



A.C.N 108 476 384

**HALF YEAR
FINANCIAL REPORT**

31 December 2010

YTC Resources Limited

Corporate Directory

Directors

Dr. Wenxiang Gao (Chairman)
Mr. Anthony Wehby (Vice Chairman)
Mr. Rimantas Kairaitis (Chief Executive Officer)
Mr. Stephen Woodham
Mr. Robin Chambers
Mr. Richard Hill
Dr. Guoqing Zhang
Ms. Christine Ng

Company Secretary

Mr Richard Willson

Registered Office and Principal place of business

YTC Resources Limited
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ORANGE NSW 2800
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Share Register

Security Transfer Registrars Pty Ltd
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Stock Exchange Listing

YTC Resources Limited shares are listed on the Australian Stock Exchange.
ASX Code: YTC

Auditors

Ernst and Young
680 George Street
Sydney NSW 2000

Website

www.ytcresources.com

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Directors' Report

Your Directors submit their report for the half year ended 31 December 2010.

DIRECTORS

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

Dr. Wenxiang Gao (Chairman)

Mr. Anthony Wehby (Vice Chairman)

Mr. Rimas Kairaitis (Chief Executive Officer)

Mr. Stephen Woodham

Mr. Robin Chambers

Mr. Richard Hill

Dr. Guoqing Zhang

Ms. Christine Ng

REVIEW AND RESULTS OF OPERATIONS

Financial Performance

The net loss after tax of YTC Resources Limited ("YTC" or "Company") and its subsidiaries together ("Group" or "Consolidated Entity") for the half year period to 31 December 2010 was \$1,091,907 (2009: \$1,134,621).

Total additional deferred exploration expenditure for the half year ending 31 December 2010 was \$4,868,121, which was primarily incurred on the Hera and Nymagee projects. The Group has not taken an impairment charge on deferred exploration expenditure during the period and increased the valuation of the Hera Deferred Royalty by \$268,052.

The company raised \$7,307,611 net of costs by way of a share placement with another \$2,095,000 due from Chinese shareholders once Chinese Government approvals have been received. The cash balance at the end of the period was \$10,004,918.

Operational Performance

HERA PROJECT (100%)

Exploration and Feasibility activity on the Hera & Nymagee Projects dominated the Company's operational activities in the half year to 31 December 2010.

Definitive Feasibility Study (DFS) Expansion

Following outstanding exploration drill results from both the Nymagee Copper Mine, and from drilling outside the Hera resource shell, YTC announced on 13 October 2010 that it was to expand the scope of the current DFS to include an expanded Hera Resource together with the integration of high grade copper mineralisation from the Nymagee Copper Mine.

The Company believes the expanded DFS scope can be assessed without alteration to the Hera Project permitting timeline. YTC is currently preparing its final Development Application (DA) & Mining Lease Applications with the expectation that all Project approvals will be received by June 2011.

Background:

The Hera DFS has progressed to a well advanced process flow sheet, and detailed plant, mining and infrastructure costing. All major plant and infrastructure items for the DFS cost estimates were costed by reference to quotes for new equipment, and mining costs were fully tendered.

Directors' Report

The mining study was completed by Optiro Consultants with plant and infrastructure studies completed by GR Engineering Services (GRES). The plant and infrastructure costings have been further tendered by YTC to produce optimised costings at +/- 10% including contingency.

Summary:

The DFS recommends the Hera Deposit be mined by single decline access and uphole bench stoping at an optimised mining rate of 350,000 tonnes pa. The deposit will be mined in a top down mining sequence with selective use of Cemented Rock Fill ("CRF") to increase mining recovery in high grade zones.

Ore will be trucked to surface and processed through a 50tph capacity on-site process plant to produce gold-silver doré and a mixed Pb-Zn-Cu concentrate for sale.

The following table summarises the optimised costs and key outputs of the DFS in its current form. It is the Company's expectation to further refine and augment these outputs through the expanded DFS scope and the incorporation of Nymagee and the Hera Far West Lens.

Summary Description	Optimised Output
Annual Production	350,000 tpa
Average Gold Equivalent Production	50,233 oz pa
Operating Cost / tonne	\$97.10
Operating Cost / oz Au Eq	\$676
Operating Margin / tonne	\$98/tonne
Pre-Production Mine Capital	\$25m
Process & Infrastructure Capital	\$34.9m

The expanded DFS work programme will include:

- **Metallurgy:** Nymagee core samples have already been submitted to Metcon Laboratories for first pass metallurgical test work. The test work will focus on amenability of the Nymagee mineralisation to produce a copper-silver concentrate utilising the existing Hera Project flow sheet.
- **Process Design:** The existing plant design and plan throughput will require re-optimisation to incorporate the expanded production case. The expanded mining case may also result in increased plant process rate.
- **Resource Definition Drilling:** The first two drill holes have demonstrated strong continuity of high grade copper mineralisation within the Nymagee Lode at good mining widths. A substantial programme of resource definition and expansion drilling will be completed with a view to establishing a maiden Nymagee resource estimate and also to scope the potential capacity of the Nymagee Mine to host a much larger copper system.
- **Mining Studies:** The Hera DFS has established good control on key mining costs for decline access and bench stoping extraction. A similar mining technique would likely be applied to the Nymagee system. The study would also assess the potential to utilise part of the existing main shaft infrastructure for mine ventilation or secondary egress.

Far west Lens

YTC completed a number of diamond core holes as part of the resource extension and infill drilling on the Far West Lens. The most recent Hera Resource Estimate includes the Far West Lens as Inferred Resource. The drilling programme is designed to both extend the contained tonnage of the Far West Resource as well as lift a substantial percentage of the Far West Lens into the Indicated category to allow for its inclusion in a mining Reserve.

Directors' Report

Strong results were reported from this drilling, pointing to a tonnage and grade increase for the next upgrade to the Hera Resource estimate. Results included:

- **TNY005W2:** 11m @ 11.1g/t Au, 40g/t Ag, 6.9% Pb and 13.6% Zn from 594m
- **HRD032:** 10.2m @ 68.3g/t Au, 19g/t Ag, 3.2% Pb and 3.8% Zn from 520.2m, incl. 4.2m @ 164g/t Au, 25.1g/t Ag, 7.0% Pb and 5.0% Zn from 522m
- **HRD030:** 8.0m @ 1.15g/t Au, 18.2g/t Ag, 0.48% Cu, 1.8% Pb and 0.8% Zn
3.0m @ 15.1g/t Au, 0.7% Pb and 1.0% Zn from 484m

Hera South

Hole HRD026 was drilled approximately 120m south of the existing Hera Resource shell. The hole was drilled to test a VTEM target and for southern extensions of the Hera deposit. The hole returned:

- **HRD026: 7.7m @ 5.69g/t Au, 0.41% Cu, 2.1% Pb & 2.8% Zn from 520.3m**

Further drilling around this zone will be required to fully delineate the potential of this southern extension, however preliminary interpretation suggest this result represents the redevelopment of high grade mineralisation offset from the Main Lens structure. Follow-up drilling will be planned with a view to include this area inside the expanded DFS programme.

Shallow Hera Mineralisation

Three RC holes were drilled into the shallow northern part of the Hera Main Lens to follow up on previous high grade intersections in this area. Hole HRRC008 identified oxide gold mineralisation at Hera for the first time, intersecting:

- **HRRC008: 41m @ 1.42g/t Au from 10m**

Hole HRD027 was drilled to define this mineralisation down plunge 75m to the north. The hole intersected only weak gold-base metal mineralisation and is considered to have closed the northern plunge. Hole HRD027 intersected:

- **HRD027: 3.3m @ 1.74g/t Au, 19g/t Ag, 0.9% Pb & 1.12% Zn.**

RC Drilling – Dominion Prospect

The Dominion prospect is located approximately 16km south of the Hera deposit on the same prospective horizon as Hera & Nymagee.

Four RC drill holes were completed targeting anomalous Pb-Zn in soils and rock sampling with a co-incident IP anomaly with only weak mineralisation observed in the logging. These holes represent the first holes at the Dominion prospect.

RC Drilling – 'Hera West' VTEM target

A single RC drill hole, HRRC009, was completed to test a strong conductor, approximately 400m west of the Hera deposit, detected from the recent VTEM geophysics survey with no significant mineralisation observed in the logging..

RC Drilling – Hebe-Zeus

Two RC drill holes were completed to test for mineralisation where the Hebe mineralised trend meets the Zeus gravity response.

HBRC006 recorded weak base metal mineralisation in the lower section of the hole. Both holes recorded moderate zones of silicification with quartz veining.

Directors' Report

Sterilisation drilling

Four drill holes were completed as part of a final sterilisation programme for the proposed plant site at Hera. No significant mineralisation was observed in the logging.

NYMAGEE JV (90%)

Activities at Nymagee during the half year were dominated by drilling activity, with a view to scoping the Nymagee mineralisation and moving towards a maiden Resource Estimate. Drilling samples have also been collected for metallurgy.

The mineralisation and geological characteristics of the Nymagee mineralisation show strong affinities to the CSA Copper Mine, located approximately 90km north along strike, which is currently Australia's highest grade copper mine and has a recorded production of >1.5Mt of copper. Results during the quarter continued to return strong copper intersections from the Nymagee Main Lode. A summary of drilling results received during the quarter are presented below.

Holes NMD001 and NMD001W1 were drilled as a parent and wedge hole to test the Nymagee Lode 60m and 35m below the historic 8 level. Both holes intersected strong copper mineralisation as massive and semi massive sulphides.

- **NMD001: 8.9m @ 7.2% Cu, 24g/t Ag & 0.16g/t Au from 370.5m**
- **NMD001W1: 7.0m @ 8.3% Cu, 46g/t Ag & 0.32g/t Au from 345.4m**

Holes NMD002 and NMD002W1 were drilled as a parent and wedge hole approximately 40m and 60m north of the high grade copper results recorded in drill holes NMD001 and NMD001W1.

- **NMD002: 11m @ 3.7% Cu and 15.7g/t Ag from 401m, including 5m @ 6.1% Cu and 27g/t Ag from 401m**
- **NMD002W1: 15m @ 1.6% Cu and 7.2g/t Ag from 346m, including 6m @ 2.7% Cu and 9.2g/t Ag from 355m**

Holes NMD004 and NMD004W1 were drilled as a parent and wedge hole approximately 80m north of the deepest mine levels in the historic mine (8 Level) to test the northern extremities of the Nymagee Main Lode. Hole NMD004W1 intersected massive and semi massive sulphide mineralisation:

- **NMD004W1: 5.5m @ 2.7% Cu and 21.2 g/t Ag from 392m**

The parent hole, NMD004 intersected lead-zinc mineralisation, which appears to form a halo around the high grade copper mineralisation:

- **NMD004: 2.0m @ 0.3% Cu, 1.7% Pb and 6.6% Zn Ag from 426m**

Holes NMD005 and NMD006 drilled to test for the southern extremities of the Nymagee Main Lode, south of historic mine workings, did not return any significant results.

Hole NMD007 was drilled to intersect the Main Lode approximately 50m beneath the 8 level and 20m to the north of the position of the historic Nymagee main shaft.

- **NMD007: 26m @ 2.1% Cu and 7g/t Ag from 361m, including 10m @ 3.0% Cu and 10g/t Ag from 375m**

Holes NMD008 and NMD008W1 were drilled as a parent and wedge hole to test for the depth extensions of the Nymagee Copper Mine mineralisation.

- **NMD008: 9.0m @ 3.1% Cu and 19g/t Ag from 436m**
- **NMD008W1: 20m @ 3.9% Cu, 22g/t Ag and 0.20g/t Au from 452m, including 14m @ 5.1% Cu, 22g/t Ag and 0.27g/t Au from 458m, including**

Directors' Report

6m @ 7.8% Cu, 41g/t Ag and 0.6g/t Au from 465m

Hole NMD008W1 is the deepest hole drilled by YTC to date and represents the **largest contained metal intersection obtained to date**. The Company has now demonstrated vertical continuity to approximately 165m below the historic Nymagee Copper Mine. The deepest drilling in the Nymagee Copper Mine mineralisation by previous explorers indicates the high-grade copper mineralisation remains open at depth.

The vertical persistence of high grade copper lodes is a key characteristic of 'Cobar Style' deposits in general and of the world-class CSA copper deposit in particular.

Footwall Zones

Drilling at Nymagee also intersected substantial intervals of low-grade, 'footwall zone' mineralisation on the eastern side of the Nymagee mineralisation. Significant intervals from the footwall zone received during the quarter include:

- **NMD002:** **19m @ 0.38% Cu from 105m**
 10.2m @ 0.86% Cu from 155m
 4m @ 1.9% Cu from 315m
 20m @ 0.32% Cu from 381m

- **NMD004:** **252m @ 0.25% Cu from 176m**

- **NMD007:** **57.2m @ 0.34% Cu from 299.8m**

- **NMD008W1:** **19m @ 1.0% Cu from 361m, including**
 3m @ 3.5% Cu from 368m, and
 50m @ 0.32% Cu from 402m

The footwall zones are considered significant as they may represent the upper sections of 'blind' high grade copper shoots as well as the potential to evolve into a low-grade, bulk-tonnage copper target.

The footwall intersection of **3m @ 3.5% Cu** in hole NMD008W1 correlates well with >1% Cu intervals in holes NMD008 and NMD002. This interval suggests the development of the upper sections of a 'blind' footwall copper pipe. This will require testing by deeper drilling, however the continuity of the zone, together with the increasing grade at depth are encouraging. Once again, the development of blind pipes is consistent with the analogy to the CSA copper deposit.

The expanded programme at Nymagee has been designed with a view to both define a maiden Resource at Nymagee but also explore Nymagee for a larger scale, "CSA style" mineral system

DORADILLA PROJECT (EL 6258 – YTC earning a 70% interest, EL 6645 – YTC earning a 75% interest)

The Doradilla Project tenements are located along a major crustal boundary between the Lachlan and Thompson Orogens in the north west of NSW. The tenements host a broad range of mineralisation including tin, copper, nickel, zinc, indium, bismuth, silver, tungsten and molybdenum. EL 6258 hosts a significant 'laterite' tin resource of 7.8Mt @ 0.28% Sn for a contained 22,000t of tin.

YTC completed two diamond core drill holes to test 'blind' magnetic targets (the 'Mullgallah' anomaly) beneath approximately 50m of transported overburden on EL6645. Both holes located quartz diorite intrusive hosting chlorite + quartz + sulphide veining with weak copper mineralisation consistent with 'porphyry style' mineralisation.

Although pyrite and chalcopyrite veining was observed, assay values were weak with best copper and gold values of 0.10ppm Au & 820ppm Cu. Significantly the alteration and veining is seen to destroy magnetism and indicates that exploration of demagnetised areas is warranted to locate better grades.

The age of the diorite has been determined by laser ablation U-Pb dating of zircon at the University of Tasmania. An age of 414.9 ± 4.2 Ma was returned. This is a similar age to other mineralised granites in NSW such as the Yeovil Granite.

Directors' Report

A total of 24 rock chip samples were taken across the central part of EL6258 in a 1km radius around the Doradilla Copper Mine. Numerous anomalous values were returned including values up to 0.11% Mo, 0.73% Pb and 0.2% Sn.

KADUNGLE PROJECT (100%)

The Kadungle Project is located approximate 40km north-west of Parkes in central NSW and is prospective for epithermal gold and porphyry related copper-gold mineralisation. Previous drill intercepts recorded at the Mt Leadley prospect include:

- **KDD013: 131m @ 0.31g/t Au & 0.11% Cu, and**
- **KDD001: 96m @ 0.63g/t Au**

YTC completed a detailed ground gravity survey over the Mt Leadley Prospect area. The results are being processed and interpreted in combination with previous ground magnetic and IP surveys with a view to defining further drilling targets

TALLEBUNG PROJECT (100%)

YTC considers the Tallebung Project has potential to host a large tonnage, low grade tin deposit ('tin porphyry') with associated, tungsten silver and zinc. Significant drill intervals from previous exploration include:

- **DDH16: 50.4m @ 0.14% Sn**
- **DDH17: 49.5m @ 0.14% Sn**
- **DDH10: 7.47m @ 1.15%Sn**
- **DDH7: 20.2m @ 0.27% Sn**
- **TD004: 17.7m @ 0.21% Sn**
- **DDH11: 30.2m @ 0.12% Sn, and
12.8m @ 0.27% Sn**

The exploration model for Tallebung is to target zones of mineralisation in closer proximity to the mineralising granite at depth, where tin grades and quartz vein frequency is interpreted to be more intense.

Two resistivity sections were surveyed across the hard rock tin mineralisation at Tallebung using EH4 geophysical equipment supplied by the Yunnan Tin Group. The surveys were designed to test for the mineralising granite at depth beneath the tin-bearing quartz lodes at surface.

Each resistivity section detected a very prominent resistive body to the east of the tin bearing lodes at approximately 350m depth. The resistive body is interpreted to represent the mineralising granite body at Tallebung.

The position of the interpreted granite is consistent with the east-dipping lode system at surface. The 'carapace zone' immediately above the resistive zone is considered a strong drill target for large tonnage tin mineralisation at higher grades than the tin mineralisation at surface.

YTC completed a reconnaissance programme of rock chip sampling over the historic Marobee tungsten field, located approximately 25km north of the Tallebung tin field. Thirty-five (35) samples were taken with a number of samples returning very strong results for tungsten (up to 3.9% W), gold (up to 3.7g/t Au) and tin (up to 0.8% Sn).

Directors' Report

CORPORATE

Sale of New England Tin Projects to Taronga Mines

On the 19 October, YTC announced it had reached agreement to sell its New England Tin Projects to Taronga Mines Limited (TML), a tin company which will shortly be seeking an ASX listing.

The all-script deal sees the beneficial combination of TML's Taronga Deposit, currently the largest undeveloped tin deposit on mainland Australia, with YTC's adjoining tenement holding. YTC's tenement holding contains a number of strong exploration targets for Taronga style tin mineralisation.

The agreement will see YTC issued with 11 million TML shares and 5.5 million options to acquire shares in TML, representing 25% of the issued shares and 50% of the issued options in TML prior to Taronga's Initial Public Offering (IPO) capital raising.

Through this deal YTC shareholders will gain stronger exposure to a major undeveloped tin deposit and the adjoining exploration upside. YTC Shareholders will also be given a priority entitlement to subscribe for up to a total of \$2 million in the proposed TML IPO and YTC will also have the right to nominate one director to the TML board.

YTC's New England tin assets include the Torrington project tenements and the Pound Flat Project.

The Torrington project is an extensive tenement area that covers much of the historically important Torrington and Stannum tin fields which have recorded historic production of in excess of 100,000 tons of tin concentrate.

Detailed exploration work by the Electrolytic Zinc Company (EZCO) in the 1980's identified a number of tin bearing 'sheeted' greisen vein zones within the YTC tenement area, which were considered to be highly prospective for further 'Taronga' style tin deposits. These target zones included McDonalds Zone, Emerald Zone, Big Plant Creek Zone & Poverty Point.

The combination of the Torrington project with the adjacent Taronga deposit combines an established large tin deposit with exciting exploration upside.

Capital Raising - Placement

On 26 October, YTC announced a successful capital raising of \$10m to fund an expanded drilling and DFS programme at the Nymagee Copper Mine and the Hera Gold Project.

The capital raising was by placement of 40 million shares at \$0.25. The placement was strongly oversubscribed and supported by the Company's major shareholders together with international and domestic institutions.

The placement was structured in two tranches, with tranche 2 of the placement approved by shareholders at a General Meeting held on Monday, 29 November 2010.

YTC moves to 90% of Nymagee JV

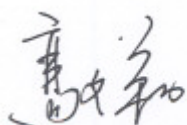
On 22 November 2010, YTC advised that it satisfied the expenditure requirements to increase its participating interest in the Nymagee JV to 90%.

Directors' Report

Auditor's Independence Declaration

Section 307C of the *Corporations Act 2001* requires our auditors, Ernst & Young, to provide the directors of YTC Resources Limited with an Auditor's Independence Declaration in relation to the review of the half-year financial report. The Independence Declaration is set out on page 11 and forms part of this Directors' Report for the half year ended 31 December 2010.

Signed in accordance with a resolution of the directors.



Dr. Wenxiang Gao
Chairman
10 March 2011

Competent Persons Statement


The information in this report that relates to Exploration Results is based on information compiled by Rimas Kairaitis, who is a Member of the Australasian Institute of Mining and Metallurgy. Rimas Kairaitis has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr Kairaitis consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Competent Persons Statement – Hera Resource Estimation

This Report contains references to a Resource Estimation for the Hera deposit. The Resource Estimation has been completed by Mr Dean Fredericksen of Fredericksen Geological Solutions Pty Ltd under supervision of Mr Rimas Kairaitis. This report has been compiled by Rimas Kairaitis, who is a Member of the Australasian Institute of Mining and Metallurgy. Rimas Kairaitis has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr Kairaitis consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

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

In relation to our review of the financial report of YTC Resources Ltd for the half-year ended 31 December 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature of the Ernst & Young representative, written in black ink.

Ernst & Young

A handwritten signature of Ryan Fisk, written in black ink.

Ryan Fisk
Partner
Sydney
10 March 2011

Statement of Comprehensive Income

FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Notes	Consolidated	
		31-Dec-10	31-Dec-09
		\$	\$
Revenue			
Management fee		69,466	-
Interest revenue		210,582	160,742
Total revenue		<u>280,048</u>	<u>160,742</u>
Expenses			
Employee benefits expense	2(a)	577,253	327,366
Consulting expenditure		211,442	281,856
Insurance		41,052	26,190
Accounting fees		71,150	73,052
Office rental and outgoings		36,659	30,467
Travel expenses		167,526	145,722
Administration expenditure	2(b)	213,741	131,160
Capitalised exploration costs written off		-	244,665
Depreciation		42,981	27,940
Amortisation		10,151	6,945
Expenses		<u>1,371,955</u>	<u>1,295,363</u>
Loss before income tax		<u>(1,091,907)</u>	<u>(1,134,621)</u>
Income tax expense		-	-
Loss after income tax		<u>(1,091,907)</u>	<u>(1,134,621)</u>
Other comprehensive income		-	-
Total comprehensive loss for the period		<u>(1,091,907)</u>	<u>(1,134,621)</u>
Loss per share attributable to the ordinary equity holders of the parent			
Basic loss per share (cents per share)		(0.63)	(1.42)
Diluted loss per share (cents per share)		(0.63)	(1.42)

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

Statement of Financial Position

AS AT 31 DECEMBER 2010

		Consolidated	
		31-Dec-10	30-Jun-10
	Notes	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	3	10,004,918	8,364,285
Trade and other receivables		92,606	160,156
Prepayments		44,630	52,785
Available-for-sale exploration assets	4	382,976	-
Total current assets		<u>10,525,130</u>	<u>8,577,226</u>
Non current assets			
Plant and equipment		511,771	452,386
Deferred exploration and evaluation expenditure	4	25,423,563	20,938,418
Total non current assets		<u>25,935,334</u>	<u>21,390,804</u>
Total assets		<u>36,460,464</u>	<u>29,968,030</u>
LIABILITIES			
Current liabilities			
Trade and other payables		499,181	514,642
Provisions		59,147	70,325
Total current liabilities		<u>558,328</u>	<u>584,967</u>
Non current liabilities			
Provisions	9	1,635,310	1,367,258
Total non current liabilities		<u>1,635,310</u>	<u>1,367,258</u>
Total liabilities		<u>2,193,638</u>	<u>1,952,225</u>
Net assets		<u>34,266,826</u>	<u>28,015,805</u>
Equity			
Contributed equity	5	40,051,967	32,744,356
Reserves	6	1,011,692	976,375
Retained losses		(6,796,833)	(5,704,926)
Total equity		<u>34,266,826</u>	<u>28,015,805</u>

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

Statement of Changes in Equity

AS AT 31 DECEMBER 2010

	Issued Share Capital	Share Option Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
Balance as at 1 July 2009	9,130,819	881,817	(4,581,757)	5,430,879
Total comprehensive loss for the period	-	-	(1,134,621)	(1,134,621)
Transactions with owners in their capacity as owners				
Shares issued for the period	25,286,267	-	-	25,286,267
Cost of share issue	(1,672,729)	-	-	(1,672,729)
Balance as at 31 December 2009	<u>32,744,357</u>	<u>881,817</u>	<u>(5,716,378)</u>	<u>27,909,796</u>
Balance as at 1 July 2010	32,744,356	976,375	(5,704,926)	28,015,805
Total comprehensive loss for the period	-	-	(1,091,907)	(1,091,907)
Transactions with owners in their capacity as owners				
Shares issued for the period	7,905,000	-	-	7,905,000
Cost of share issue	(597,389)	-	-	(597,389)
Options expensed in the period	-	35,317	-	35,317
Balance as at 31 December 2010	<u>40,051,967</u>	<u>1,011,692</u>	<u>(6,796,833)</u>	<u>34,266,826</u>

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

Cash Flow Statement

FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Consolidated	
Notes	31-Dec-10 \$	31-Dec-09 \$
Cash flows from operating activities		
Receipts from customers	116,173	-
Payments to suppliers and employees	(1,187,617)	(977,691)
Interest received	234,396	92,994
Net cash flows used in operating activities	<u>(837,048)</u>	<u>(884,697)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(85,974)	(300,174)
Acquisition of projects	-	(10,860,000)
Exploration and evaluation expenditure	(4,743,956)	(1,315,815)
Net cash flows used in investing activities	<u>(4,829,930)</u>	<u>(12,475,989)</u>
Cash flows from financing activities		
Proceeds from issue of shares	7,905,000	25,286,267
Payment for share issue costs	(597,389)	(1,672,729)
Net cash flows from financing activities	<u>7,307,611</u>	<u>23,613,538</u>
Net increase in cash and cash equivalents	1,640,633	10,252,852
Cash and cash equivalents at beginning of period	<u>8,364,285</u>	<u>1,266,523</u>
Cash and cash equivalents at end of period	<u>10,004,918</u>	<u>11,519,375</u>

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

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2010

CORPORATE INFORMATION

The financial report of YTC Resources Limited for the half year ended 31 December 2010 was authorised for issue in accordance with a resolution of Directors on 7 March 2011.

YTC Resources Limited is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange.

The principal activity of the Company and its subsidiaries (together the "Consolidated Entity") is mineral exploration. The address of the registered office is 2 Corporation Place, Orange NSW.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

This general purpose condensed financial report for the half year ended 31 December 2010 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half year financial report be read in conjunction with the annual report for the year ended 30 June 2010 and considered together with any public announcements made by YTC Resources Limited during the half year ended 31 December 2010 in accordance with continuous disclosure obligations of the ASX listing rules.

Significant Accounting Policies

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

The Consolidated entity has adopted the following new and amended Australian Accounting Standards as of 1 July 2010:

- AASB 2009-4, 7 Amendments to Australian Accounting Standards; and
- AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions.

Adoption of these standards did not have any effect on the financial position or performance of the Consolidated entity.

Notes to the Financial Statements
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

2. EXPENSES	Note	31-Dec-10 \$	31-Dec-09 \$
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Loss before income tax includes the following specific expenses:

(a) Employee benefits expense

Salaries and on-costs		541,936	327,366
Options expense	6	<u>35,317</u>	<u>-</u>
		<u>577,253</u>	<u>327,366</u>

(b) Administration expenditure

Audit fees		19,600	19,213
Legal fees		39,856	41,976
Printing and stationary		21,025	19,197
Telephone and internet		13,770	13,926
Information technology		11,823	10,541
Advertising and promotion		89,986	15,068
Other		<u>17,681</u>	<u>11,239</u>
Total administration expenditure		<u>213,741</u>	<u>131,160</u>

3. CASH AND CASH EQUIVALENTS	31-Dec-10 \$	30-Jun-10 \$
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Cash and cash equivalents are comprised of the following:

Cash at bank and in hand	5,944,170	2,304,431
Short-term deposits	<u>4,060,748</u>	<u>6,059,854</u>
	<u>10,004,918</u>	<u>8,364,285</u>

4. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	31-Dec-10 \$	30-Jun-10 \$
Exploration and evaluation		
At cost	26,809,384	22,662,705
Accumulated impairment	<u>(1,385,821)</u>	<u>(1,724,287)</u>
Total exploration and evaluation	<u>25,423,563</u>	<u>20,938,418</u>

Reconciliation of movement in carrying value of deferred exploration and evaluation expenditure during the current period

	\$
Opening balance	20,938,418
Additions	4,868,121
Impairment	-
Reclassified as held for sale	<u>(382,976)</u>
Closing balance	<u>25,423,563</u>

No impairment was recognised on deferred exploration and evaluation assets during the period. An amount of \$268,052 within exploration expenditure during the period to 31 December 2010 relates to an increase in the fair value of the provision for estimated royalty payable on gravity gold dore production from the Hera deposit.

Notes to the Financial Statements
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

4. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE (continued)

The exploration costs and accumulated impairment previously recognised for tenements EL6389, EL6392, EL6690 and EL7280 have been transferred to available-for-sale exploration assets at 31 December 2010 pending their sale to Taronga Mines Limited. The amounts transferred were:

	\$
Cost	721,442
Accumulated impairment	(338,466)
Written down value	<u>382,976</u>

Refer to the Directors' Report for more information regarding this transaction.

	31-Dec-10	30-Jun-10
5. CONTRIBUTED EQUITY	\$	\$
(a) Issued and paid up capital		

Ordinary shares fully paid	<u>40,051,967</u>	<u>32,744,356</u>
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(b) Movements in ordinary shares on issue

Details	Date	Number of shares	\$
Opening Balance	1-Jul-10	164,203,364	32,744,356
Placement net of issue costs	8-Nov-10	24,600,000	5,685,238
Placement net of issue costs	7-Dec-10	<u>7,020,000</u>	<u>1,622,373</u>
Closing Balance		<u>195,823,364</u>	<u>40,051,967</u>

	31-Dec-10	30-Jun-10
6. RESERVES	\$	\$
Carrying amount at beginning of period	976,375	881,817
Options issued during period	<u>35,317</u>	<u>94,558</u>
Option Premium Reserve	<u>1,011,692</u>	<u>976,375</u>

(a) Movements in Option Reserve

Details	Date	Number of options	\$
Opening Balance	1-Jul-10	5,925,000	976,375
Expense recognised for options issued 1 January 2010 over vesting period to 1 January 2011. No new options issued.		-	35,317
Closing Balance	31-Dec-10	<u>5,925,000</u>	<u>1,011,692</u>

7. SEGMENT INFORMATION

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 projects, being the most significant current projects of the Company, all other tenements and advisory services to the Yunnan Tin Group. Financial information about each of these segments is reported to the Chief Executive Officer and Board of Directors on a monthly basis.

Notes to the Financial Statements
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

7. SEGMENT INFORMATION (continued)

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

Accounting policies and inter-segment transactions

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

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

The following represents profit and loss and asset information for reportable segments for the half-years ended 31 December 2010 and 31 December 2009.

	Hera and Nymagee Projects	Other Exploration Projects	Yunnan Tin Group Management	Total
Segment Results				
<u>Half -year ended 31 December 2010</u>				
Segment Revenue	-	-	69,466	69,466
Deferred exploration costs written-off	-	-	-	-
Other allocated costs	-	-	(50,132)	(50,132)
Segment Net Profit After Tax	-	-	19,334	19,334
Reconciliation of segment net loss after tax to net loss after tax				
Interest revenue				210,582
Corporate operating costs				(1,268,691)
Corporate asset depreciation and amortisation				(53,132)
Net Loss after tax per the statement of comprehensive income				<u>(1,091,907)</u>
<u>Half -year ended 31 December 2009</u>				
Segment Revenue	-	-	-	-
Deferred exploration costs written-off	-	(244,665)	-	(244,665)
Other allocated costs	-	-	-	-
Segment Net Loss After Tax	-	(244,665)	-	(244,665)
Reconciliation of segment net loss after tax to net loss after tax				
Interest revenue				160,742
Corporate operating costs				(1,015,813)
Depreciation and amortisation				(34,885)
Net Loss after tax per the statement of comprehensive income				<u>(1,134,621)</u>

Notes to the Financial Statements
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

7. SEGMENT INFORMATION (continued)

	Hera and Nymagee Projects	Other Exploration Projects	Yunnan Tin Group Management	Total
Segment assets for the half-year ended 31 December are as follows:				
Segment assets at 31 December 2010				
Available-for-sale exploration assets	-	382,976	-	382,976
Property, plant and equipment	111,478	-	-	111,478
Deferred exploration and evaluation expenditure	22,379,297	3,044,266	-	25,423,563
	<u>22,490,775</u>	<u>3,427,242</u>	-	<u>25,918,017</u>
Reconciliation of segment assets to total assets				
Cash and cash equivalents				10,004,918
Trade and other receivables				92,606
Prepayments				44,630
Corporate plant and equipment				<u>400,293</u>
Total assets per the balance sheet at 31 December 2010				<u>36,460,464</u>
Segment assets at 30 June 2010				
Property, plant and equipment	213,986	-	-	213,986
Deferred exploration and evaluation expenditure	18,347,362	2,591,056	-	20,938,418
	<u>18,561,348</u>	<u>2,591,056</u>	-	<u>21,152,404</u>
Reconciliation of segment assets to total assets				
Cash and cash equivalents				8,364,285
Trade and other receivables				160,156
Prepayments				52,785
Corporate plant and equipment				<u>238,400</u>
Total assets per the balance sheet at 30 June 2010				<u>29,968,030</u>

Notes to the Financial Statements
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

31-Dec-10 30-Jun-10
\$ \$

8. COMMITMENTS

(a) Expenditure commitments

Under the terms and conditions of being granted exploration licenses, the consolidated entity has a minimum annual commitment for the term of the license. The terms of the licenses are 2 years.

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

Within 1 year	555,865	678,543
After one year but not longer than 5 years	<u>136,823</u>	<u>253,416</u>
	<u>692,688</u>	<u>931,959</u>

(b) Lease commitments

Within 1 year	60,000	60,000
After one year but not longer than 5 years	<u>85,000</u>	<u>115,000</u>
	<u>145,000</u>	<u>175,000</u>

9. BUSINESS COMBINATION

No acquisitions or disposals were made in the period under review.

Prior period acquisition

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

The total cost of the acquisition was as follows:

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

The Consolidated Entity has recorded deferred consideration of \$1,635,310 (\$1,367,258 at 30 June 2010) representing the net present value of projected royalty payments due under the terms of the acquisition, calculated based on information available as at 31 December 2010. The deferred consideration is revalued at each reporting date in accordance with AASB 3 with a corresponding adjustment to exploration and evaluation assets acquired.

Notes to the Financial Statements
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

9. BUSINESS COMBINATION (continued)

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

	Provisional Fair Value as previously reported	Fair Value Adjustments	Fair Value at acquisition
	\$	\$	\$
Exploration and evaluation assets	13,227,258	268,052	13,495,310
Other property, plant and equipment	140,000	-	140,000
Fair value of identifiable net assets	<u>13,367,258</u>	<u>268,052</u>	<u>13,635,310</u>

Cost of the combination:	\$
Cash consideration (paid)	12,000,000
Deferred consideration (revalued at 31 December 2010)	<u>1,635,310</u>
	<u>13,635,310</u>

10. DIVIDENDS

No dividends were paid or proposed during the period (2009: nil).

11. EVENTS AFTER THE BALANCE SHEET DATE

On the 19 October 2010, YTC announced it had reached agreement to sell its New England Tin Projects to Taronga Mines Limited (TML).

YTC's New England tin assets include the Torrington project and the Pound Flat Project.

The original sale consideration agreed upon included the issue of 11,000,000 fully paid ordinary shares in TML, plus 5,500,000 options to acquire shares in TML. Upon the completion of the sale transaction, YTC is likely to have significant influence over TML.

As at 31 December 2010, the sale has not been finalised as there are a number of conditions precedent that need to be satisfied before this can be concluded. In addition, certain amendments have been made to the sale agreement post 31 December 2010.

The sale is expected to be completed by the end of the financial year.

There are no other events occurring subsequent to the balance sheet date requiring disclosure.

12. CONTINGENT ASSET

An amount of \$2,095,000 is due from shareholders from the placement of shares conducted during the period.

This amount has not been recognised as a receivable at 31 December 2010 as the share acquisition was subject to Chinese Government approval at balance date.

The amount has been received in full subsequent to 31 December 2010.

Notes to the Financial Statements
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

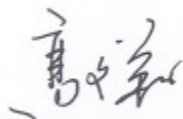
DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of YTC Resources Limited, I 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 financial position as at 31 December 2010 and its performance, for the half year ended on that date of the Consolidated Entity; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Dr. Wenxiang Gao
Chairman
10 March 2011

To the members of YTC Resources Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of YTC Resources Ltd, which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2010 or from time to time during the six months.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2010 and its performance for the six months ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of YTC Resources Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the half-year financial report.

A review of the half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, 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.

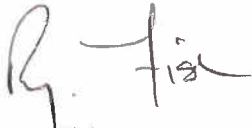
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of YTC Resources Ltd is not in accordance with the *Corporations Act 2001*, including:

- i giving a true and fair view of the company's financial position as at 31 December 2010 and of its performance for the six months ended on that date; and
- ii complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Ryan Fisk
Partner
Sydney
10 March 2011