Nov-07 | 31-Dec-10 | \$1.00 | 50,000 | - | - | 50,000 | 50,000 |
| 22-Nov-07 | 31-Dec-10 | \$1.50 | 50,000 | - | - | 50,000 | 50,000 |
| 10-Dec-07 | 31-Dec-10 | \$1.00 | 50,000 | - | - | 50,000 | 50,000 |
| 10-Dec-07 | 31-Dec-10 | \$1.50 | 50,000 | - | - | 50,000 | 50,000 |
| 20-Dec-07 | 31-Dec-10 | \$1.00 | 50,000 | - | - | 50,000 | 50,000 |
| 20-Dec-07 | 31-Dec-10 | \$1.50 | 50,000 | - | - | 50,000 | 50,000 |
| 12-Nov-08 | 31-Dec-10 | \$1.00 | - | 150,000 | - | 150,000 | 150,000 |
| 12-Nov-08 | 31-Dec-10 | \$1.50 | - | 150,000 | - | 150,000 | 150,000 |
| | | | 4,800,000 | 300,000 | (500,000) | 4,600,000 | 4,600,000 |
| Weighted average exercise price | | | 0.31 | 1.25 | - | 0.38 | 0.38 |

(e) Weighted average remaining contractual life

The weighted average remaining contractual life for the options outstanding as at 30 June 2010 is 1.9 years

(f) Fair Value of options granted

The fair value of the equity share options at grant date is determined using a Black-Scholes option pricing model that takes into account the terms and conditions upon which the options were granted.

The model inputs for options granted and assessed fair value at grant date of options granted during the year ended 30 June 2010 is shown in Note 11.

23. CONTINGENT LIABILITIES

There are no contingent liabilities that require disclosure.

24. DIVIDENDS

No dividend was paid or declared by the Company in the period since the end of the previous financial year, and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend for the financial year ended 30 June 2010. The balance of our franking account is Nil (2009: Nil).

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25. KEY MANAGEMENT PERSONNEL

Shareholdings and option holdings of Directors, executives and key management personnel

| | Consolidated | Consolidated |
|------------------------------|---------------------|----------------|
| | 2010 | 2009 |
| | \$ | \$ |
| Short-term employee benefits | 886,366 | 526,500 |
| Post-employment benefits | 37,993 | 28,088 |
| Share based payments | 22,785 | - |
| Total | 947,144 | 554,588 |

(i) Share holdings

The number of shares in the Company held during the financial year held by each director, executive and key management personnel of YTC Resources Limited, including their related parties, is set out below.

| 2010 | Balance at the start of the year | Granted during the year as compensation | On exercise of share options | Other changes during the year | Balance at the end of the year |
|---------------------------------------|----------------------------------|---|------------------------------|-------------------------------|--------------------------------|
| Directors | | | | | |
| Dr. Wenxiang Gao | 10,000 | - | - | - | 10,000 |
| Mr. Anthony Wehby ^(b) | 195,000 | - | - | 50,000 | 245,000 |
| Mr. Rimantas Kairaitis ^(a) | 3,321,544 | - | - | 22,000 | 3,343,544 |
| Dr. Guoqing Zhang | - | - | - | - | - |
| Mr. Stephen Woodham ^(a) | 3,446,412 | - | - | 73,905 | 3,520,317 |
| Mr. Robin Chambers ^(b) | 310,003 | - | - | 50,000 | 360,003 |
| Mr. Richard Hill ^{(a) (b)} | 1,057,984 | - | - | 100,837 | 1,158,821 |
| Ms. Christine Ng | - | - | - | - | - |
| Executives | | | | | |
| Mr. Richard Willson | - | - | - | - | - |
| Mr. Matthew Sikirich | 284,997 | - | - | - | 284,997 |
| | 8,625,940 | - | - | 296,742 | 8,922,682 |

| 2009 | Balance at the start of the year | Granted during the year as compensation | On exercise of share options | Other changes during the year | Balance at the end of the year |
|---------------------------------------|----------------------------------|---|------------------------------|-------------------------------|--------------------------------|
| Directors | | | | | |
| Dr. Wenxiang Gao | 10,000 | - | - | - | 10,000 |
| Mr. Anthony Wehby | 195,000 | - | - | - | 195,000 |
| Mr. Rimantas Kairaitis ^(a) | 3,318,044 | - | - | 3,500 | 3,321,544 |
| Dr. Guoqing Zhang | - | - | - | - | - |
| Mr. Stephen Woodham ^(a) | 3,823,804 | - | - | (377,392) | 3,446,412 |
| Mr. Robin Chambers | 310,003 | - | - | - | 310,003 |
| Mr. Richard Hill | 1,057,984 | - | - | - | 1,057,984 |
| Ms. Christine Ng | - | - | - | - | - |
| Executives | | | | | |
| Mr. Matthew Sikirich | 284,997 | - | - | - | 284,997 |
| | 8,999,832 | - | - | (373,892) | 8,625,940 |

(a) Acquired or disposed on-market.

(b) Share Purchase Plan

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Shareholdings and option holdings of Directors, executives and key management personnel (cont)

(ii) *Option holdings*

The numbers of options over ordinary shares in the Company held during the financial year by each director, executive and key management personnel of YTC Resources Limited and specified executive of the Group, including their personally related parties, are set out below.

| 2010 | Balance at the start of the year | Granted during the year as compensation | Exercised during the year | Other changes during the year | Balance at the end of the year |
|----------------------|----------------------------------|---|---------------------------|-------------------------------|--------------------------------|
| Directors | | | | | |
| Dr. Wenxiang Gao | 500,000 | - | - | - | 500,000 |
| Mr. Anthony Wehby | 500,000 | - | - | - | 500,000 |
| Mr. Rimas Kairaitis | 1,000,000 | - | - | - | 1,000,000 |
| Dr. Guoqing Zhang | - | - | - | - | - |
| Mr. Stephen Woodham | 500,000 | - | - | - | 500,000 |
| Mr. Robin Chambers | 500,000 | - | - | - | 500,000 |
| Mr. Richard Hill | 500,000 | - | - | - | 500,000 |
| Ms. Christine Ng | - | - | - | - | - |
| Executives | | | | | |
| Mr. Richard Willson | - | 500,000 | - | - | 500,000 |
| Mr. Matthew Sikirich | 500,000 | - | - | - | 500,000 |
| | 4,000,000 | 500,000 | - | - | 4,500,000 |

| 2009 | Balance at the start of the year | Granted during the year as compensation | Exercised during the year | Other changes during the year | Balance at the end of the year |
|----------------------|----------------------------------|---|---------------------------|-------------------------------|--------------------------------|
| Directors | | | | | |
| Dr. Wenxiang Gao | 500,000 | - | - | - | 500,000 |
| Mr. Anthony Wehby | 500,000 | - | - | - | 500,000 |
| Mr. Rimas Kairaitis | 1,000,000 | - | - | - | 1,000,000 |
| Dr. Guoqing Zhang | - | - | - | - | - |
| Mr. Stephen Woodham | 500,000 | - | - | - | 500,000 |
| Mr. Robin Chambers | 500,000 | - | - | - | 500,000 |
| Mr. Richard Hill | 500,000 | - | - | - | 500,000 |
| Ms. Christine Ng | - | - | - | - | - |
| Executives | | | | | |
| Mr. Matthew Sikirich | 500,000 | - | - | - | 500,000 |
| | 4,000,000 | - | - | - | 4,000,000 |

**YTC Resources Limited
Financial Statements**

26. BUSINESS COMBINATION

Prior period acquisition

On 18 June 2009, the Company reached agreement to purchase a 100% interest in the Hera Project and an 80% interest in the adjacent Nymagee Joint Venture from CBH Resources Limited (CBH).

The Hera Project and Nymagee Joint Venture are located approximately 100km south-east of the mining town of Cobar in central NSW and include the undeveloped Hera gold-base metal deposit.

The Hera deposit is an undeveloped, high-grade gold-base metal deposit, with the potential to be rapidly advanced to development. The Company is working to develop a gold and base metal mine at Hera.

The total cost of the acquisition was as follows:

- Initial purchase price of \$12,000,000 paid in cash.
- 5% gold royalty on gravity gold dore production from the Hera deposit, capped at 250,000 oz Au.

The Consolidated Entity has recorded deferred consideration of \$1,367,258 (\$332,000 at 30 June 2009) representing the net present value of projected royalty payments due under the terms of the acquisition, calculated based on information available as at 30 June 2010. The deferred consideration is revalued at each reporting date in accordance with AASB 3 with a corresponding adjustment to exploration and evaluation assets acquired.

The Consolidated Entity had provisionally calculated the fair value of the identifiable net assets. The fair values at acquisition date were subsequently determined to be as follows:

| | Provisional Fair Value as previously reported | Fair Value Adjustments | Fair Value at acquisition |
|---------------------------------------|--|-----------------------------------|--------------------------------------|
| | \$ | \$ | \$ |
| Exploration and evaluation assets | 12,192,000 | 1,035,258 | 13,227,258 |
| Other property, plant and equipment | 140,000 | - | 140,000 |
| Fair value of identifiable net assets | <u>12,332,000</u> | <u>1,035,258</u> | <u>13,367,258</u> |

| | |
|---|-------------------|
| Cost of the combination: | \$ |
| Cash consideration (paid) | 12,000,000 |
| Deferred consideration (revalued at 30 June 2010) | <u>1,367,258</u> |
| | <u>13,367,258</u> |

YTC Resources Limited Directors' Declaration

In accordance with a resolution of the directors of YTC Resources Limited, we state that:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

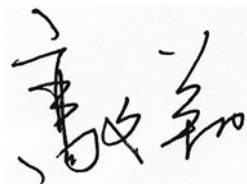
(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2A (b); and

(c) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

(d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2010.

On behalf of the Board



Wenxiang Gao
Chairman
1 September 2010

Independent auditor's report to the members of YTC Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of YTC Resources Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2A (b), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. The Auditor's Independence Declaration would have been expressed in the same terms if it had been given to the directors at the date this auditor's report was signed.

Auditor's Opinion

In our opinion:

1. the financial report of YTC Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position at 30 June 2010 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of YTC Resources Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

A stylized signature in blue ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in blue ink that reads 'Mike Elliott'.

Mike Elliott
Partner
Sydney
1 September 2010