



ABN 37 108 476 384

FINANCIAL REPORT

30 June 2012

YTC Resources Limited Corporate Directory

Directors

Mr Anthony Wehby – Chairman
Mr Rimas Kairaitis – Managing Director
Dr Wenxiang Gao
Mr Robin Chambers
Ms Christine Ng
Mr Gary Comb
Mr Mark Milazzo
Mr Stephen Woodham – resigned 6 August 2012
Mr Richard Hill – resigned 11 July 2012
Mr Guoqing Zhang – resigned 18 November 2011

Company Secretary

Mr Richard Willson

Registered Office and Principal Place of Business

YTC Resources Limited	Telephone: (02) 6361 4700
2 Corporation Place	Facsimile: (02) 6361 4711
ORANGE NSW 2800	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

**YTC Resources Limited
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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 2012, 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.

Mr Anthony Wehby - Chairman

Mr Wehby was a partner with PWC 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 and a Member of the Australian Institute of Company Directors.

Mr Wehby is a director of Tellus Resources Limited and Royal Rehabilitation Centre Sydney; he is also a Member of the Advisory Board of Moss Capital Pty Limited. He has held no other company directorships in the past three years.

Mr Rimas Kairaitis – Managing Director

Mr Kairaitis is a geologist with over 18 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, CRA (Rio Tinto) and Alkane Resources.

Mr Kairaitis was a founding director of the mineral exploration company LFB Resources NL (now a subsidiary of Alkane Resources Ltd). From 1999 to 2006 he worked as a geological consultant to Alkane 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 Tomingley Gold deposit in NSW in 2001 and the McPhillamy's Gold Deposit in 2006.

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.

Dr Wenxiang Gao

Dr Gao has near 30 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 its 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	— 26 November 2010

YTC Resources Limited Directors Report (continued)

Mr Robin Chambers AO

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 28 years. 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 Chambers was recently appointed as an Officer in the General Division of the Order of Australia for his distinguished service to Australia-china relations, particularly through the promotion of trade and investment relationships in the minerals and metals sector, and as an advisor on international corporation law.

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 Appointed 31 August 2007 - Present Exchange)

Mr Gary Comb – Appointed 4 July 2012

Mr Comb is an engineer with over 26 years experience in the Australian Mining Industry, both with mining companies and in mining contractor roles. He has a strong track record in successfully commissioning and operating base metal mines.

He spent four years as Chief Executive Officer of BGC Contracting Pty Ltd, the mining and civil contracting arm of West Australian construction group BGC Ltd.

From 2003, Mr Comb was Managing Director of Jabiru Metals Limited, taking the Jaguar Copper/Zinc Project from discovery through feasibility, construction to operations. Jabiru Metals was taken over by Independence Group Limited for A\$532 million in 2011.

He is currently also a director of Zenith Minerals Limited and Ironbark Zinc Limited.

Mr Mark Milazzo – Appointed 6 August 2012

Mr Milazzo is a mining engineer with over 30 years experience in the development and management of mines and mineral processing plants across a range of commodities in Australia and overseas. This includes both underground and surface operations, and covers a wide range of mining applications, from small scale selective to mechanised bulk extraction methods. He has been involved in a number of new mine development and mine expansion projects.

YTC Resources Limited Directors Report (continued)

Past senior roles include General Manager of the Olympic Dam Mine and Kambalda Nickel Operations with WMC Resources, and General Manager with mining contractor HWE Mining. Mr Milazzo is a Fellow of the Australasian Institute of Mining and Metallurgy.

He is currently a director of Red 5 Limited and Cortona Resources Limited.

Mr Stephen Woodham - Resigned 6 August 2012

Mr Woodham has over 18 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 Resigned 8 January 2010
Tellus Resources Ltd (Australian Stock Exchange)	Appointed 30 January 2012 - Present

Mr Richard Hill - Resigned 11 July 2012

Mr Richard Hill has over 19 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 15 years, Mr Hill has worked as a geologist for several major and mid cap Australian mining companies and more recently has founded a series of successful ASX-listed mining companies. Mr Hill has a diversity of practical geological experience as a mine based and exploration geologist across a range of commodities and locations. 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 international marketing and fund raising.

Mr Hill's professional associations include membership of the Australian Institute of Mining and Metallurgy and The Financial Services Institute 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
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Dr Guoqing Zhang - Resigned 18 November 2011, Alternate for Dr Wenxiang Gao since 24 November 2011

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.

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

China Yunnan Tin Minerals Group Company Ltd (Hong Kong Stock Exchange)	Appointed 26 November 2010 — Present
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**YTC Resources Limited
Directors Report (continued)**

Mr Yong Chen – Alternate for Dr Gao on 17 November 2011 & Alternate for Ms Christine Ng since 5 December 2011

Mr Chen is an accountant with more than 20 years experience in both Australia and China.

Mr Chen is a Director & CFO of Yunnan Tin Australia Investment Holding Pty Ltd, a subsidiary of Yunnan Tin Group Ltd based in China which is the largest tin producer in the world.

He has worked in various accounting roles including 9 years as the GST & Investment Accountant with Sydney Church of England Grammar School (Shore School) in North Sydney.

Mr Chen has a Bachelor of Economics from the Shanghai University of Finance & Economics and a Master of Business in Accounting and Finance from the University of Technology, Sydney.

Mr Richard Willson – Company Secretary & Chief Financial Officer, Alternate for Mr Richard Hill on 4 July 2012

Mr Willson is an accountant with more than 18 years experience.

Mr Willson has a bachelor of Accounting from the University of South Australia, is a fellow of CPA Australia, and the Australian Institute of Company Directors. Richard is a founding member of the AICD Emerging Directors Committee – by invitation.

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.

In addition to his role as Chief Financial Officer and Company Secretary with YTC Resources Ltd, Mr Willson is a Director of the ASX listed Tellus Resources Ltd, a Director of Taronga Mines Ltd and Director and Company Secretary of the not for profit Unity Housing Company.

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	Performance Rights
Directors			
Mr Anthony Wehby	745,000	-	-
Mr Rimantas Kairaitis	4,438,544	-	250,000
Dr Wenxiang Gao	510,000	-	-
Mr Robin Chambers	860,003	-	-
Ms Christine Ng	-	-	-
Mr Gary Comb	-	-	-
Mr Mark Milazzo	-	-	-
Dr Guoqing Zhang	-	-	-
Mr Yong Chen	-	-	-

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 2012.

YTC Resources Limited Directors Report (continued)

CORPORATE STRUCTURE

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

YTC Resources has four wholly owned subsidiaries, Stannum Pty Ltd (incorporated 15 September 2007), Defiance Resources Pty Ltd (incorporated 15 May 2007), Hera Resources Pty Ltd (incorporated 20 August 2009) and Nymagee Resources Pty Ltd (incorporated 7 November 2011).

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 interests in gold, base metals and tin projects in New South Wales.

REVIEW AND RESULTS OF OPERATIONS

CORPORATE

YTC Resources closed the 2012 financial year with a cash balance of \$15.1million. This follows a year of continuing exploration and feasibility activities at the flagship Hera and Nymagee Projects and the commencement of development of the Hera Project.

Corporate highlights for the year include:

- Completion of Agreements between YTC & Taronga Mines Limited (TAZ) resulting in YTC now holding 12.4million TAZ shares and 5.5million TAZ options.
- YTC reached agreement with Allegiance Mining Operations Ltd, a wholly owned subsidiary of Minerals and Metals Group (MMG) to acquire an additional 5% interest in the Nymagee Joint Venture (to bring YTC's beneficial interest to 95%) and the freehold land that encompasses the Nymagee mine site.
- Mr Anthony Wehby appointed Chairman of the Company replacing Dr Wenxiang Gao who continues as a non-executive director.
- Exercise of 3,500,000 share options raising \$875,000, including 3,000,000 Director options.
- Mr Gary Comb and Mr Mark Milazzo were appointed as directors of the Company.
- YTC reached an agreement with OZ Minerals to acquire a strategic tenement holding surrounding Hera & Nymagee.

Acquisition of OZ Minerals Nymagee Tenements

During the year, YTC reached agreement with OZ Exploration Pty Ltd ('OZ'), a subsidiary of OZ Minerals Ltd, to purchase a strategic tenement holding immediately surrounding its Hera-Nymagee Project.

The OZ Minerals tenements represent a logical and exciting addition to YTC's existing tenement coverage and increase YTC's tenement holding along the highly prospective Rookery Fault Zone of the Cobar Basin to over 1040 km².

A prospectivity review has identified a number of targets of immediate interest to the east and north of YTC's 95% owned Nymagee deposit. These targets will be prioritised for drill testing in the short term.

The following is a summary of the acquisition terms agreed between YTC and OZ Minerals;

- YTC to acquire a 100% interest in Exploration Licences EL 7446, 7447, 7524 and 7529,
- YTC to issue OZ: \$250,000 of YTC shares at \$0.45 per share (555,556 shares)
- Consideration shares escrowed for 6 months

Completion of this agreement will occur once the NSW government has approved the transfer of the tenements.

YTC Resources Limited Directors Report (continued)

Completion of Taronga Mines Agreements

Agreements between YTC, Taronga Mines (TAZ) and Australian Oriental Mines (AOM) have now completed. Under these agreements:

- 12.4 million TAZ shares and 5.5 million TAZ options were issued to YTC representing 25.8% of TAZ's issued capital at the time of issue as consideration for the tenements sold to TAZ;
- 160,970 YTC shares were issued to AOM at a consideration price of \$0.62 per share as consideration for the acquisition by YTC of AOM's interest in a JV over EL6389 which was then sold to TAZ under the sale agreement between YTC and TAZ;
- Exploration tenements EL 6389, 6392, 6690 and 7280 were relinquished by YTC as per the agreement.

TAZ has advised YTC that the Taronga Mines IPO is temporarily on hold pending more favourable market conditions. YTC will advise on the proposed TAZ listing date once known.

Directors Options

During the June quarter, 3,500,000 outstanding 25c share options were exercised raising \$875,000. This included 3,000,000 share options held by YTC Directors. These options were issued prior to the Company's IPO in May 2007.

Cash Flow

The Group's cash position decreased by \$13,518,382 during the year, mainly as a result of exploration and development expenditure on the Hera and Nymagee Projects. The cash balance at the end of the financial year was \$15,087,184.

Objectives, Strategy and Risks

YTC's objective for 2013 is to continue to progress the Hera and Nymagee projects towards development and then into production as well as continue exploration on the Company's other tenements.

PROJECTS

The year saw the Company substantially advance its flagship Hera and Nymagee Projects through exploration, feasibility and permitting

Project highlights for the year include:

- Completion of the Hera Project Definitive Feasibility Study (DFS).
- Completion of Stage 1 of the Hera Project earthworks including access roads and decline box cut.
- Continued strong drilling results from the Nymagee copper deposit at the Nymagee JV leading to the maiden mineral resource estimate for the Nymagee Deposit of: 8.1Mt @ 1.2% Cu, 0.3% Pb, 0.7% Zn and 9g/t Ag.
- Discovery of massive sulphides at Nymagee North associated with ground and down hole EM responses.
- Deep drilling at Nymagee demonstrating the vertical continuity of the Nymagee copper mineralisation.
- Large gold bearing mineral system demonstrated at the Kadungle Project.

HERA PROJECT (YTC 100%):

Definitive Feasibility Study

On the 19th September 2011, YTC announced the results of the Hera DFS, managed by Optiro Mining Consultants, confirming the technical and financial viability of the development of the Hera deposit.

**YTC Resources Limited
Directors Report (continued)**

Stage 1 development would see the establishment of the Hera gold mine and construction of a processing facility at the Hera site. Feasibility studies are progressing on Stage 2 to evaluate the integration of the Nymagee deposit utilising Stage 1 infrastructure.

YTC has adopted a two-stage approach to developing the Hera-Nymagee Project to fast track first gold revenue and to establish mining and process infrastructure with a view to self-funding the development and integration of the larger Nymagee deposit.

The DFS for Stage 1 of the Hera-Nymagee Project, being the financial and technical evaluation of a mining and processing facility at the Hera gold-base metal deposit, was completed in the year and released to the ASX on the 19th September 2011.

The study confirms a financially and technically robust underground mine and processing plant producing gold and silver doré bars and a bulk-lead-zinc concentrate for sale. Once established, the Hera mine will substantially provide the mining and process infrastructure to support the future integration of mineralisation from the Nymagee Copper deposit. The Modular plant design is capable of expansion to treat Nymagee ore in Stage 2.

The key parameters and economics of the Stage 1 development of the Hera-Nymagee Project are set out below:

DFS Summary Table

	HERA DFS	UNITS
Diluted Ore Reserve	1,875,918	Tonnes
Diluted Ore Reserve Grade	\$218 7g/t Au Eq	Net Smelter Return (NSR) per tonne Gold Equivalent
Mine Life (box cut to last revenue)	7.3	years
Mining & Process Rate	350,000	Tpa
Metal Production		
Gold Production (to doré)	204,274	ounces
Silver Production (to doré)	426,860	ounces
Zinc Production	63,439	tonnes
Lead Production	46,399	tonnes
Au Equivalent Production	391,253	Au Equivalent Ounces
Site Operating Costs		
Mining	\$72.80	per tonne
Process	\$34.55	per tonne
Offsite Costs	\$49.33	per tonne
Administration	\$14.25	per tonne
Avg Operating Margin (after mining & milling)	\$105.33	per tonne
C1 Operating Costs (after Pb-Zn credits)	\$394.60	\$/Ounce Au
Pre-Production Capital Costs	\$73.5m	Capital Expenditure to first ore
Gross Revenue (Au = A\$1450/oz)	\$510.8m	
Net Revenue (pre-tax Profit) Au = A\$1450/oz	\$94.8m	Au at 20% discount to spot
Net Revenue (pre-tax Profit) Au = A\$1750/oz	\$152m	Au at spot

All dollar figures are in Australian dollars unless otherwise stated.

YTC Resources Limited Directors Report (continued)

Hera Development

From December 2011 to April 2012, YTC completed the Stage 1 earthworks at the Hera site under the existing Part 5 approvals. The Stage 1 earthworks include the construction of the main site access road, construction of diversion drains and settling ponds, clearing of the contractor's area and construction of the boxcut.

Works completed under Stage 1 include:

- Completion of main site access road
- Clearing of ROM pad and contractors laydown area with associated drainage bunding and sediment ponds
- Completion of magazine and access road
- Excavation of decline boxcut

The Stage 1 earthworks were completed on time and on budget. Completion of the Stage 1 earthworks allows for a 3 month 'head start' to full development activities expected to commence shortly after permitting and project financing.

Hera Exploration

YTC Resources maintained a programme of exploration during the year with a view to substantially extending the Hera deposit which remains open to the north and south.

Reserve Extension Drilling

Drilling designed to test for reserve extensions in the upper part of the northern Hera Main Lens have confirmed this part of the deposit is lead-zinc rich, and strong intersections outside the current Reserve outline will likely result in additional Reserve tonnages to form the first production stopes in the Hera mine and shorten the schedule to first ore production. Highlight intersections include:

- **HRD038:** 10m @ 5.4% Pb, 10.0% Zn, 0.13g/t Au and 30g/t Ag
- **HRD038W1:** 18m @ 7.2% Pb, 4.4% Zn, 0.32g/t Au and 48g/t Ag
- **TNY047AW1:** 15m @ 3.3% Pb, 7.0% Zn, 0.5g/t Au and 23g/t Ag

Hole HRD039W1 intersected significant grade in a mineralised structure some 30m east of the Hera Main Lens:

- **HRD039W1:** 5m @ 3.96g/t Au, 1.7% Pb, 3.4% Zn and 9g/t Ag

This intersection east of the Hera Main Lens further demonstrates the potential for additions to the initial +7 year mine life at Hera, and YTC will follow up these results with further drilling.

Down Hole Electromagnetics (DHEM)

A review of a 2005 DHEM survey completed by Triako, showed the method had effectively located the extent of what is now known as the Hera Far West Lens.

This review provided encouragement for a substantial DHEM programme at Hera which was completed in June 2012. The programme was designed to

- Target northern extensions of the Hera ore body. The northernmost hole at Hera, approximately 150m north of the existing resource, intersected strong mineralisation grading 2m @ 50g/t Ag and 20.7% Pb + Zn.
- Target copper rich ore lenses beneath the existing Hera ore body. YTC considers Hera to represent the upper, lead-zinc rich section of a larger 'Cobar Style' ore system. The development of copper rich lenses at depth is consistent with the ore zonation observed at the Peak gold deposit, located approximately 90km north along strike.

YTC Resources Limited Directors Report (continued)

- Target southern extensions to the Hera orebody. Previous drilling approximately 100m south of the existing Hera resource intersected economic grade mineralisation assaying 7.7m @ 5.7g/t Au and 5.4% Cu + Pb + Zn.

The survey also included EM surveys over the Dominion, Hebe and Zeus prospects.

The survey proved very successful in delineating a number of high priority conductors to the north south and east of the existing Hera deposit. YTC commenced a drilling programme in May to sequentially test each of these EM targets.

Exploration Drilling

Exploration drilling re-commenced at Hera during the period, and the first exploration drill hole (HRD040) designed to test the down hole EM (DHEM) target south of Hera has intersected strong mineralisation in the target zone. The hole intersected a zone of strong alteration and sulphide mineralisation for an approximate 100m down hole width. This zone includes a zone of approximately 15m hosting strong sulphide mineralisation with visible gold.

The intersection in hole HRD040 provides strong validation of the effectiveness of the DHEM technique, and shows the mineralisation in this area remains open along the southern plunge.

NYMAGEE JOINT VENTURE (YTC 95%):

Resource Drilling

During the year, YTC continued its aggressive programme of resource drilling at the Nymagee copper deposit.

Drilling continued to generate strong results, with highlights including:

- **NMD038: 92m @ 1.5% Cu from 88m (Southern Footwall Zone)**
- **NMD038: 18m @ 6.3% Cu, 0.65g/t Au & 26g/t Ag from 294m (Main Lens)**
- **NMRC030: 10m @ 4.3% Cu, 16g/t Ag and 0.27g/t Au from 102m (Main Lens)**
- **NMRC040: 10m @ 6.7% Cu, and 13g/t Ag from 15m (Main Lens)**
- **NMRC059: 87m @ 2.2% Cu from 13m to EOH (Southern Footwall Zone), including
13m @ 7.3% Cu and 25g/t Ag from 13m, and
13m @ 3.1% Cu from 55m**
- **NMD041: 49.1m @ 1.8% Cu from 26m (Northern Footwall Zone)**
- **NMD054: 2 5.6m @ 5.0% Cu, 0.1g/t Au and 24g/t Ag from 218, and
10m @ 2.0% Cu from 392m (Royal Lode)**
- **NMD054W1: 16m @ 3.3% Cu, 1.0% Pb, 1.6% Zn, 23g/t Ag from 211m**

Further strong results were also returned from the Nymagee lead-zinc-silver lens with highlight results including:

- **NMD043: 8m @ 0.5% Cu, 5.0% Pb, 13.6% Zn and 125g/t Ag from 205m**
- **NMRC026: 7m @ 0.4% Cu, 3.3% Pb, 6.0% Zn and 30g/t Ag from 104m**
- **NMRC051: 12m @ 0.3g/t Au, 0.3% Cu, 5.7% Pb, 9.1% Zn and 62g/t Ag from 89m**
- **NMRC105: 13m @ 0.4% Cu, 7.3% Pb, 12.3% Zn and 37g/t Ag from 57m**

**YTC Resources Limited
Directors Report (continued)**

Nymagee Deep Drilling

YTC also completed a number of deeper drill holes beneath the Nymagee copper deposit to understand the vertical persistence of the copper mineralisation. Hole NMD050W1 is the deepest drill hole drilled to date at Nymagee and was designed to test approximately 100m below strong copper mineralisation in holes NMD017 and NMD017W. The hole drifted approximately 50m north of its target and intersected broad zones of copper mineralisation including a number of higher grade zones, including:

- o **NMD50W1: 240m @ 0.40% Cu from 422.42m, including**
33.3m @ 0.96% Cu from 422.42m, including
1.0m @ 12.0% Cu from 438.7m
61.0m @ 0.8% Cu from 547m, including
4.0m @ 2.0% Cu from 558m
10.0m @ 0.5% Cu from 644m

This result is interpreted as very encouraging as it demonstrate the continuation of broad intervals of copper mineralisation to a vertical depth of over 500m and show the copper mineralisation to be open at depth.

Maiden Nymagee Resource Estimate

In December YTC released its maiden Mineral Resource Estimate for the Nymagee copper deposit.

Description	Cut Off	Tonnes	Cu %	Pb %	Zn %	Ag g/t
INDICATED						
Shallow Cu Resource (above 90mRL)	0.3% Cu	5,147,000	1.00	0.10	0.20	5
Deeper Cu Resource (below 90m RL)	0.75% Cu	1,984,000	1.80	0.30	0.60	11
Lead-Zinc-Silver Lens	5% Pb + Zn	364,000	0.50	4.40	7.80	41
INFERRED						
Deeper Cu Resource (below 90m RL)	0.75% Cu	601,000	1.30	0.10	0.20	8
GLOBAL		8,096,000	1.20	0.30	0.70	9
Contained Metal (tonnes)			96,000	27,000	53,000	69

This estimate represents the first resource estimate for Nymagee since the discovery of high grade copper mineralisation in October 2010. The Resource estimate is inclusive of drilling completed by the Company to November 2011.

The Company notes that significant zones of additional copper mineralisation east of Main Lens South and North, including the Club House Lode position, are not yet included in the estimate but are likely to be included in future estimates following further drilling.

YTC Resources Limited Directors Report (continued)

The maiden Nymagee Resource represents a major expansion to the Hera-Nymagee Project Resource Endowment as per the table below:

	Gold (Oz)	Silver (Oz)	Copper (Tonnes)	Lead (Tonnes)	Zinc (Tonnes)
HERA DEPOSIT	321,832	1,308,320	4,042	67,278	93,870
NYMAGEE DEPOSIT	-	2,342,638	95,935	26,964	52,963
TOTALS	321,832	3,650,958	99,977	94,242	146,833

YTC expects to expand the size of the Nymagee Resource over the next 12 months as it continues with its ongoing programme of exploration and extensional drilling.

The company considers Nymagee holds potential to evolve into a world-class deposit akin to other Cobar-style ores systems such as the CSA Mine, located approximately 90km north and along strike of Nymagee. The CSA Mine has recorded production of >1.5Mt of copper, and continues to be mined.

Nymagee Electromagnetics (EM)

YTC completed an extensive programme of surface Fixed Loop EM (FLEM) and downhole EM (DHEM) at Nymagee during the year. These surveys generated a number of high priority drill targets which are being sequentially tested by the Company.

Hole NMD068, drilled to test EM targets at Nymagee North, located approximately 500m north of the Nymagee copper deposit, cut a 22m wide mineralised zone including a number of internal intervals of massive sulphide. Assay results confirmed economic-grade mineralisation:

- o **NMD068: 14m @ 63g/t Ag, 0.2% Cu, 2.7% Pb and 5.2% Zn from 207m, and 2m @ 36g/t Ag, 1.4% Cu, 1.2% Pb and 2.2% Zn from 197m**

Follow up DHEM and drilling confirmed a new, untested EM conductor detected north of all previous drilling. That follow-up drilling did not adequately test conductors, but recorded encouraging drill results including:

- o **NMD073: 2m @ 2.7% Pb and 4.8% Zn from 287m**
- o **NMD070W1: 5m @ 1% Pb and 1.9% Zn from 351m**

YTC interprets the Nymagee North area to represent the upper, lead-zinc rich zone above a new potential copper rich mineral system. Drilling of this area is expected to continue for the remainder of 2012.

KADUNGLE PROJECT (YTC100%):

Large gold system confirmed at Kadungle.

The Kadungle copper-gold project is located approximately 50km north-west of Parkes in central west NSW and is considered prospective for porphyry related copper-gold and epithermal gold mineralisation.

In December 2011, YTC completed 2 RC holes at the Mt Leadley prospect at Kadungle, testing for copper-gold mineralisation associated with a diatreme breccia and a newly defined gravity low.

YTC Resources Limited Directors Report (continued)

Assay results from these holes were received in February and confirmed broad intervals of low grade gold-copper mineralisation, with high gold grade mineralisation preferentially developed on the margin of the diatreme breccia:

- **KRRC019: 154m @ 0.37g/t Au and 0.12% Cu from 0m, includes
3m @ 7.08g/t Au and 0.31% Cu from 115m (breccia margin)**

- **KRRC020: 131m @ 0.13g/t Au and 0.17% Cu from 41m**

A third RC hole, KRC021, testing an IP anomaly 400m west of holes KRC019 and KRC020, did not return significant results.

The higher grade gold interval in KRRC019 (3m @ 7.08g/t Au) is associated with the eastern breccia margin 50m south along strike from high grade gold intersected in the same structural position in previous drilling (KDD002: 12m @ 7.73g/t Au).

The drilling has confirmed the preferential development of high grade gold in this position. The company considers the breccia margin zone at Kadungle to represent an exciting high grade gold target.

TALLEBUNG PROJECT (YTC-100%):

YTC is exploring the Tallebung Project for large tonnage tin-tungsten deposits.

High priority drill targets identified in the previous year have not been tested as the target area is subject to a Right to Negotiate (RTN) process under the Native Title Act. YTC expects access to be resolved in late calendar 2012.

Competent Persons Statement – Nymagee & Hera Resource Estimate

The Resource Estimation for both Hera and Nymagee deposits has been completed by Mr Dean Fredericksen the Chief Operating Officer of YTC Resources Ltd who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Dean Fredericksen 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 Fredericksen consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Competent Persons Statement – Exploration Results

The information in this report that relates to Exploration Results is based on information compiled by Rimantas Kairaitis, who is a Member of the Australasian Institute of Mining and Metallurgy. Rimantas 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.

Competent Persons Statement – Hera Ore Reserve

The Information in this report relating to Ore Reserves is based on work undertaken by Mr Michael Leak of Optiro Pty Ltd under supervision of Mr Sean Pearce. This report has been compiled by Sean Pearce, who is a Member of the Australasian Institute of Mining and Metallurgy. Sean Pearce 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 Pearce 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 (continued)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Total Group equity decreased by \$300,969. The movement was mainly due to the increase in contributed equity of \$1,186,500 arising from the options exercised during the year offset by the loss for the financial year of \$2,076,613. Deferred Exploration and Evaluation Expenditure increased by \$12,129,233 which includes expenditure on the Hera resource DFS and Nymagee exploration as well as other exploration expenditure offset by the impairment of previously incurred exploration costs of \$361,554. 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 \$4,062,439.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 1 August 2012 the company received project approval for the development of the Hera gold project from the NSW Department of Planning and Infrastructure under Part 3A of the NSW Environmental Planning and Assessment Act.

The Directors are not aware of any other 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.

SHARE OPTIONS

(i) Unissued shares under option

As at the date of this report, there were 2,915,000 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>
1,275,000	31-Dec-12	\$0.40
340,000	31-Dec-14	\$0.40
<u>1,300,000</u>	31-Dec-14	\$0.45
<u>2,915,000</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

During the year, 4,210,000 unlisted options were exercised.

**YTC Resources Limited
Directors Report (continued)**

PERFORMANCE RIGHTS

As at the date of this report, there were 840,000 un-issued ordinary shares subject to Performance Rights. The Performance Rights are unlisted and have terms as set out below.

<u>Number of Performance Rights</u>	<u>Expiry</u>	<u>Performance Hurdle</u>
840,000	15-Mar-16	5 Day YTC VWAP of 80 cents per share
<u>840,000</u>		

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

There have been no shares issued as a result of the exercise of Performance Rights.

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 was as follows:

Name	Number of Meetings Eligible to Attend	Number of Meetings Attended
Anthony Wehby	10	10
Rimas Kairaitis	10	10
Wenxiang Gao	10	5
Robin Chambers	10	10
Christine Ng	10	8
Stephen Woodham	10	10
Richard Hill	10	10
Guoqing Zhang	4	4
Guoqing Zhang – as Alternate	4	4
Yong Chen – as Alternate	3	3

EMPLOYEES

The Company had 18 employees at 30 June 2012 (2011: 16 employees).

Of the 18 employees at 30 June 2012, 8 (44%) are female. None of the senior executives are female. The Company's board has 1 (14%) female director.

YTC Resources Limited Directors Report (continued)

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.

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 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, is paid at the discretion of the Board of Directors.

**YTC Resources Limited
Directors Report (continued)**

REMUNERATION REPORT (AUDITED) (continued)

Details of directors and key management personnel

Directors	Position	Appointed	Resigned
Mr Anthony Wehby	Director	14-Sep-06	-
	Chairman	13-Dec-11	-
Mr Rimas Kairaitis	Director	12-Jun-08*	-
	Managing Director & Chief Executive Officer	1-Apr-07	-
Dr Wenxiang Gao	Director	27-Mar-07	-
	Chairman	25-Feb-08	13-Dec-11
Mr Robin Chambers	Director	27-Mar-07	-
Ms Christine Ng	Director	12-Jun-08	-
Mr Stephen Woodham	Director	24-Mar-04	3 August-12
Mr Richard Hill	Director	28-Apr-06	11-Jul-12
Dr Guoqing Zhang	Director	25-Feb-08	18-Nov-11
	Alternate Director	24-Nov-11	-
Mr Yong Chen	Alternate Director	17-Nov-11	17-Nov-11
	Alternate Director	5-Dec-11	-
Executives			
Mr. Richard Willson	Chief Financial Officer & Company Secretary	5-Feb-2010	-
Mr. Dean Fredericksen	Chief Operating Officer	1-Mar-2011	-
Mr. Sean Pearce	General Manager – Hera Project	1-Mar-2011	-

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

YTC Resources Limited
Directors Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

Remuneration of directors and key management personnel

	Short term			Post – employ- ment	Share based payment	Total	Remuneration consisting of options/perfo- mance rights
	Directors Fees	Salary and Fees	Non- Mone- tary	Super- annuation	Options/ Perform- ance Rights		
	\$	\$	\$	\$	\$		
Directors							
Mr Anthony Wehby							
2012	57,771	15,153	-	5,199	-	78,123	-
2011	33,000	-	-	2,970	-	35,970	-
Mr Rimas Kairaitis							
2012	-	308,750	24,679	27,788	102,500	463,717	22%
2011	-	250,022	-	22,502	-	272,524	-
Dr Wenxiang Gao							
2012	59,359	-	-	-	-	59,359	-
2011	38,150	-	-	-	-	38,150	-
Mr Robin Chambers							
2012	50,000	-	-	4,500	-	54,500	-
2011	30,000	10,511	-	2,700	-	43,211	-
Ms Christine Ng							
2012	54,500	-	-	-	-	54,500	-
2011	32,700	-	-	-	-	32,700	-
Mr Stephen Woodham							
2012	50,000	75,200	-	4,500	-	129,700	-
2011	30,000	225,700	-	2,700	-	258,400	-
Mr Richard Hill							
2012	50,000	36,840	-	4,500	-	91,340	-
2011	30,000	35,381	-	2,700	-	68,081	-
Dr Guoqing Zhang							
2012	19,212	-	-	1,729	-	20,941	-
2011	30,000	-	-	2,700	-	32,700	-
Mr Yong Chen							
2012	-	11,250	-	-	-	11,250	-
2011	-	15,000	-	-	-	15,000	-
Executives							
Mr Richard Willson							
2012	-	243,750	-	21,938	20,500	286,188	7%
2011	-	216,299	-	19,467	58,912	294,678	20%
Mr Dean Fredericksen							
2012	-	270,833	19,474	24,375	32,800	347,482	9%
2011	-	62,504	-	5,625	187,530	255,659	73%
Mr Sean Pearce							
2012	-	259,562	63,245	27,863	90,033	440,703	20%
2011	-	63,747	6,253	5,737	111,101	186,838	59%
Total 2012	340,842	1,221,338	107,398	122,392	245,833	2,037,803	12%
Total 2011	223,850	879,164	6,253	67,101	357,543	1,533,911	23%

YTC Resources Limited
Directors Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

Shareholdings of directors and key management personnel (consolidated)

2012	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					
Mr Anthony Wehby	245,000	-	500,000	-	745,000
Mr Rimantas Kairaitis	3,438,544	-	1,000,000	-	4,438,544
Dr Wenxiang Gao	10,000	-	500,000	-	510,000
Mr Robin Chambers	360,003	-	500,000	-	860,003
Ms Christine Ng	-	-	-	-	-
Mr Stephen Woodham	3,520,317	-	500,000	(3,520,317) ^(a)	500,000
Mr Richard Hill	1,158,821	-	500,000	80,167 ^(a)	1,738,988
Dr Guoqing Zhang	-	-	-	-	-
Mr Yong Chen	-	-	-	-	-
Executives					
Mr Richard Willson	-	-	-	-	-
Mr Dean Fredericksen	-	-	160,000	(160,000) ^(a)	-
Mr Sean Pearce	-	-	-	-	-
	8,732,685	-	3,660,000	(3,600,150)	8,792,535

2011	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					
Mr Anthony Wehby	245,000	-	-	-	245,000
Mr Rimantas Kairaitis ^(a)	3,343,544	-	-	95,000 ^(a)	3,438,544
Dr Wenxiang Gao	10,000	-	-	-	10,000
Mr Robin Chambers	360,003	-	-	-	360,003
Ms Christine Ng	-	-	-	-	-
Mr Stephen Woodham	3,520,317	-	-	-	3,520,317
Mr Richard Hill	1,158,821	-	-	-	1,158,821
Dr Guoqing Zhang	-	-	-	-	-
Executives					
Mr Richard Willson	-	-	-	-	-
Mr Dean Fredericksen	-	-	-	-	-
Mr Sean Pearce	-	-	-	-	-
	8,637,685	-	-	95,000	8,732,685

(a) Acquired or disposed via on, or off market transaction.

**YTC Resources Limited
Directors Report (continued)**

REMUNERATION REPORT (AUDITED) (continued)

Option holdings of directors and key management personnel (consolidated)

The numbers of options over ordinary shares in the Company and performance rights 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.

2012	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					
Mr Anthony Wehby	500,000	-	500,000	-	-
Mr Rimantas Kairaitis	1,000,000	250,000	1,000,000	-	250,000
Dr Wenxiang Gao	500,000	-	500,000	-	-
Mr Robin Chambers	500,000	-	500,000	-	-
Ms Christine Ng	-	-	-	-	-
Mr Stephen Woodham	500,000	-	500,000	-	-
Mr Richard Hill	500,000	-	500,000	-	-
Dr Guoqing Zhang	-	-	-	-	-
Executives					
Mr Richard Willson	600,000	50,000	-	-	650,000
Mr Dean Fredericksen	500,000	80,000	160,000	-	420,000
Mr Sean Pearce	500,000	50,000	-	-	550,000
	5,100,000	430,000	3,660,000	-	1,870,000

2011	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					
Mr Anthony Wehby	500,000	-	-	-	500,000
Mr Rimantas Kairaitis	1,000,000	-	-	-	1,000,000
Dr Wenxiang Gao	500,000	-	-	-	500,000
Mr Robin Chambers	500,000	-	-	-	500,000
Ms Christine Ng	-	-	-	-	-
Mr Stephen Woodham	500,000	-	-	-	500,000
Mr Richard Hill	500,000	-	-	-	500,000
Dr Guoqing Zhang	-	-	-	-	-
Executives					
Mr Richard Willson	500,000	100,000	-	-	600,000
Mr Dean Fredericksen	-	500,000	-	-	500,000
Mr Sean Pearce	-	500,000	-	-	500,000
	4,000,000	1,100,000	-	-	5,100,000

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

250,000 options issued to Mr Sean Pearce during the 2011 financial year vested on 1 January 2012.

During the year, 430,000 performance rights were issued to key management personnel. Rimantas Kairaitis 250,000, Richard Willson 50,000, Dean Fredericksen 80,000 and Sean Pearce 50,000. Each Performance Right entitles the holder, upon vesting, to one fully paid ordinary share at no cost. The Performance Rights vest upon the company's shares price recording a 5 day VWAP of 80 cents before 15 March 2016.

**YTC Resources Limited
Directors Report (continued)**

REMUNERATION REPORT (AUDITED) (continued)

The fair value of the equity share options and performance rights at grant date is determined using a Black-Scholes pricing model and Trinomial Barrier Options model respectively that takes into account the terms and conditions upon which the options and performance rights were granted. The following assumptions were used:

	Options	Performance Rights
Grant Date	6 May 2011	15 March 2012
No. of options / performance rights	1,100,000	840,000
Share price at date of grant	\$0.57	\$0.45
Exercise price	\$0.45	\$0.00
Vesting date	6 May 2011	15 March 2012
Expected price volatility	94%	84%
Risk free rate	5.00%	3.00%
Expected life	2.65 years	4 years
Expected Dividend yield	0.00%	0.00%
Fair value	\$0.361	\$0.41

No other options or performance rights were granted or vested in relation to key management personnel during the financial year ended 30 June 2012.

Directors and Executives

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

Executive Directors and Executives

The Chief Executive Officer, Mr. Rimantas 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 and making a payment equivalent to nine months remuneration or by paying an amount equivalent to twelve months remuneration or by giving one months notice for gross misconduct or a serious persistent breach of the employment agreement or without notice in case of Mr Kairaitis being convicted of a major criminal offence which brings the Company into lasting disrepute, at which time Mr. Kairaitis would be entitled to that portion of remuneration arising up to the date of termination. Mr Kairaitis' annual salary is \$285,000 plus superannuation for services as the Chief Executive Officer and Executive Director. Mr Kairaitis is entitled to the private use of a Company motor vehicle.

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 giving three months written notice and making a payment equivalent to nine months remuneration or by paying an amount equivalent to twelve months remuneration or by giving one months notice for gross misconduct or a serious persistent breach of the employment agreement or without notice in case of Mr Willson being convicted of a major criminal offence which brings the Company into lasting disrepute, 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 \$225,000 plus superannuation for services as the Chief Financial Officer and Company Secretary.

YTC Resources Limited Directors Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

The Chief Operating Officer, Mr Dean Fredericksen, is employed under an executive employment agreement. The agreement may be terminated by Mr. Fredericksen 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 giving three months written notice and making a payment equivalent to nine months remuneration or by paying an amount equivalent to twelve months remuneration or by giving one months notice for gross misconduct or a serious persistent breach of the employment agreement or without notice in case of Mr Fredericksen being convicted of a major criminal offence which brings the Company into lasting disrepute, at which time Mr. Fredericksen would be entitled to that portion of remuneration arising up to the date of termination. Mr Fredericksen's annual salary is \$250,000 plus superannuation for services as the Chief Operations Officer. Mr Fredericksen is entitled to five weeks annual leave and the private use of a Company motor vehicle.

The General Manager – Hera Project, Mr Sean Pearce, is employed under an executive employment agreement. The agreement may be terminated by Mr. Pearce 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 giving three months written notice and making a payment equivalent to nine months remuneration or by paying an amount equivalent to twelve months remuneration or by giving one months notice for gross misconduct or a serious persistent breach of the employment agreement or without notice in case of Mr Pearce being convicted of a major criminal offence which brings the Company into lasting disrepute, at which time Mr. Pearce would be entitled to that portion of remuneration arising up to the date of termination. Mr Pearce's annual salary is \$280,000 plus superannuation for services as the General Manager – Hera Project. Mr Pearce is entitled to the private use of a Company motor vehicle.

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 excluding consulting fees of \$400,000 per year. Directors are as follows:

- Chairman \$60,000 p.a. plus superannuation or equivalent
- Directors \$50,000 plus superannuation or equivalent

Two non-executive directors had arrangements to provide additional consulting services on the following terms.

Mr. Woodham had a consulting agreement for work done in addition to his non-executive Director services. The agreement commenced on 8 May 2007 and was terminated during the financial year.

Mr. Hill had a consulting agreement for work done in addition to his non-executive Director services. The agreement commenced on 8 May 2007 and was terminated 11 July 2012, the day he resigned as a director.

Other transactions with directors and key management personnel

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 from May 2010, 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 (continued)**

REMUNERATION REPORT (AUDITED) (continued)

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

During the year the company's auditors, Ernst Young, provided assistance with the preparation of a Research & Development grant application. The amount received or due to be received during the year was \$27,012. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors as imposed by the Corporation Act 2001. The nature and scope of the non-audit service provided means that the auditor independence was not compromised.

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 72 of this report.

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



Mr Anthony Wehby
Non-Executive Chairman
14 September 2012

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) "Corporate Governance Principles and Recommendations with 2010 Amendments" (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 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

YTC Resources Limited Corporate Governance Statement (continued)

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.

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
Mr Anthony Wehby	6 years
Mr Rimas Kairaitis	4 years 3 months
Dr Wenxiang Gao	5 years 6 months
Mr Robin Chambers	5 years 6 months
Ms Christine Ng	4 years 3 months
Mr Gary Comb	3 months
Mr Mark Milazzo	2 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, Mr Gary Comb and Mr Mark Milazzo are considered the only Independent Directors. Accordingly, a majority of the Board is not considered independent.

The Directors, however, consider that the current structure and composition of the Board is satisfactory for the Company's stage and operations, and this will evolve as the nature of the operations of the Group transition to mining.

Recommendation 2.2: The Chair should be an Independent Director.

Mr Wehby is the Company's Chairman, he is considered to be independent.

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

The roles of Chair and Chief Executive Officer are not occupied by the same individual.

Recommendation 2.4: The Board should establish a Nomination Committee

The Board has formed a separate Nominations Committee.

The main responsibility of the Committee is in assisting 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.
- Ensure the mix of skills and diversity of the board is appropriate for the operations of the Company.

YTC Resources Limited

Corporate Governance Statement (continued)

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 diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.

The Company has not developed a specific diversity policy, but aims to achieve an appropriate level of diversity across both the board and company. The Company is satisfied that it has an appropriate level of diversity throughout the company.

Recommendation 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

The Company has not developed specific gender diversity objectives. The Company is satisfied that it has an appropriate level of gender diversity throughout the company.

Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

The details of the proportion of women employed by the Company is disclosed in the Directors Report under the heading 'Employees'

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.

YTC Resources Limited

Corporate Governance Statement (continued)

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 four directors, two of which are independent and three are non-executive. The Chairman of the Committee is independent.

The Chairman of the Audit Committee is also the Chairman of the board (appointed to Chairman of the Board during the year). The position of Chairman will be reviewed at the next meeting of the Committee.

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

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 probity

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, Chief Executive Officer and Company Secretary 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.

YTC Resources Limited

Corporate Governance Statement (continued)

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 all announcements including the annual report are 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.

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 Kairaitis and Mr 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.

YTC Resources Limited

Corporate Governance Statement (continued)

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: The Remuneration Committee should be structured so that it:

- *consists of a majority of independent directors*
- *is chaired by an independent director*
- *has at least three members.*

The Remuneration Committee consists of three directors of which two are independent. The Chairman of the Remuneration Committee is not considered independent. The position of Chairman will be reviewed at the next meeting of the 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 and management by remunerating fairly and appropriately with reference to relevant employment market conditions. To assist in achieving the objective, the Remuneration Committee may link the nature and amount of executive and directors' emoluments 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.

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.

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

YTC Resources Limited
Corporate Governance Statement (continued)

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. The Board will continue to review the composition of the board.
3.2	The Company does not have a Policy concerning diversity.	The Company recognises the benefits of diversity but has not developed a specific diversity policy. The Company aims to achieve an appropriate level of diversity across both the board and company. The Company is satisfied that it has an appropriate level of diversity throughout the company and plans to establish a policy that covers diversity.
4.2	The Audit Committee should be structured so that it: <ul style="list-style-type: none"> • 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 	For the majority of the financial year the Audit Committee consisted of two directors, both of which are non-executive and one is considered independent. The Chairman of the Committee is the independent director. The Chairman of the Audit Committee is also the Chairman of the board (appointed to Chairman of the Board during the year). The Directors consider that the structure and composition of the Committee was appropriate for the size and nature of the Group but a full review of the composition of the Audit Committee is underway.
8.2	The Remuneration Committee should be structured so that it: <ul style="list-style-type: none"> • consists of a majority of independent directors • is chaired by an independent director • has at least three members. 	For the majority of the financial year the Remuneration Committee consisted of two directors of which one is independent. The Chairman of the Remuneration Committee is not considered independent. The Directors consider that the structure and composition of the Committee was appropriate for the size and nature of the Group but a full review of the composition of the Remuneration Committee is underway.

Since the end of the financial year the composition of the Board's Committees has changed. The Audit Committee now has four members, and the Remuneration Committee now has three members and consists of a majority of independent directors.

Statement of Comprehensive Income - for the year ended 30 June 2012

	Note	Consolidated	
		2012	2011
		\$	\$
Revenue			
Management fee	3(a)	383,374	115,066
Interest revenue	3(a)	1,233,673	747,275
Gain on sale of tenements	3(a)	635,648	-
R&D Refund	3(a)	199,728	-
Total revenue		2,452,423	862,341
Compliance costs		81,014	103,666
Consulting expense		467,686	336,917
Audit fees		55,104	51,517
Employee benefits expense	3(b)	1,821,712	1,754,970
Directors Fees		340,842	223,850
Office rental and outgoings	3(d)	85,487	73,472
Promotion		116,321	158,723
Administration expense	3(c)	437,393	404,158
Travel expenses		541,177	361,259
Capitalised exploration costs written off	8(a)	361,554	1,861
Loss on disposal of assets		645	-
Depreciation		199,903	97,282
Amortisation		20,198	20,139
Expenses		4,529,036	3,587,814
Loss before income tax		(2,076,613)	(2,725,473)
Income tax expense	4	-	-
Loss after income tax	13	(2,076,613)	(2,725,473)
Other comprehensive income		-	-
Total comprehensive loss for the period		(2,076,613)	(2,725,473)
 Earnings per share for loss attributable to the ordinary equity holders of the parent			
Basic loss per share (cents per share)	17	(0.83)	(1.39)
Diluted loss per share (cents per share)	17	(0.83)	(1.39)

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

YTC Resources Limited
Financial Statements (continued)

Statement of Financial Position - as at 30 June 2012

		Consolidated	
		2012	2011
	Note	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	14(b)	15,087,184	28,605,566
Trade and other receivables	5	158,417	340,769
Prepayments		133,836	62,081
Held-for-sale exploration assets	8(c)	-	394,696
Total current assets		<u>15,379,437</u>	<u>29,403,112</u>
Non current assets			
Plant and equipment	6	1,357,550	731,360
Investments in associates	7	1,152,118	-
Financial assets	8(c)	110,000	-
Deferred exploration and evaluation expenditure	8(a)	45,609,237	33,480,004
Development costs	8(b)	3,734,098	-
Total non current assets		<u>51,963,003</u>	<u>34,211,364</u>
Total assets		<u>67,342,440</u>	<u>63,614,476</u>
LIABILITIES			
Current liabilities			
Trade and other payables	9	793,392	871,096
Provisions	10	155,028	110,830
Total current liabilities		<u>948,420</u>	<u>981,926</u>
Non current liabilities			
Provisions	10	7,795,391	3,732,952
Total non current liabilities		<u>7,795,391</u>	<u>3,732,952</u>
Total liabilities		<u>8,743,811</u>	<u>4,714,878</u>
Net assets		<u>58,598,629</u>	<u>58,899,598</u>
EQUITY			
Contributed equity	11	67,074,707	65,712,596
Reserves	12	2,030,934	1,617,401
Retained losses	13	(10,507,012)	(8,430,399)
Total equity		<u>58,598,629</u>	<u>58,899,598</u>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

YTC Resources Limited
Financial Statements (continued)

Statement of Changes in Equity - for the year ended 30 June 2012

Consolidated	Issued Share Capital \$	Share Option Reserve \$	Accumulated Losses \$	Total \$
Balance as at 1 July 2010	32,744,356	976,375	(5,704,926)	28,015,805
Total comprehensive loss for the period	-	-	(2,725,473)	(2,725,473)
Transactions with owners in their capacity as owners				
Shares issued for the period	35,140,000	-	-	35,140,000
Cost of share issue	(2,171,760)	-	-	(2,171,760)
Options issued during the period	-	641,026	-	641,026
Balance as at 30 June 2011	65,712,596	1,617,401	(8,430,399)	58,899,598
Balance as at 1 July 2011	65,712,596	1,617,401	(8,430,399)	58,899,598
Total comprehensive loss for the period	-	-	(2,076,613)	(2,076,613)
Transactions with owners in their capacity as owners				
Shares issued for the period	1,186,500	-	-	1,186,500
Tax refund on share issue costs	175,611	-	-	175,611
Option issued during the period	-	413,533	-	413,533
Balance as at 30 June 2012	67,074,707	2,030,934	(10,507,012)	58,598,629

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

YTC Resources Limited
Financial Statements (continued)

Statement of Cash Flows - for the year ended 30 June 2012

	Consolidated	
	2012	2011
	\$	\$
Cash flows from operating activities		
Receipts from customers	362,087	137,667
Payments to suppliers and employees	(3,639,109)	(2,615,999)
Research & Development Refund	199,728	-
Interest received	1,437,312	554,458
Net cash flows used in operating activities	<u>14 (a) (1,639,982)</u>	<u>(1,923,874)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(775,645)	(396,395)
Exploration & evaluation expenditure	(8,630,768)	(10,406,690)
Development expenditure	(3,734,098)	-
Net cash flows used in investing activities	<u>(13,140,511)</u>	<u>(10,803,085)</u>
Cash flows from financing activities		
Proceeds from issue of shares	1,086,500	35,140,000
(Payment for)/tax refund of share issue costs	175,611	(2,171,760)
Net cash flows from financing activities	<u>1,262,111</u>	<u>32,968,240</u>
Net (decrease)/increase in cash and cash equivalents	13,518,382	20,241,281
Cash and cash equivalents at beginning of year	28,605,566	8,364,285
Cash and cash equivalents at end of year	<u>14 (b) 15,087,184</u>	<u>28,605,566</u>

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

YTC Resources Limited

Financial Statements (continued)

1. CORPORATE INFORMATION

The financial report of YTC Resources Limited and its subsidiaries for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the Directors on 14 September 2012.

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

YTC Resources has four 100% owned subsidiaries, Stannum Pty Ltd (incorporated 15 September 2007), Defiance Resources Pty Ltd (incorporated 15 May 2007), Hera Resources Pty Ltd (incorporated 20 August 2009) and Nymagee Resources Pty Ltd (incorporated 7 November 2011).

The nature of the operations and principal activities of the Group are mineral exploration.

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) New accounting standards and interpretations

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB interpretations where applicable from 1 July 2011.

- AASB 124 Related Party Disclosures (Revised)
- 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]
- AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]
- AASB 2010-5 Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]
- AASB 1054 Australian Additional Disclosures
- AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]

Where the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

YTC Resources Limited
Financial Statements (continued)

2A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New accounting standards and interpretations (continued)

Changes in accounting policy and disclosures (continued)

AASB 124 Related Party Disclosures (Revised)

The definition of a related party has been clarified to simplify the identification of related party relationships, particularly in relation to significant influence and joint control. The adoption of this amendment did not have any impact on the financial position or the performance of the 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]

This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB. The adoption of this amendment did not have any impact on the financial position or the performance of the Group.

AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]

Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments.

Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

The adoption of this amendment did not have any impact on the financial position or the performance of the Group.

AASB 2010-5 Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]

This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB. The adoption of this amendment did not have any impact on the financial position or the performance of the Group.

AASB 1054 Australian Additional Disclosures

This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRB. This standard relocates all Australian specific disclosures from other standards to one place and revises disclosures in certain areas. The adoption of this amendment did not have any impact on the financial position or the performance of the Group.

AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]

The amendments increase the disclosure requirements for transactions involving transfers of financial assets but which are not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale. The adoption of this amendment did not have any impact on the financial position or the performance of the Group.

YTC Resources Limited
Financial Statements (continued)

2A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New accounting standards and interpretations (continued)

Accounting standards and interpretations issued but not yet effective

The following table sets out new Australian Accounting Standards and Interpretations that have been issued but are not yet mandatory and which have not been early adopted by the Company for the annual reporting period ending 30 June 2012.

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	This Standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.	1 July 2012	No impact expected	1 July 2012
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 <i>Consolidated and Separate Financial Statements</i> dealing with the accounting for consolidated financial statements and UIG-112 <i>Consolidation – Special Purpose Entities</i> . The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. Consequential amendments were also made to other standards via AASB 2011-7.	1 January 2013	No impact expected	1 July 2013

YTC Resources Limited
Financial Statements (continued)

2A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New accounting standards and interpretations (continued)

Accounting standards and interpretations issued but not yet effective (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	No impact expected	1 July 2013
AASB 13	Fair Value Measurement	<p>AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.</p> <p>AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.</p> <p>Consequential amendments were also made to other standards via AASB 2011-8.</p>	1 January 2013	No impact expected	1 July 2013

**YTC Resources Limited
Financial Statements (continued)**

2A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New accounting standards and interpretations (continued)

Accounting standards and interpretations issued but not yet effective (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 119	Employee Benefits	<p>The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognized in full with actuarial gains and losses being recognized in other comprehensive income. It also revised the method of calculating the return on plan assets.</p> <p>The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.</p> <p>Consequential amendments were also made to other standards via AASB 2011-10.</p>	1 January 2013	No impact expected	1 July 2013

YTC Resources Limited
Financial Statements (continued)

2A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New accounting standards and interpretations (continued)

Accounting standards and interpretations issued but not yet effective (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
Annual Improvements 2009–2011 Cycle	Annual Improvements to IFRSs 2009–2011 Cycle	<p>This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB.</p> <p>The following items are addressed by this standard:</p> <p>IAS 1 Presentation of Financial Statements</p> <ul style="list-style-type: none"> Clarification of the requirements for comparative information <p>IAS 32 Financial Instruments: Presentation</p> <ul style="list-style-type: none"> Tax effect of distribution to holders of equity instruments <p>IAS 34 Interim Financial Reporting</p> <ul style="list-style-type: none"> Interim financial reporting and segment information for total assets and liabilities 	1 January 2013	No impact expected	1 July 2013
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle; and	<p>AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The Standard addresses a range of improvements, including the following:</p> <ul style="list-style-type: none"> repeat application of AASB 1 is permitted (AASB 1); and clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements). 	1 January 2013	No impact expected	1 July 2013

YTC Resources Limited
Financial Statements (continued)

2A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New accounting standards and interpretations (continued)

Accounting standards and interpretations issued but not yet effective (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification, measurement and derecognition of financial assets and liabilities. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.	1 January 2015	The valuation of financial assets at cost may change, however no significant impact is expected	1 July 2015

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 (continued)

2A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) 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.

(e) 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.

(f) 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.

(g) 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.

YTC Resources Limited
Financial Statements (continued)

2A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Plant and equipment (continued)

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.

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.

Derecognition

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

(h) 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.

(i) Held-for-sale exploration assets

Held-for-sale exploration assets are exploration assets that are designated as such by management. They comprise assets which the Company has determined will be sold subject to the Company receiving an appropriate offer.

Held-for-sale exploration assets are included in non-current assets, except for those which are expected to be sold within 12 months after the end of the reporting period.

Held for sale assets are measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction instead of use. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

YTC Resources Limited
Financial Statements (continued)

2A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

YTC Resources Limited Financial Statements (continued)

2A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 or Trinomial Barrier Option model, further details of which are given in note 26(b).

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').

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.

YTC Resources Limited
Financial Statements (continued)

2A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

YTC Resources Limited
Financial Statements (continued)

2A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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

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 (continued)

2A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(t) Financial assets

Investments and financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired or originated. Designation is re-evaluated at each reporting date, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Recognition and derecognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or when the entity transfers substantially all the risks and rewards of the financial assets. If the entity neither retains nor transfers substantially all of the risks and rewards, it derecognises the asset if it has transferred control of the assets.

Subsequent valuation

After initial recognition, the Group measures financial assets, including derivatives that are assets, at their fair values, without any deduction for transaction costs it may incur on sale or other disposal, except for the following financial assets:

- loans and receivables as defined in paragraph, which shall be measured at amortised cost using the effective interest method;
- held-to-maturity investments as defined in paragraph, which shall be measured at amortised cost using the effective interest method; and
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, which shall be measured at cost.

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is

YTC Resources Limited
Financial Statements (continued)

2A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Financial assets (continued)

deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

(u) Associates

The Group's investment in its associates is accounted for using the equity method of accounting in the consolidated financial statements and at cost in the parent. The associates are entities over which the Group has significant influence and that are neither subsidiaries nor joint ventures.

The Group generally deems they have significant influence if they have over 20% of the voting rights.

Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates. Goodwill included in the carrying amount of the investment in associate is not tested separately, rather the entire carrying amount of the investment is tested for impairment as a single asset. If an impairment is recognised, the amount is not allocated to the goodwill of the associate.

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's statement of comprehensive income as a component of other income.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

(v) Comparative information

Where necessary, the prior year financial data was restated for comparability purposes.

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.

YTC Resources Limited
Financial Statements (continued)

2B. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(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 8 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 or Trinomial Barrier Option Model 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.

Deferred acquisition costs in relation to Hera

The Company measures the deferred acquisition costs by reference to the fair value of net present value of future cash outflows. The following assumptions have been taken into account: risk free bond rate, gold price, possibility of payment.

YTC Resources Limited
Financial Statements (continued)

	Consolidated	
Note	2012 \$	2011 \$
3. REVENUE AND EXPENSES		
(a) Revenue from continuing operations		
Management fee	383,374	115,066
Interest revenue	1,233,673	747,275
Gain on sale of tenements	635,648	-
R&D Refund	199,728	-
	2,452,423	862,341

Management fee income consists of consulting fees earned from YT Parksong Australia Holdings Pty Ltd, a company involved in a joint venture with Metals X Limited in the Renison tin mine in Tasmania.

Gain on sale of tenements relates to tenements sold to Taronga Mines Limited for which further details can be found in Note 8(c).

Expenses from continuing operations

Loss before income tax includes the following specific expenses:

(b) Employee benefits expense

Salaries and on-costs		1,408,179	1,113,944
Options and Performance Rights expense	23	413,533	641,026
		1,821,712	1,754,970

Employee benefits expense and directors fees include superannuation expense of

251,225	174,115
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(c) Administration expense

Accounting fees		26,694	130,860
Legal fees		49,015	50,202
Bank fees		3,381	2,303
Courier		3,489	1,323
Insurance		124,919	86,859
Printing and stationery		50,720	42,696
Postage		7,324	8,067
Subscriptions		21,306	14,835
Telephone		51,551	34,600
IT expenses		85,710	30,572
Other		13,284	1,841
		437,393	404,158

(d) Office rental and outgoings include lease payments of:

Leased Premises		52,277	60,504
Office Supplies and Equipment		33,210	3,660
Total Lease Payments		85,487	64,164

YTC Resources Limited
Financial Statements (continued)

4. INCOME TAX

	Consolidated	
	2012	2011
	\$	\$
The major components of income tax expense		
Income Statement		
<i>Current income Tax</i>		
Current income tax charge	(2,876,986)	(3,711,795)
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	551,002	625,344
Unrecognised tax losses	2,325,984	3,086,461
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>(2,076,613)</u>	<u>(2,725,473)</u>
At the Company's statutory income tax rate (30%)	(622,984)	(817,642)
Share based payments & other non-assessable items	71,982	192,308
Income tax benefit not brought to account	<u>551,002</u>	<u>625,334</u>
Income tax reported in the income statement	<u>-</u>	<u>-</u>

The Group had formed a tax consolidated group at 30 June 2012.

Consolidated	Statement of Financial Position		Statement of Comprehensive Income	
	2012	2011	2012	2011
	\$	\$	\$	\$
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
<i>Deferred tax liabilities</i>				
Deferred Exploration and evaluation expenditure	(10,105,848)	(6,434,679)	(3,671,169)	(3,750,476)
Receivables	(27,953)	(88,685)	60,732	(57,845)
<i>Deferred Tax Assets</i>				
Provisions	2,437,588	1,153,135	1,284,453	721,860
Carried forward losses not recognised	<u>7,696,213</u>	<u>5,370,229</u>	2,325,984	3,086,461
Net deferred tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred tax income/(expense)			<u>-</u>	<u>-</u>

At 30 June 2012 the Group had carried forward tax losses totalling \$35,776,750 (2011: \$26,815,687).

YTC Resources Limited
Financial Statements (continued)

Consolidated
2012 **2011**
\$ **\$**

5. TRADE AND OTHER RECEIVABLES - CURRENT

Trade receivables	66,440	45,153
Accrued Interest	91,977	295,616
	<u>158,417</u>	<u>340,769</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.

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at cost	1,862,049	1,016,553
Accumulated depreciation amortisation and impairment	<u>(504,499)</u>	<u>(285,193)</u>
Total property, plant and equipment	<u>1,357,550</u>	<u>731,360</u>

Property, plant and equipment is represented by the following:

Motor Vehicles		
At 1 July, net of accumulated depreciation and impairment	213,482	55,553
Additions	122,168	181,159
Depreciation expense	<u>(54,817)</u>	<u>(23,230)</u>
At 30 June, net of accumulated depreciation and impairment	<u>280,833</u>	<u>213,482</u>

Plant & Equipment		
At 1 July, net of accumulated depreciation and impairment	367,841	234,813
Additions	540,314	207,506
Disposals	(1,985)	-
Depreciation expense	<u>(143,867)</u>	<u>(74,052)</u>
At 30 June, net of accumulated depreciation and impairment	<u>762,303</u>	<u>368,267</u>

Leasehold improvements		
At 1 July, net of accumulated amortisation and impairment	59,611	72,020
Additions	-	7,730
Amortisation expense	<u>(20,197)</u>	<u>(20,139)</u>
At 30 June, net of accumulated amortisation and impairment	<u>39,414</u>	<u>59,611</u>

Land ¹		
At 1 July	90,000	90,000
Additions	185,000	-
At 30 June	<u>275,000</u>	<u>90,000</u>

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

YTC Resources Limited
Financial Statements (continued)

	Consolidated	
	2012	2011
	\$	\$
7. INVESTMENTS		
Shares in Taronga Mines Limited	1,152,118	-
	<u>1,152,118</u>	<u>-</u>

8. (a) DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

At cost	47,358,473	34,867,686
Accumulated impairment	<u>(1,749,236)</u>	<u>(1,387,682)</u>
Total exploration and evaluation	<u>45,609,237</u>	<u>33,480,004</u>
At 1 July	33,480,004	20,938,418
Exploration expenditure during the year	8,428,348	10,572,449
Increase in deferred acquisition costs	4,062,439	2,365,694
Reclassified as held-for-sale	-	(394,696)
Impairment charge recognised	<u>(361,554)</u>	<u>(1,861)</u>
At 30 June	<u>45,609,237</u>	<u>33,480,004</u>

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

An impairment charge of \$361,554 has been recognised in 2012 (2011: \$1,861). Impairment has been recognised on exploration expenditure incurred on tenements where prospectivity will not be pursued or has deteriorated.

Movements in the provision for impairment loss were as follows:

At 1 July	(1,387,682)	(1,724,287)
Impairment on tenements reclassified as held-for-sale	-	338,466
Charge for the year	<u>(361,554)</u>	<u>(1,861)</u>
At 30 June	<u>(1,749,236)</u>	<u>(1,387,682)</u>

An amount of \$4,062,439 within exploration expenditure during the 2012 year relates to an increase in the provision for estimated royalty payable on gravity gold dore production from the Hera deposit.

Refer to Note 27 for further information.

8. (b) DEVELOPMENT COSTS

At 1 July	-	-
Development expenditure during the year	<u>3,734,098</u>	<u>-</u>
At 30 June	<u>3,734,098</u>	<u>-</u>

Development costs relate to expenditure incurred for Hera under the terms and conditions of the existing exploration license.

YTC Resources Limited
Financial Statements (continued)

	Consolidated	
	2012	2011
	\$	\$
8. (c) HELD-FOR-SALE EXPLORATION ASSETS		
At cost	-	733,162
Accumulated impairment	-	(338,466)
Total held-for-sale assets	<u>-</u>	<u>394,696</u>
At 1 July	394,696	-
Exploration expenditure during the year	-	11,720
Reclassified as held-for-sale	-	382,976
Sold during the year	<u>(394,696)</u>	-
At 30 June	<u>-</u>	<u>394,696</u>

In July 2011, YTC obtained 12.4 million shares (or 25.8% interest) in Taronga Mines Limited (TAZ) and 5.5 million options in TAZ as consideration for the sale of tin tenements. The sale of the tenements to TAZ resulted in the Group recognising a \$635,648 gain on sale.

TAZ is involved in exploration activities in Australia. TAZ is an Australian public entity that is currently not listed on any public exchange.

TAZ has been accounted for as an Investment in associates in accordance with AASB 128 "Investments in associates".

9. TRADE AND OTHER PAYABLES

Trade Payables	270,151	611,736
Accrued Expenses	<u>523,241</u>	<u>259,360</u>
	<u>793,392</u>	<u>871,096</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.

10. PROVISIONS

Current

Annual Leave	<u>155,028</u>	<u>110,830</u>
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Non - current

Deferred acquisition costs	<u>7,795,391</u>	<u>3,732,952</u>
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Deferred acquisition costs relate to the future royalty payable on the acquisition of the Hera Project from CBH Resources Limited in 2009. Refer note 27 for further information.

11. CONTRIBUTED EQUITY

(a) Issued and paid up capital

Ordinary shares fully paid	<u>67,074,707</u>	<u>65,712,596</u>
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YTC Resources Limited
Financial Statements (continued)

11. CONTRIBUTED EQUITY (CONTINUED)

(b) Movements in ordinary shares on issue

Details	Date	Number of shares	\$
Opening Balance	1-Jul-11	248,353,364	65,712,596
Exercise of options	14-Jul-11	160,000	64,000
Issue of shares	28-Jul-11	160,970	100,000
Exercise of options	1-Sep-11	50,000	22,500
Exercise of options	23-Nov-11	500,000	125,000
Exercise of options	8-May-12	3,500,000	875,000
Tax refund on share issue costs			175,611
Closing Balance		<u>252,724,334</u>	<u>67,074,707</u>

(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, management's 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 2012

Consolidated	
2012	2011
\$	\$

12. RESERVES

Option & Performance rights reserve	<u>2,030,934</u>	<u>1,617,401</u>
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(a) Movements

Carrying amount at beginning of financial year	1,617,401	976,375
Options & Performance rights issued during the year	<u>413,533</u>	<u>641,026</u>
Carrying amount at the end of the financial year	<u>2,030,934</u>	<u>1,617,401</u>

YTC Resources Limited
Financial Statements (continued)

12. RESERVES (CONTINUED)

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

	Date	Number	\$
Opening Balance	1-Jul-11	7,125,000	1,617,401
Expense recognised for options issued 1 January 2010 that vested during the year. No new options issued		-	69,533
Exercise of 160,000 options at \$0.40	14-Jul-11	(160,000)	-
Exercise of 50,000 options at \$0.45	1-Sep-11	(50,000)	-
Exercise of 500,000 options at \$0.25	23-Nov-11	(500,000)	-
Issue of 840,000 performance rights	15-Mar-12	840,000	344,000
Exercise of 3,500,000 options at \$0.25	8-May-12	(3,500,000)	-
Closing Balance		<u>3,755,000</u>	<u>2,030,934</u>

(c) Valuation of Options & Performance Rights Reserve

This reserve is used to record the options & performance rights issued to Directors, executives and employees. Valuation of the options and performance rights is based on Black-Scholes methodology and Trinomial Barrier Options methodology respectively using the following assumptions:

	Options	Performance Rights
Grant Date	6 May 2011	15 March 2012
No. of options / performance rights	1,100,000	840,000
Share price at date of grant	\$0.57	\$0.45
Exercise price	\$0.45	\$0.00
Vesting date	6 May 2011	15 March 2012
Expected price volatility	94%	84%
Risk free rate	5.00%	3.00%
Expected life	2.65 years	4 years
Expected Dividend yield	0.00%	0.00%
Fair value	\$0.361	\$0.41

Consolidated
2012 **2011**
\$ **\$**

13. ACCUMULATED LOSSES

Movements in accumulated losses were as follows:

Balance at beginning of year	(8,430,399)	(5,704,926)
Net loss attributable to members of YTC Resources Limited	(2,076,613)	(2,725,473)
Balance at end of year	<u>(10,507,012)</u>	<u>(8,430,399)</u>

YTC Resources Limited
Financial Statements (continued)

	Consolidated	
	2012	2011
	\$	\$
17. LOSS PER SHARE		
Loss used in calculating basic and dilutive EPS	(2,076,613)	(2,725,473)
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	249,505,438	196,379,375
Weighted average number of ordinary shares outstanding during the period used in the calculation of diluted EPS	249,505,438	196,379,375
Basic loss per share (cents per share)	<u>(0.83)</u>	<u>(1.39)</u>
Diluted loss per share (cents per share)	<u>(0.83)</u>	<u>(1.39)</u>

As at 30 June 2012 and 2011, 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 2,915,000 un-issued ordinary shares under option as at 30 June 2012.

18. 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	55,104	51,517
Non-audit services – Research & Development grant application	27,012	-
	<u>82,116</u>	<u>51,517</u>

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

19. RELATED PARTY AND INTER-COMPANY DISCLOSURES

Mr Woodham is the owner of the premises leased by the Company at 2 Corporation Place, Orange NSW. The lease is for a 3 year period to May 2013, with an option to extend by a further 3 years. The gross rent paid in 2012 was \$66,000 (including GST) (2011: \$73,037). At 30 June 2012 \$Nil (2011: \$Nil) was payable to Mr Woodham for rent.

Mr Woodham had a consulting agreement for work done in addition to his non-executive Director services. The agreement commenced on 8 May 2007 and was terminated during the financial year. The gross fees paid in 2012 were \$82,720 (including GST) (2011: \$248,270). At 30 June 2012 \$Nil (2011: \$Nil) was payable to Mr Woodham.

Mr Hill had a consulting agreement for work done in addition to his non-executive Director services. The agreement commenced on 8 May 2007 and was terminated 11 July 2012, the day he resigned as a director. The gross fees paid in 2012 were \$40,524 (including GST) (2011: \$38,919). At 30 June 2012 \$Nil (2011: \$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
Financial Statements (continued)

20. 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 and Nymagee project, being the most significant current project of the Company, all other tenements and advisory services to the Yunnan Tin Group ("YTG"). 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
- Gain on sale of financial assets
- Research & development grant
- Corporate costs
- Depreciation and amortisation of property, plant and equipment

The following represents profit and loss and asset and liability information for reportable segments for the years ended 30 June 2012 and 30 June 2011.

Segment Results	Hera and Nymagee Projects	Other Exploration Projects	Advisory Services to YTG	Total
<u>Year ended 30 June 2012</u>				
Segment Revenue	-	635,648	383,374	1,019,022
Deferred exploration costs written-off	-	(361,554)	-	(361,554)
Depreciation and amortisation	-	-	-	-
Other allocated costs	-	-	-	-
Segment Net Profit After Tax	-	164,094	383,374	657,468

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

Interest revenue	1,233,673
Research & development grant	199,728
Corporate operating costs	(3,947,381)
Corporate asset depreciation and amortisation	(220,101)
Net Loss after tax per the statement of comprehensive income	(2,076,613)

Year ended 30 June 2011

Segment Revenue	-	-	115,066	115,066
Deferred exploration costs written-off	-	(1,861)	-	(1,861)
Depreciation and amortisation	-	-	-	-
Other allocated costs	-	-	-	-
Segment Net Profit After Tax	-	(1,861)	115,066	113,205

YTC Resources Limited
Financial Statements (continued)

20. OPERATING SEGMENTS (continued)

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

	Hera and Nymagee Projects	Other Exploration Projects	Advisory Services to YTG	Total
Interest revenue				747,275
Corporate operating costs				(3,468,532)
Corporate asset depreciation and amortisation				(117,421)
Net Loss after tax per the statement of comprehensive income				<u>(2,725,473)</u>

Segment assets and liabilities for the year ended 30 June are as follows:

Segment assets at 30 June 2012

Property, plant and equipment	242,671	-	-	242,671
Deferred exploration and evaluation expenditure	42,671,068	2,938,169	-	45,609,237
Mines under development	3,734,098	-	-	3,734,098
Held-for-sale exploration assets	-	-	-	-
	<u>46,647,837</u>	<u>2,938,169</u>	-	<u>49,586,006</u>

Reconciliation of segment assets to total assets

Cash and cash equivalents				15,087,184
Trade and other receivables				158,417
Prepayments				133,836
Corporate plant and equipment				1,114,879
Investments in associates				1,152,118
Financial assets				<u>110,000</u>
Total assets per the balance sheet at 30 June 2012				<u>67,342,440</u>

Segment liabilities at 30 June 2012

Deferred acquisition costs	7,795,391	-	-	7,795,391
	<u>7,795,391</u>	-	-	<u>7,795,391</u>

Reconciliation of segment liabilities to total liabilities

Trade and other payables				793,392
Provisions				<u>155,028</u>
Total liabilities per the balance sheet at 30 June 2012				<u>8,743,811</u>

YTC Resources Limited
Financial Statements (continued)

20. OPERATING SEGMENTS (continued)

	Hera and Nymagee Projects	Other Exploration Projects	Advisory Services to YTG	Total
Segment assets at 30 June 2011				
Property, plant and equipment	189,175	-	-	189,175
Deferred exploration and evaluation expenditure	29,326,238	4,153,766	-	33,480,004
Held-for-sale exploration assets	-	394,696	-	394,696
	<u>29,515,413</u>	<u>4,548,462</u>	-	<u>34,063,875</u>
Reconciliation of segment assets to total assets				
Cash and cash equivalents				28,605,566
Trade and other receivables				340,769
Prepayments				62,081
Corporate plant and equipment				<u>542,185</u>
Total assets per the balance sheet at 30 June 2011				<u>63,614,476</u>
Segment liabilities at 30 June 2011				
Deferred acquisition costs	3,732,952	-	-	3,732,952
	<u>3,732,952</u>	-	-	<u>3,732,952</u>
Reconciliation of segment liabilities to total liabilities				
Trade and other payables				871,096
Provisions				<u>110,830</u>
Total liabilities per the balance sheet at 30 June 2011				<u>4,714,878</u>

YTC Resources Limited
Financial Statements (continued)

21. PARENT COMPANY INFORMATION

	2012	2011
	\$	\$
Information relating to the parent entity of the Group, YTC Resources Ltd:		
Current assets	15,379,437	29,008,416
Non-current assets	51,963,003	34,606,059
Total assets	67,342,440	63,614,475
Current liabilities	948,420	981,926
Non-current liabilities	7,795,391	3,732,952
Total liabilities	8,743,811	4,714,878
Issued capital	67,074,707	65,712,596
Reserves	2,030,934	1,617,401
Accumulated losses	(10,507,012)	(8,430,399)
Total shareholders' equity	58,598,629	58,899,598
Profit or loss	(2,076,613)	(2,725,474)

Lease commitments

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

	Parent	Parent
	2012	2011
	\$	\$
Within one year	67,348	72,348
After one year but not longer than 5 years	23,627	87,711
	<u>90,975</u>	<u>160,059</u>

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and short term deposits, 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 (continued)

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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's 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% 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.

		Carrying Amount	Interest Rate Sensitivity			
			-20%		20%	
			Profit	Equity	Profit	Equity
		\$	\$	\$	\$	\$
2012						
Financial Assets:	Note (i)					
Cash and cash equivalents assets		15,087,184	(150,872)	-	150,872	-
			Interest Rate Sensitivity			
			-20%		20%	
2011						
Financial Assets:						
Cash and cash equivalents assets		28,605,566	(271,753)	-	271,753	-

(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 2012 from around 5.25 % to 6.25%.

(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. Certain financial assets were valued at cost as their fair value cannot be determined reliably.

YTC Resources Limited
Financial Statements (continued)

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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 Statement of Financial Position.

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 9.

23. 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	
	2012	2011
	\$	\$
Expenses arising from the equity settled share based payment transactions - eligible employees and directors	413,533	641,026

(b) Type of share based payment plan

Employee Share Option Plan & Performance Rights Plan

The Company has established an employee share option plan (ESOP) and a Performance Rights Plan. The objective of these is to assist in the recruitment, reward, retention and motivation of employees of YTC. An individual may receive the options or nominate a relative or associate to receive the options. The plans are open to directors and eligible employees of YTC.

(c) Options and performance rights granted as at 30 June 2012

Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number	Granted during the year Number	Exercised 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	-	-	-
1-Jan-10	31-Dec-12	\$0.40	1,275,000	-	-	-	1,275,000	1,275,000
6-May-11	31-Dec-14	\$0.40	500,000	-	160,000	-	340,000	340,000
6-May-11	31-Dec-14	\$0.45	1,350,000	-	50,000	-	1,300,000	1,300,000
15-Mar-12	15-Mar-16	-	-	840,000	-	-	840,000	-
			7,125,000	840,000	4,210,000	-	3,755,000	2,915,000
Weighted average exercise price			0.32	-	0.26	-	0.42	0.42

YTC Resources Limited
Financial Statements (continued)

23. SHARE BASED PAYMENT ARRANGEMENTS (continued)

(d) Options and performance rights granted as at 30 June 2011

Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number	Granted during the year Number	Exercised 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)	-	-
22-Nov-07	31-Dec-10	\$1.50	50,000	-	-	(50,000)	-	-
10-Dec-07	31-Dec-10	\$1.00	50,000	-	-	(50,000)	-	-
10-Dec-07	31-Dec-10	\$1.50	50,000	-	-	(50,000)	-	-
20-Dec-07	31-Dec-10	\$1.00	50,000	-	-	(50,000)	-	-
20-Dec-07	31-Dec-10	\$1.50	50,000	-	-	(50,000)	-	-
12-Nov-08	31-Dec-10	\$1.00	100,000	-	-	(100,000)	-	-
12-Nov-08	31-Dec-10	\$1.50	100,000	-	-	(100,000)	-	-
1-Jan-10	31-Dec-12	\$0.40	775,000	-	(150,000)	-	625,000	625,000
1-Jan-10	31-Dec-12	\$0.40	650,000	-	-	-	650,000	650,000
6-May-11	31-Dec-14	\$0.40	-	500,000	-	-	500,000	500,000
6-May-11	31-Dec-14	\$0.45	-	1,100,000	-	-	1,100,000	1,100,000
6-May-11	31-Dec-14	\$0.45	-	250,000	-	-	250,000	-
			5,925,000	1,850,000	(150,000)	(500,000)	7,125,000	6,875,000
		Weighted average exercise price	0.37	0.44	0.40	1.25	0.33	0.32

(e) Weighted average remaining contractual life

The weighted average remaining contractual life for the options outstanding as at 30 June 2012 is 1.6 years (2011: 1.7 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 or Trinomial Barrier Options 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 2012 is shown in Note 12.

(g) Performance Rights

During the year 840,000 Performance Rights were issued to employees. Each Performance Right entitles the holder, upon vesting, to one fully paid ordinary share at no cost. The Performance Rights vest upon the company's shares price recording a 5 day VWAP of 80 cents before 15 March 2016.

24. CONTINGENT LIABILITIES

There are no contingent liabilities that require disclosure.

YTC Resources Limited
Financial Statements (continued)

25. 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 2012. The balance of our franking account is Nil (2011: Nil).

26. KEY MANAGEMENT PERSONNEL

Share, option & performance rights holdings of Directors, executives and key management personnel

	Consolidated	
	2012	2011
	\$	\$
Short-term employee benefits	1,669,578	1,109,267
Post-employment benefits	122,392	67,101
Share based payments	245,833	357,543
Total	2,037,803	1,533,911

(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.

2012	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					
Mr Anthony Wehby	245,000	-	500,000	-	745,000
Mr Rimas Kairaitis	3,438,544	-	1,000,000	-	4,438,544
Dr Wenxiang Gao	10,000	-	500,000	-	510,000
Mr Robin Chambers	360,003	-	500,000	-	860,003
Ms Christine Ng	-	-	-	-	-
Mr Stephen Woodham ^(a)	3,520,317	-	500,000	(3,520,317)	500,000
Mr Richard Hill ^(a)	1,158,821	-	500,000	80,167	1,738,988
Dr Guoqing Zhang	-	-	-	-	-
Mr Yong Chen	-	-	-	-	-
Executives					
Mr Richard Willson	-	-	-	-	-
Mr Dean Fredericksen	-	-	160,000	(160,000)	-
Mr Sean Pearce	-	-	-	-	-
	8,732,685	-	3,660,000	(3,600,150)	8,792,535

YTC Resources Limited
Financial Statements (continued)

26. KEY MANAGEMENT PERSONNEL (CONTINUED)

Share, option & performance rights holdings of Directors, executives and key management personnel (continued)

2011	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					
Mr Anthony Wehby	245,000	-	-	-	245,000
Mr Rimantas Kairaitis ^(a)	3,343,544	-	-	95,000	3,438,544
Dr Wenxiang Gao	10,000	-	-	-	10,000
Mr Robin Chambers	360,003	-	-	-	360,003
Ms Christine Ng	-	-	-	-	-
Mr Stephen Woodham	3,520,317	-	-	-	3,520,317
Mr Richard Hill	1,158,821	-	-	-	1,158,821
Dr Guoqing Zhang	-	-	-	-	-
Executives					
Mr Richard Willson	-	-	-	-	-
Mr Dean Fredericksen	-	-	-	-	-
Mr Sean Pearce	-	-	-	-	-
	8,637,685	-	-	95,000	8,732,685

a) Acquired or disposed via on, or off market transaction.

(ii) *Option & Performance Rights holdings*

The numbers of options over ordinary shares in the Company and performance rights 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.

2012	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					
Mr Anthony Wehby	500,000	-	500,000	-	-
Mr Rimantas Kairaitis	1,000,000	250,000	1,000,000	-	250,000
Dr Wenxiang Gao	500,000	-	500,000	-	-
Mr Robin Chambers	500,000	-	500,000	-	-
Ms Christine Ng	-	-	-	-	-
Mr Stephen Woodham	500,000	-	500,000	-	-
Mr Richard Hill	500,000	-	500,000	-	-
Dr Guoqing Zhang	-	-	-	-	-
Executives					
Mr Richard Willson	600,000	50,000	-	-	650,000
Mr Dean Fredericksen	500,000	80,000	160,000	-	420,000
Mr Sean Pearce	500,000	50,000	-	-	550,000
	5,100,000	430,000	3,660,000	-	1,870,000

YTC Resources Limited
Financial Statements (continued)

26. KEY MANAGEMENT PERSONNEL (CONTINUED)

Share, option & performance rights holdings of Directors, executives and key management personnel (continued)

2011	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					
Mr Anthony Wehby	500,000	-	-	-	500,000
Mr Rimas Kairaitis	1,000,000	-	-	-	1,000,000
Dr Wenxiang Gao	500,000	-	-	-	500,000
Mr Robin Chambers	500,000	-	-	-	500,000
Ms Christine Ng	-	-	-	-	-
Mr Stephen Woodham	500,000	-	-	-	500,000
Mr Richard Hill	500,000	-	-	-	500,000
Dr Guoqing Zhang	-	-	-	-	-
Executives					
Mr Richard Willson	500,000	100,000	-	-	600,000
Mr Dean Fredericksen	-	500,000	-	-	500,000
Mr Sean Pearce	-	500,000	-	-	500,000
	4,000,000	1,100,000	-	-	5,100,000

27. HERA PROJECT DEFERRED ACQUISITION COSTS

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 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 \$7,795,391 (\$3,732,952 at 30 June 2011) 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 2012. 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:

	Fair Value as reported	Fair Value Adjustments	Total consideration
	\$	\$	\$
Exploration and evaluation assets	15,592,952	4,062,439	19,655,391
Other property, plant and equipment	140,000	-	140,000
Fair value of identifiable net assets	<u>15,732,952</u>	<u>4,062,439</u>	<u>19,795,391</u>

Cost of the combination:	\$
Cash consideration (paid)	12,000,000
Total consideration (re-valued at 30 June 2012)	<u>7,795,391</u>
	<u>19,795,391</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 2012 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 Company 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 2012.

On behalf of the Board

A handwritten signature in blue ink, appearing to read 'Anthony Wehby', with a stylized flourish below it.

Anthony Wehby
Chairman
14 September 2012

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 2012, 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



Ryan Fisk
Partner
Sydney
17 September 2012

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 consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 the auditor's 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, the auditor considers 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 complied with 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.

Auditor's Opinion

In our opinion:

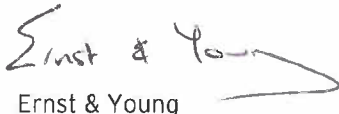
- a. the financial report of YTC Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the remuneration report

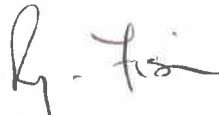
We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is 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 2012, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Ryan Fisk
Partner
Sydney
17 September 2012