



ABN 37 108 476 384

FINANCIAL REPORT

30 June 2011

YTC Resources Limited Corporate Directory

Directors

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

Company Secretary

Mr Richard Willson

Registered Office and Principal Place of Business

YTC Resources Limited
2 Corporation Place
ORANGE NSW 2800
Telephone: (02) 6361 4700
Facsimile: (02) 6361 4711
Email: office@ytcresources.com

Share Register

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153
Telephone: (08) 9315 2333
Facsimile: (08) 9315 2233

Stock Exchange Listing

YTC Resources Limited shares
are listed on the Australian Stock
Exchange, the home branch being Perth
ASX Code: YTC

Auditors

Ernst and Young
680 George Street
Sydney NSW 2000

Website

www.ytcresources.com

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 2011, together with the state of affairs of the Group as at that date.

DIRECTORS AND OFFICERS

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

Dr. Wenxiang Gao - Chairman

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

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

Mr. Rimas Kairaitis – Director and Chief Executive Officer

Mr. Kairaitis is a geologist with over 17 years experience in minerals exploration and resource development in gold, base metals and industrial minerals in Queensland and NSW, working with companies including Shell Minerals, Plutonic Resources, and CRA.

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

Mr. Kairaitis has a strong exploration track record, leading the geological field team to the discovery of the 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.

Mr. Anthony Wehby

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

Mr. Wehby has been a director of Tellus Resources Limited since July 2010 and Moss Capital Asset Management Limited since August 2011. He has held no other listed company directorships in the past three years.

YTC Resources Limited

Directors' Report

Dr. Guoqing Zhang

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

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

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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Mr. Stephen Woodham

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

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

Centaurus Resources Ltd (Australian Stock Exchange)	Appointed 11 October 2007 Resigned 8 January 2010
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Mr. Robin Chambers

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

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

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

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

Mr. Richard Hill

Mr. Richard Hill has over 18 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 14 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, The Financial Services Institute of Australia and the Geological Society of Australia. Mr. Hill's qualifications are B.Juris, LLB., B.Sc. (Geology) (First Class Honours), ASIA.

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

Centaurus Resources Ltd (Australian Stock Exchange)	Appointed 11 October 2007 - Present
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YTC Resources Limited Directors' Report

Ms. Christine Ng

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

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

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

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

Mr. Richard Willson – Company Secretary & Chief Financial Officer

Richard is an accountant with more than 16 years experience.

Mr Willson has a bachelor of Accounting from the University of South Australia, is a member of CPA Australia, and is a member, and graduate, of the Institute of Company Directors Graduate Diploma Program. 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
Directors		
Dr. Wenxiang Gao	10,000	500,000
Mr. Anthony Wehby	245,000	500,000
Mr. Rimas Kairaitis	3,438,544	1,000,000
Dr. Guoqing Zhang	-	-
Mr. Stephen Woodham	3,520,317	500,000
Mr. Robin Chambers	360,003	500,000
Mr. Richard Hill	1,158,821	500,000
Ms. Christine Ng	-	-

YTC Resources Limited Directors' Report

DIVIDENDS

No dividend was paid or declared by the Company in the period since the end of the previous financial year, and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend for the financial year ended 30 June 2011.

CORPORATE STRUCTURE

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

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

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

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

REVIEW AND RESULTS OF OPERATIONS

CORPORATE:

YTC Resources closed the 2010-11 financial year in a very strong financial position with cash and receivables of \$28.6m. This follows a year of continuing aggressive exploration and feasibility activities at the flagship Hera and Nymagee Projects.

Corporate highlights for the year include:

- Completion of two successful capital raisings, \$10m in October 2010 and \$25m in March 2011. Both raisings were substantially oversubscribed and strongly supported by local and international institutional investors and both existing and new shareholders.
- Continued sole funding of the Nymagee Joint Venture saw YTC increase its interest in the Nymagee Joint Venture to 90%.
- Agreements to sell YTC's New England Tin projects to Taronga Mines Ltd (TAZ), which is seeking an ASX IPO. TAZ own 100% of the Taronga Tin Deposit, the largest undeveloped tin deposit on mainland Australia.

Cash Flow

The Group's cash position increased by \$20,241,281 during the year mainly as a result of share placements conducted to fund further exploration activity on the Hera and Nymagee projects.

The cash balance at the end of the financial year was \$28,605,566.

Objectives, Strategy and Risks

YTC's objective for 2012 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.

YTC Resources Limited Directors' Report

HERA PROJECT:

DFS Expansion

In October 2010, YTC announced the expansion of the Hera Definitive Feasibility Study (DFS) to include the recently discovered extensions to the Hera Far West Lens and to allow for the integration of recently discovered high grade copper mineralisation at the Nymagee Copper Project.

The end of the 2010-11 financial year saw Stage 1 of the expanded DFS, being the Hera Project Assessment, substantially complete, with finalisation expected in September 2011. Key activities during the year on the expanded DFS included:

- Resource extension and infill drilling on the Hera Far West Lens, with a view to expanding the existing Indicated Resource for Hera and inclusion in the DFS Mining Study. This drilling returned a number of spectacular results with selected highlight intersections including:
 - TNY005W2: 11m @ 11.1g/t Au, 40g/t Ag, 6.9% Pb and 13.6% Zn
 - HRD032: 10.2m @ 68.3g/t Au, 19g/t Ag, 3.2% Pb and 3.8%
 - HRD032W2: 20m @ 3.9g/t Au, 18g/t Ag, 2.9% Pb and 3.8% Zn
 - HRD035W3: 40m @ 2.7g/t Au, 17g/t Ag, 0.4% Cu, 2.8% Pb and 3.6% Zn
 - HRD074AW2: 21m @ 6.3g/t Au, 20g/t Ag, 3.1% Pb, and 4.9% Zn
 - HRD035W2: 25m @ 3.8g/t Au, 38g/t Ag, 0.6% Cu, 5.9% Pb and 7.2% Zn
- Release of an updated Hera Resource estimate in June 2011 with an increased resource tonnage and a major lift in Indicated Resources. The updated estimate of 2.44Mt @ 4.1g/t Au, 16.7g/t Ag, 2.8% Pb and 3.8% Zn represents a contained 677,200 oz of gold equivalent.
- Completion of all surface infrastructure design and costing including process plant and tailings dam.
- Completion of expanded water bore test pumping and licensing.
- Environmental permitting advanced through the Conceptual Project Development (CPD) and Preliminary Environmental Report (PER) stages and through to the preparation of the final Environmental Assessment (EA).
- Near completion of mine planning studies

Hera Project Exploration

The key exploration results outside of the resource extension drilling at the Hera Project included:

- Recognition of oxide gold mineralisation at Hera in hole HRRC008 which recorded: 45m @ 1.5g/t Au from 9m.
- Shallow extensions to the sulphide mineralisation at Hera, with best results of 13m @ 2.5g/t Au and 22g/t Ag from 112m in hole HRRC011.
- High grade gold mineralisation discovered approximately 120m south of the known limits of the Hera deposit in hole HRD026 which recorded 7.7m @ 5.7g/t Au, 0.41% Cu, 2.1% Pb & 2.8% Zn from 520.3m
- Recognition of strongly anomalous Cu-Pb-Zn mineralisation at the Dominion prospect, located approximately 16km south of the Hera deposit. The first drill holes into the prospect, intersected best results of 6m @ 0.4% Cu, 1.4% Pb and 0.7% Zn from 69m in hole DRC001.

YTC Resources Limited Directors' Report

Nymagee Copper Mine JV

The 2010-11 year saw YTC report the first exploration results from Nymagee with considerable excitement. The first two drill holes beneath the historic Nymagee Copper Mine demonstrated the persistence of high grade copper mineralisation beneath the old mine:

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

The implication of these initial results was that a substantial high grade copper deposit remained in place in the immediate strike and dip extents around the historic Nymagee Copper Mine. YTC immediately commenced a substantial programme of diamond drilling which has now demonstrated the copper mineralisation extends for at least 250m below the historic mine along a strike extent of approximately 400m. Selected results from the Nymagee Main Lens in this programme reported during the year include:

- NMD009W2: 10m @ 7.1% Cu, 39.7g/t Ag
- NMD008W1: 14m @ 5.1% Cu, 22g/t Ag and 0.27g/t Au
- NMD021W1: 36m @ 2.5% Cu,, and 11g/t Ag

In addition to strong results from the Main Lens position, the drilling also recorded a number of very encouraging results from the footwall or eastern side of the Nymagee Main Lens. Generally the footwall mineralisation presents as broad widths of low grade copper mineralisation, however, deeper drilling discovered the development of a number of higher grade lodes in the footwall position, which look to be amenable to selective underground mining techniques. Selected intersections from the Nymagee footwall zone include:

- NMD008W1: 19m @ 1.0% Cu from 361m, including
3m @ 3.5% Cu from 368m
- NMD017: 12m @ 3.7% Cu from 324m (Royal lode)
- NMD017W1: 12m @ 3.2% Cu from 323m (Royal lode)
- NMD017: 6m @ 3.75% Cu from 471m (Club House lode)

YTC commenced an initial programme of RC drilling during the year, with the first drill holes discovering that the footwall mineralisation hosts substantial grades and thicknesses of strong copper mineralisation at shallow depths.

Selected drill hole results from this programme include:

- NMRC001: 53m @ 2.3% Cu from 34m, including
16m @ 4.2% Cu from 42m (supergene zone)
- NMRC002: 69m @ 1.5% Cu from 39m, including
19m @ 3.0% Cu from 49m (supergene zone)
- NMRC003: 71m @ 0.9% Cu from 56m
- NMRC006: 63m @ 1.3% Cu from 54m
- NMRC009: 10m @ 2.9% Cu from 56m
- NMRC022: 53m @ 1.7% Cu from 87m, including
25m @ 2.7% Cu from 96m

These shallow results strongly indicate the presence of substantial tonnages amenable to extraction by open pit mining methods.

YTC Resources Limited Directors' Report

The Nymagee mineralisation also hosts a significant, high grade lead-zinc-silver lens located to the immediate west of the Nymagee Main Lode. The lead-zinc-silver lens was left unmined by the historical mining activities at Nymagee. Drilling to date has recorded a number of very strong intersections through the lead-zinc-silver lens, with selected intersections including:

- NMD030: 5.0m @ 0.1% Cu, 7.0% Pb, 13.3% Zn & 97g/t Ag
- NMD031: 17m @ 3.0% Cu, 0.1% Pb, 7.2% Zn, and 14g/t Ag and
9m @ 0.7% Cu, 7.0% Pb, 13.1% Zn, 52g/t Ag
- NMD0015W2: 8.0m @ 4.6% Pb, 7.3% Zn, 26g/t Ag, and
3.3m @ 6.1% Pb, 11.7% Zn and 51g/t Ag
- NMRC003: 8m @ 0.5% Cu, 5.7% Pb, 10.2% Zn & 57g/t Ag

YTC considers the Nymagee mineral system to represent a strong analogue to the CSA Mine which is located approximately 90km north-west along structural strike. The CSA Mine is currently Australia's highest grade copper mine and represents a copper endowment of >1.5Mt of Cu metal.

At time of completion of this report, YTC was continuing an aggressive drilling programme at Nymagee with a view to establishing a maiden resource estimate and commencing pre-feasibility stage mining studies.

Nymagee Geophysics

YTC completed a **detailed gravity** survey to the north of the previous survey to provide complete gravity coverage over the Nymagee mine area and surrounds. The survey was designed to infill gaps in the previous survey and infill the data coverage to a higher resolution.

The gravity survey is interpreted to clearly delineate the Nymagee mineralisation for over 1.2km in strike. The complete survey now provides additional gravity-high targets to the north and east which are either untested or poorly tested by previous exploration.

YTC drilling to date has only tested 400m of the 1.2km strike of the Nymagee gravity high.

YTC re-processed the data from an existing (2005) **detailed Induced Polarisation (IP)** survey across the Nymagee Mine area. The data was re-processed to enable better targeting of the shallow copper mineralisation identified in the recent YTC RC drilling programme. The IP shows a distinctive low-resistivity zone across the top of the Nymagee Copper Mine of approximate dimensions 500m x 100m x 100m. YTC has reported broad widths of strong copper sulphide mineralisation where recent RC drilling has intersected this zone (NMRC001-9).

YTC completed a **downhole EM (DHEM)** survey on 4 selected diamond holes beneath the Nymagee Mine. Each of the holes identified strong conductors where the holes had intersected copper mineralisation in the footwall and main lode positions, confirming effectiveness of the DHEM method at Nymagee.

Nymagee Metallurgy

YTC is progressing metallurgical studies to allow for the finalisation of a process flow sheet and process plant costings suitable for the treatment of both Hera and Nymagee mineralisation.

Grind and floatation testwork has now been completed on a range of sample head-grades. Results to date indicate optimum flotation recoveries of >90% Cu can be achieved across all grade ranges at a grind size of 125 micron.

DORADILLA PROJECT

The Doradilla Project is represents an extensively mineralized area prospective for precious and polymetallic metals including tin, silver, nickel, copper, bismuth, indium and zinc, and hosts a significant oxide tin resource at 3KEL-Midway of 7.81Mt @ 0.28% Sn for 22.3kt of contained tin.

YTC Resources Limited

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During the year, YTC completed a programme of seven (7) RC percussion drill holes designed to test the mineralised contact of a quartz porphyry intrusion associated with copper-tungsten mineralisation at the historic Doradilla Copper Mine.

The holes recorded numerous broad intervals of moderately sulphide mineralised and sericite altered quartz porphyry with occasional zones of strong sulphide mineralisation. Assays recorded a number of broad intervals of lead and zinc anomalism with occasional intervals of anomalous copper, tin and silver.

Best results included 86m @ 0.1% Pb and 0.2% Zn from 70m in hole DMRC001.

BALDRY PROJECT

During the year YTC completed a 12 hole RC programme at the Baldry Project testing for high grade gold-silver epithermal veins beneath an ignimbrite cap rock.

The target areas lay 0.5-1km south-east of the historic Mt Aubrey gold mine which last was operated by BHP Gold in 1991. The holes were targeted using IP geophysics which delineated strongly resistive zones interpreted to represent prospective quartz veins beneath cap rocks.

The only significant result was in the final 1m interval of hole MARC001, which intersected sulphide bearing quartz veins at the bottom of hole which recorded 1m @ 0.36g/t Au from 183m. The hole was abandoned at 184m due to high water inflows.

This hole was testing the highest priority target in the programme and a diamond drill is scheduled to deepen the hole in the coming year.

TALLEBUNG PROJECT

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 has been seeking access to the historic Tallebung Mine site to complete a scheduled programme of two deep diamond core holes to test the deep geophysical targets and to scope the Tallebung system for a potential large tonnage low grade tin deposit.

YTC has received advice that the land parcel is potentially subject to Native Title and the Company is now commencing a Right to Negotiate process. It is anticipated this process may delay the commencement of the planned drilling by up to 6 months.

The Company also 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).

TORRINGTON PROJECT

No activities were completed on the Project during the year as it was agreed to divest YTC's interest in the tenements to Taronga Mines Ltd (TML), which is seeking an ASX IPO. TML own a 100% interest in the Taronga Tin Deposit, the largest undeveloped tin deposit on mainland Australia

YTC Resources Limited Directors' Report

KADUNGLE PROJECT

YTC completed a detailed ground gravity survey over the Mt Leadley Prospect area.

The results were processed and interpreted in combination with previous ground magnetic and IP surveys with a number of additional drilling targets defined.

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

Competent Persons Statement – Exploration Results

The information in this presentation 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 Estimate

The Resource Estimation 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 – 3KEL-Midway Resource Estimate

The resource estimates of oxide material at 3KEL and Midway have been performed by Dr William Yeo, MAusIMM, who is an employee of Hellman & Schofield Pty Ltd and who qualifies as a Competent Person under the meaning of the 2004 JORC Code. He consents to the inclusion of these estimates, and the attached notes, in the form and context in which they appear.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Total Group equity increased by \$30,883,793. The movement was mainly due to the increase in contributed equity of \$32,968,240 arising from the share placement conducted during the year offset by the loss for the financial year of \$2,725,473. Deferred Exploration and Evaluation Expenditure increased by \$12,541,586 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 \$1,861. 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 \$2,365,694.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Sale of New England Tin Projects to Taronga Mines

In August 2011, YTC finalised and settled an 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 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.

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In accordance with the agreement, TML issued 12.4 million shares and 5.5 million options to YTC, 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. YTC have nominated Mr Richard Willson to be their representative director on the TML board.

YTC's New England tin assets include the Torrington project tenements and the Pound Flat Project. These assets are classified as held-for-sale on YTC's balance sheet at 30 June 2011.

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 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 6,965,000 un-issued ordinary shares under options. The options are unlisted and have various terms as set out below.

<u>Number of Options</u>	<u>Expiry</u>	<u>Exercise Price (per share)</u>
4,000,000	4-May-12	\$0.25
1,275,000	31-Dec-12	\$0.40
340,000	31-Dec-14	\$0.40
1,350,000	31-Dec-14	\$0.45
<u>6,965,000</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, 150,000 unlisted employee options were exercised.

YTC Resources Limited Directors' Report

MEETINGS OF DIRECTORS

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

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

EMPLOYEES

The Company had 16 employees at 30 June 2011 (2010: 11 employees).

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

REMUNERATION REPORT (AUDITED)

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

Remuneration policy and committee

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

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

Due to the nature of the Company's operations which consists of minerals exploration and evaluation, the remuneration of directors and executives, at present, is paid at the discretion of the Board of Directors.

YTC Resources Limited
Directors' Report

REMUNERATION REPORT (AUDITED) (continued)

Details of key management personnel

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

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

YTC Resources Limited
Directors' Report

REMUNERATION REPORT (AUDITED) (continued)

Remuneration of key management personnel

	Short term			Post - employment	Share based payment		
	Non- Executive Directors Fees	Salary and Fees	Non- Monetary	Super- annuation	Options	Total	Remuneration consisting of options
	\$	\$	\$	\$	\$	\$	%
Directors							
Dr. Wenxiang Gao							
2011	38,150	-	-	-	-	38,150	-
2010	34,063	-	-	-	-	34,063	-
Mr. Rimas Kairaitis							
2011	-	250,022	-	22,502	-	272,524	-
2010	-	208,333	-	18,750	-	227,083	-
Mr. Anthony Wehby							
2011	33,000	-	-	2,970	-	35,970	-
2010	29,750	-	-	2,678	-	32,428	-
Dr. Guoqing Zhang							
2011	30,000	-	-	2,700	-	32,700	-
2010	27,500	-	-	2,475	-	29,975	-
Mr. Stephen Woodham							
2011	30,000	225,700	-	2,700	-	258,400	-
2010	27,500	195,018	-	2,475	-	224,993	-
Mr. Robin Chambers							
2011	30,000	10,511	-	2,700	-	43,211	-
2010	27,500	47,520	-	2,475	-	77,495	-
Mr. Richard Hill							
2011	30,000	35,381	-	2,700	-	68,081	-
2010	27,500	85,149	-	2,475	-	115,124	-
Ms. Christine Ng							
2011	32,700	-	-	-	-	32,700	-
2010	29,975	-	-	-	-	29,975	-
Executives							
Mr. Richard Willson							
2011	-	216,299	-	19,467	58,912	294,678	20%
2010	-	74,065	-	6,666	22,785	103,516	-
Mr. Dean Fredericksen							
2011	-	62,504	-	5,625	187,530	255,659	73%
2010	-	-	-	-	-	-	-
Mr. Sean Pearce							
2011	-	63,747	6,253	5,737	180,634	256,371	70%
2010	-	-	-	-	-	-	-
Mr. Matthew Sikiritch							
2011	-	-	-	-	-	-	-
2010	-	72,492	-	-	-	72,492	-
Total 2011	223,850	864,164	6,253	67,101	427,076	1,588,444	
Total 2010	203,788	682,577	-	37,994	22,785	947,144	

YTC Resources Limited
Directors' Report

REMUNERATION REPORT (AUDITED) (continued)

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

100,000 options were issued to Mr. Richard Willson during the year (June 2010: 500,000). These options vested immediately. 500,000 options were issued to both Mr. Dean Fredericksen and Mr. Sean Pearce on their appointments. Mr Fredericksen's options vested immediately. 250,000 of Mr Pearce's options vested immediately and 250,000 will vest on 1st January 2012. No other options were granted or vested in relation to key management personnel during the financial year ended 30 June 2011. During the financial year 750,000 options were granted to other employees. For details of these options refer to note 22 to the financial statements.

250,000 of the options issued during the year vest on 1 January 2012. All other options have vested at 30 June 2011.

Shareholdings of key management personnel (consolidated)

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

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

(a) Acquired or disposed on-market.

(b) Share Purchase Plan (c) No longer included in 2011 following resignation of KMP

YTC Resources Limited
Directors' Report

REMUNERATION REPORT (AUDITED) (continued)

Option holdings of key management personnel (consolidated)

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					
Dr. Wenxiang Gao	500,000	-	-	-	500,000
Mr. Anthony Wehby	500,000	-	-	-	500,000
Mr. Rimas Kairaitis	1,000,000	-	-	-	1,000,000
Dr. Guoqing Zhang	-	-	-	-	-
Mr. Stephen Woodham	500,000	-	-	-	500,000
Mr. Robin Chambers	500,000	-	-	-	500,000
Mr. Richard Hill	500,000	-	-	-	500,000
Ms. Christine Ng	-	-	-	-	-
Executives					
Mr. Richard Willson	500,000	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

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

(a) No longer included in 2011 following resignation of KMP

YTC Resources Limited Directors' Report

REMUNERATION REPORT (AUDITED) (continued)

Executive Directors and Executives

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

Executive Directors and Executives

The Chief Executive Officer, Mr. Rimas Kairaitis, is employed under an executive employment agreement. The agreement may be terminated by Mr. Kairaitis at any time by giving three months notice in writing, or such shorter period of notice as may be agreed. The Company may terminate the agreement by the board giving three months written notice and making a payment equivalent to 9 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 was \$225,000 plus superannuation until 31 December 2010 and \$285,000 plus superannuation after that date 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 9 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 was \$210,000 plus superannuation until 31 December 2010 and \$225,000 plus superannuation after that date for services as the Chief Financial Officer and Company Secretary.

The Chief Operating Officer, Mr Dean Fredericksen, is employed under an executive employment agreement. He joined the Company on 1st March 2011. 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 9 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. He joined the Company on 1st March 2011. 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 9 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.

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

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

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

YTC Resources Limited Directors' Report

REMUNERATION REPORT (AUDITED) (continued)

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

Non-Executive Directors

The constitution and the ASX listing rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The latest determination was an aggregate remuneration of \$400,000 per year. From 1 November 2009 to date, Director fees have been the following:

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

Other transactions with 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 with an option to extend by a further 3 years. The gross rent per annum is \$66,000 (including GST).
- Mr Stephen Woodham has a minority shareholding in one of the drilling companies used by the Company during the year to undertake drilling activities. Techdrill is contracted by the Company at market rates negotiated at arm's length.

CORPORATE GOVERNANCE

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

AUDITOR'S INDEPENDENCE AND NON-AUDIT SERVICES

The Company has obtained an independence declaration from its auditors, Ernst and Young, which forms part of this report. A copy of that declaration is included at page 61 of this report.

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



Dr. Wenxiang Gao
Non-Executive Chairman
15 September 2011

YTC Resources Limited

Corporate Governance Statement

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

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

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

Principle 1 – Lay solid foundations for management and oversight

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

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

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

Role of the Board

The responsibilities of the Board include:

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

Role of Senior Executives

The responsibilities of Senior Executives include:

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

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

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

YTC Resources Limited

Corporate Governance Statement

Principle 2 – Structure the Board to add value

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

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

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

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

In accordance with the definition of independence set out in the ASX's Principle of Good Governance, Mr. Anthony Wehby and Mr Richard Hill 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 will evolve as the nature of the operations of the Group transition to mining.

Recommendation 2.2: The Chair should be an Independent Director.

Chairman

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

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

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

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

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

Recommendation 2.4: The Board should establish a Nomination Committee

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

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

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

YTC Resources Limited

Corporate Governance Statement

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

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

Principle 3 – Promote ethical and responsible decision-making

Recommendation 3.1: Companies should establish a code of conduct

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

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

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

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

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

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

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

Principle 4 – Safeguard integrity in financial reporting

Recommendation 4.1: The Board should establish an Audit Committee

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

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

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

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

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

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

YTC Resources Limited

Corporate Governance Statement

Recommendation 4.3: The Audit Committee should have a formal charter

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

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

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

Principle 5 – Make timely and balanced disclosure

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

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

Principle 6 – Respect the rights of shareholders

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

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

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

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

YTC Resources Limited

Corporate Governance Statement

Principle 7 – Recognise and manage risk

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

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

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

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

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

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

The Chief Executive Officer and the Company Secretary, namely Mr 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.

Principle 8 – Remunerate fairly and responsibly

Recommendation 8.1: The Board should establish a Remuneration Committee.

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

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

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

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

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

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

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

YTC Resources Limited
Corporate Governance Statement

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

Corporate Governance Compliance

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

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

Statement of Comprehensive Income - for the year ended 30 June 2011

	Note	Consolidated	
		2011 \$	2010 \$
Revenue			
Management fee	3(a)	115,066	1,394,548
Interest revenue	3(a)	747,275	400,677
Total revenue		862,341	1,795,225
Compliance costs		103,666	56,553
Consulting expense		336,917	458,633
Audit fees		51,517	47,778
Employee benefits expense	3(b)	1,754,970	711,412
Directors Fees		223,850	203,788
Office rental and outgoings		73,472	68,466
Promotion		158,723	60,159
Administration expense	3(c)	404,158	345,251
Travel expenses		361,259	281,163
Capitalised exploration costs written off	7	1,861	605,284
Gain on disposal of assets		-	(687)
Depreciation		97,282	65,336
Amortisation		20,139	15,258
Expenses		3,587,814	2,918,394
Loss before income tax		(2,725,473)	(1,123,169)
Income tax expense	4	-	-
Loss after income tax	12	(2,725,473)	(1,123,169)
Other comprehensive income		-	-
Total comprehensive loss for the period		(2,725,473)	(1,123,169)
Earnings per share for loss attributable to the ordinary equity holders of the parent			
Basic loss per share (cents per share)	16	(1.39)	(0.81)
Diluted loss per share (cents per share)	16	(1.39)	(0.81)

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

Statement of Financial Position - as at 30 June 2011

		Consolidated 2011	2010
	Note	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	13(b)	28,605,566	8,364,285
Trade and other receivables	5	340,769	160,156
Prepayments		62,081	52,785
Held-for-sale exploration assets	7 (b)	394,696	-
Total current assets		<u>29,403,112</u>	<u>8,577,226</u>
Non current assets			
Plant and equipment	6	731,360	452,386
Deferred exploration and evaluation expenditure	7 (a)	33,480,004	20,938,418
Total non current assets		<u>34,211,364</u>	<u>21,390,804</u>
Total assets		<u>63,614,476</u>	<u>29,968,030</u>
LIABILITIES			
Current liabilities			
Trade and other payables	8	871,096	514,642
Provisions	9	110,830	70,325
Total current liabilities		<u>981,926</u>	<u>584,967</u>
Non current liabilities			
Trade and other payables	8	3,732,952	1,367,258
Total non current liabilities		<u>3,732,952</u>	<u>1,367,258</u>
Total liabilities		<u>4,714,878</u>	<u>1,952,225</u>
Net assets		<u>58,899,598</u>	<u>28,015,805</u>
EQUITY			
Contributed equity	10	65,712,596	32,744,356
Reserves	11	1,617,401	976,375
Retained losses	12	(8,430,399)	(5,704,926)
Total equity		<u>58,899,598</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 - for the year ended 30 June 2011

Consolidated	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	-	-	(1,123,169)	(1,123,169)
Transactions with owners in their capacity as owners				
Shares issued for the period	25,286,266	-	-	25,286,266
Cost of share issue	(1,672,729)	-	-	(1,672,729)
Options issued for the period	-	94,558	-	94,558
Balance as at 30 June 2010	32,744,356	976,375	(5,704,926)	28,015,805
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 for the period	-	641,026	-	641,026
Balance as at 30 June 2011	65,712,596	1,617,401	(8,430,399)	58,899,598

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

Cash Flow Statement - for the year ended 30 June 2011

		Consolidated	
		2011	2010
		\$	\$
Cash flows from operating activities			
Receipts from customers		137,667	1,497,668
Payments to suppliers and employees		(2,615,999)	(2,103,232)
Interest received		554,458	297,953
Net cash flows used in operating activities	13 (a)	<u>(1,923,874)</u>	<u>(307,611)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(396,395)	(339,821)
Proceeds on sale of equipment		-	3,528
Acquisition of projects		-	(10,860,000)
Exploration and evaluation expenditure		<u>(10,406,690)</u>	<u>(5,011,871)</u>
Net cash flows used in investing activities		<u>(10,803,085)</u>	<u>(16,208,164)</u>
Cash flows from financing activities			
Proceeds from issue of shares		35,140,000	25,286,267
Payment for share issue costs		<u>(2,171,760)</u>	<u>(1,672,730)</u>
Net cash flows from financing activities		<u>32,968,240</u>	<u>23,613,537</u>
Net increase in cash and cash equivalents		20,241,281	7,097,762
Cash and cash equivalents at beginning of year		<u>8,364,285</u>	<u>1,266,523</u>
Cash and cash equivalents at end of year	13 (b)	<u>28,605,566</u>	<u>8,364,285</u>

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

YTC Resources Limited

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1. CORPORATE INFORMATION

The financial report of YTC Resources Limited and its subsidiaries for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the Directors on 13 September 2011.

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

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

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

YTC Resources Limited
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(c) New accounting standards and interpretations

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 2011.

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 124 (Revised)	Related Party Disclosures (December 2009)	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: (a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other (b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other (c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.	1 January 2011	Potential disclosure changes have not yet been investigated.	1 July 2011
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. In particular, it amends AASB 8 <i>Operating Segments</i> to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also 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.	1 January 2011	Potential disclosure changes have not yet been investigated	1 July 2011

YTC Resources Limited
Financial Statements

(c) New accounting standards and interpretations (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for 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 FRSB. This standard relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas: (a) Compliance with Australian Accounting Standards (b) The statutory basis or reporting framework for financial statements (c) Whether the financial statements are general purpose or special purpose (d) Audit fees (e) Imputation credits	1 July 2011	Potential disclosure changes have not yet been investigated	1 July 2011
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. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions. Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.	1 January 2011	Potential disclosure changes have not yet been investigated	1 July 2011

(c) New accounting standards and interpretations (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for 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. These amendments have no major impact on the requirements of the amended pronouncements.	1 January 2011	Potential disclosure changes have not yet been investigated	1 July 2011
AASB 2011-1	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132, AASB 134, Interpretation 2, Interpretation 112, Interpretation 113]	This Standard amends many Australian Accounting Standards, removing the disclosures which have been relocated to AASB 1054.	1 July 2011	Potential disclosure changes have not yet been investigated	1 July 2011
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of IAS 27 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. 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. This is likely to lead to more entities being consolidated into the group.	1 January 2013	Potential changes not yet investigated.	1 July 2013

YTC Resources Limited
Financial Statements

(c) New accounting standards and interpretations (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 11	Joint Arrangements	AASB 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly- controlled Entities – Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition AASB 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the group.	1 January 2013	Potential changes not yet investigated.	1 July 2013
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 judgements 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	Potential changes not yet investigated.	1 July 2013
AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance under AASB 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 under AASB when fair value is required or permitted by AASB. Application of this definition may result in different fair values being determined for the relevant assets. 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.	1 January 2013	Potential changes not yet investigated.	1 July 2013

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

YTC Resources Limited

Financial Statements

2A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(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.

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

2A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(g) Plant and equipment (continued)

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

Impairment losses are recognised in the income statement.

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

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.

2A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(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.

(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:

2A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(m) Revenue recognition (continued)

Interest

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

(n) Share-based payment transactions

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

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

(n) Share-based payment transactions (continued)

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.

(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.

2A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(o) Income tax (continued)

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.

(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.

YTC Resources Limited

Financial Statements

2A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(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”.

(s) Loss per share

Basic loss per share

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

Diluted loss per share

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

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

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

2B. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

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

(a) Significant accounting judgements

Exploration and evaluation expenditure

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

(b) Significant accounting estimates and assumptions

Share-based payment transactions

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

YTC Resources Limited
Financial Statements

		Consolidated	
	Note	2011 \$	2010 \$
3. REVENUE AND EXPENSES			
(a) Revenue from continuing operations			
Management fee		115,066	1,394,548
Interest		747,275	400,677
		<u>862,341</u>	<u>1,795,225</u>
Management fee income consists of a success fee earned and reimbursement of consulting costs incurred from YTC's role in introducing, assessing and negotiating a joint venture agreement between Metals X Limited and Yunnan Tin Group Partners.			
Expenses from continuing operations			
Loss before income tax includes the following specific expenses:			
(b) Employee benefits expense			
Salaries and on-costs		1,113,944	616,854
Options expense	22	641,026	94,558
		<u>1,754,970</u>	<u>711,412</u>
Employee benefits expense and directors fees include superannuation expense of		<u>174,115</u>	<u>91,662</u>
(c) Administration expense			
Accounting fees		130,860	127,927
Legal Fees		50,202	77,678
Bank fees		2,303	1,464
Courier		1,323	2,074
Insurance		86,859	64,835
Printing and stationery		42,696	31,530
Postage		8,067	3,198
Subscriptions		14,835	7,001
Telephone		34,600	27,115
Other		32,413	2,429
		<u>404,158</u>	<u>345,251</u>
(d) Office rental and outgoings include lease payments of:			
Leased Premises		60,504	58,779
Office Equipment		3,660	3,660
Total Lease Payments		<u>64,164</u>	<u>62,439</u>

YTC Resources Limited
Financial Statements

4. INCOME TAX

Consolidated

2011 **2010**
\$ **\$**

The major components of income tax expense
Income Statement

Current income Tax

Current income tax charge (3,711,795) (1,392,674)

Deferred income tax

Relating to origination and reversal of temporary
differences

3,086,461 1,084,090

Unrecognised tax losses

625,334 308,584

Income tax expense reported in the income
statement

- -

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 (2,725,473) (1,123,169)

At the Company's statutory income tax rate
(30%)

(817,642) (336,951)

Share based payments

192,308 28,367

Income tax benefit not brought to account

625,334 308,584

Income tax reported in the income statement

- -

The Group had formed a tax consolidated group at 30 June 2011.

Consolidated	Balance Sheet		Income Statement	
	2011	2010	2011	2010
	\$	\$	\$	\$
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
<i>Deferred tax liabilities</i>				
Deferred Exploration and evaluation expenditure	(5,314,793)	(2,274,025)	(3,040,768)	(1,065,723)
Receivables	(88,685)	(30,840)	(57,845)	(30,818)
<i>Deferred Tax Assets</i>				
Provisions	33,249	21,098	12,152	12,451
Carried forward losses not recognised	5,370,229	2,283,767	3,086,461	1,084,090
Net deferred tax	-	-	-	-
Deferred tax income/(expense)	-	-	-	-

At 30 June 2011 the Group had carried forward tax losses totalling \$26,815,687 (2010: \$12,464,093).

YTC Resources Limited
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Consolidated
2011 **2010**
\$ **\$**

5. TRADE AND OTHER RECEIVABLES - CURRENT

Trade receivables	45,153	57,357
Accrued Interest	295,616	102,799
	<u>340,769</u>	<u>160,156</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	1,016,553	620,398
Accumulated depreciation amortisation and impairment	<u>(285,193)</u>	<u>(168,012)</u>
Total property, plant and equipment	<u>731,360</u>	<u>452,386</u>

Property, plant and equipment is represented by the following:

Motor Vehicles

At 1 July, net of accumulated depreciation and impairment	55,553	69,629
Additions	181,159	-
Depreciation expense	<u>(23,230)</u>	<u>(14,076)</u>
At 30 June, net of accumulated depreciation and impairment	<u>213,482</u>	<u>55,553</u>

Plant & Equipment

At 1 July, net of accumulated depreciation and impairment	234,813	123,497
Additions	207,506	165,414
Disposals	-	(2,838)
Depreciation expense	<u>(74,052)</u>	<u>(51,260)</u>
At 30 June, net of accumulated depreciation and impairment	<u>368,267</u>	<u>234,813</u>

Leasehold improvements

At 1 July, net of accumulated amortisation and impairment	72,020	52,871
Additions	7,730	34,407
Amortisation expense	<u>(20,139)</u>	<u>(15,258)</u>
At 30 June, net of accumulated amortisation and impairment	<u>59,611</u>	<u>72,020</u>

Land ¹

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

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

YTC Resources Limited
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Consolidated
2011 **2010**
\$ **\$**

7 (a). DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

At cost	34,837,686	22,662,705
Accumulated impairment	<u>(1,387,682)</u>	<u>(1,724,287)</u>
Total exploration and evaluation	<u>33,480,004</u>	<u>20,938,418</u>
At 1 July	20,938,418	15,319,672
Exploration expenditure during the year	12,938,143	6,224,030
Reclassified as held-for-sale	(394,696)	-
Impairment charge recognised	<u>(1,861)</u>	<u>(605,284)</u>
At 30 June	<u>33,480,004</u>	<u>20,938,418</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 \$1,861 has been recognised in 2011. Impairment has been recognised on 100% of exploration expenditure incurred on tenements where prospectivity will not be pursued.

Movements in the provision for impairment loss were as follows:

At 1 July	(1,724,287)	(1,185,292)
Reversal of impairment on relinquished tenements	-	66,289
Impairment on tenements reclassified as held-for-sale	338,466	-
Charge for the year	<u>(1,861)</u>	<u>(605,284)</u>
At 30 June	<u>(1,387,682)</u>	<u>(1,724,287)</u>

An amount of \$2,365,694 within exploration expenditure during the 2011 year relates to an increase in the provision for estimated royalty payable on gravity gold dore production from the Hera deposit.

Refer to Note 26 for further information.

7. (b) HELD-FOR-SALE EXPLORATION ASSETS

At cost	733,162	-
Accumulated impairment	<u>(338,466)</u>	<u>-</u>
Total held-for-sale assets	<u>394,696</u>	<u>-</u>
At 1 July	-	-
Exploration expenditure during the year	11,720	-
Reclassified as held-for-sale	382,976	-
Impairment charge recognised	<u>-</u>	<u>-</u>
At 30 June	<u>394,696</u>	<u>-</u>

YTC Resources Limited
Financial Statements

Consolidated
2011 **2010**
\$ **\$**

8. TRADE AND OTHER PAYABLES

Current

Trade payables	611,736	381,311
Accrued Expenses	259,360	133,331
	<u>871,096</u>	<u>514,642</u>

Non - current

Deferred acquisition costs	<u>3,732,952</u>	<u>1,367,258</u>
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Trade payables are non-interest bearing and generally payable on 7 to 30 day terms and due to the short term nature of these payables their carrying value is assumed to approximate their fair value.

Deferred acquisition costs relate to the future royalty payable on the acquisition of the Hera Project from CBH Resources Limited. Refer note 26 for further information.

9. PROVISIONS

Annual Leave	<u>110,830</u>	<u>70,325</u>
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10. CONTRIBUTED EQUITY

(a) Issued and paid up capital

Ordinary shares fully paid	<u>65,712,596</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	8-Nov-10	24,600,000	6,150,000
Placement	7-Dec-10	7,020,000	1,755,000
Placement	1-Feb-11	8,380,000	2,095,000
Placement	6-Apr-11	30,111,961	17,163,818
Placement	8-Apr-11	488,039	278,182
Placement	9-May-11	13,400,000	7,638,000
Exercise of options	8-Jun-11	150,000	60,000
Issue costs			<u>(2,171,760)</u>
Closing Balance		<u>248,353,364</u>	<u>65,712,596</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.

YTC Resources Limited

Financial Statements

10. CONTRIBUTED EQUITY (continued)

(d) Capital Risk Management (continued)

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

No dividends were paid in the year ending 30 June 2011.

Consolidated
2011 **2010**
\$ **\$**

11. RESERVES

Option reserve	1,617,401	976,375
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(a) Movements

Carrying amount at beginning of financial year	976,375	881,817
Options issued during the year	641,026	94,558
Carrying amount at the end of the financial year	1,617,401	976,375

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

	Date	Number of shares	\$
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
Options issued - 500,000 options exercisable at \$0.40	6-May-11	500,000	187,530
Options issued - 1,100,000 options exercisable at \$0.45	6-May-11	1,100,000	397,395
Options issued - 250,000 options exercisable at \$0.45 - vesting 1 January 2012 *	6-May-11	250,000	20,784
Expiry of options exercisable at \$1.00	31-Dec-10	(250,000)	-
Expiry of options exercisable at \$1.50	31-Dec-10	(250,000)	-
Exercise of 150,000 options at \$0.40	8-Jun-11	(150,000)	-
Closing Balance		7,125,000	1,617,401

*These options issued during the year vest on 1 January 2012. The cost of these options is expensed pro rata over the vesting period. All other options have vested at 30 June 2011 and have been fully expensed at that date.

(c) Valuation of Options Reserve

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

Grant Date	6 May 2011	6 May 2011	6 May 2011
No. of options	500,000	1,100,000	250,000
Share price at date of grant	\$0.57	\$0.57	\$0.57
Exercise price of options	\$0.40	\$0.45	\$0.45
Vesting date of options	6 May 2011	6 May 2011	1 January 2012
Expected price volatility	94%	94%	94%
Risk free rate	5.00%	5.00%	5.00%
Expected life of options	2.65 years	2.65 years	2.65 years
Expected Dividend yield	0.00%	0.00%	0.00%
Black-Scholes fair value	\$0.375	\$0.361	\$0.375

YTC Resources Limited
Financial Statements

Consolidated
2011 **2010**
\$ **\$**

12. ACCUMULATED LOSSES

Movements in accumulated losses were as follows:

Balance at beginning of year	(5,704,926)	(4,581,757)
Net loss attributable to members of YTC Resources Limited	<u>(2,725,473)</u>	<u>(1,123,169)</u>
Balance at end of year	<u>(8,430,399)</u>	<u>(5,704,926)</u>

13. CASH FLOW STATEMENT

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

Net loss after tax	(2,725,473)	(1,123,169)
Adjustments for:		
Issue of options	641,026	94,558
Capitalised exploration costs written off	1,861	605,284
Depreciation	97,282	65,336
Amortisation	20,139	15,258
Net (gain) / loss on disposal of plant and equipment	-	(687)
Changes in assets and liabilities:		
Increase in receivables	(184,883)	(16,305)
Increase in prepayments	(9,296)	(16,972)
Increase in trade and other payables	194,965	27,584
Increase in provisions	<u>40,505</u>	<u>41,502</u>
Net cash flow used in operating activities	<u>(1,923,874)</u>	<u>(307,611)</u>

(b) Reconciliation of cash

Cash and cash equivalents are comprised of the following:

Cash at bank and in hand	1,433,823	2,304,431
Short-term deposits	<u>27,171,743</u>	<u>6,059,854</u>
	<u>28,605,566</u>	<u>8,364,285</u>

All short term deposits can be withdrawn at any time.

14. EXPENDITURE COMMITMENTS

(a) Expenditure commitments

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

Within one year	147,658	678,543
After one year but not longer than 5 years	<u>692,317</u>	<u>253,416</u>
	<u>839,975</u>	<u>931,959</u>

(b) Lease commitments

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

Within one year	72,348	60,000
After one year but not longer than 5 years	<u>87,711</u>	<u>115,000</u>
	<u>160,059</u>	<u>175,000</u>

YTC Resources Limited

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15. SUBSEQUENT EVENTS

Sale of New England Tin Projects to Taronga Mines

In August 2011, YTC finalised and settled an 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 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.

In accordance with the agreement, TML issued 12.4 million shares and 5.5 million options to YTC, 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. YTC have nominated Mr Richard Willson to be their representative director on the TML board.

YTC's New England tin assets include the Torrington project tenements and the Pound Flat Project. These assets are classified as held-for-sale on YTC's balance sheet at 30 June 2011.

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 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.

Consolidated	
2011	2010
\$	\$

16. LOSS PER SHARE

Loss used in calculating basic and dilutive EPS	(2,725,473)	(1,123,169)
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	196,379,375	139,341,683
Weighted average number of ordinary shares outstanding during the period used in the calculation of diluted EPS	196,379,375	139,341,683
Basic loss per share (cents per share)	(1.39)	(0.81)
Diluted loss per share (cents per share)	(1.39)	(0.81)

As at 30 June 2011 and 2010, 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 7,125,000 un-issued ordinary shares under options as at 30 June 2011.

YTC Resources Limited Financial Statements

Consolidated
2011 **2010**
\$ **\$**

17. AUDITOR'S REMUNERATION

The auditor of YTC Resources Limited is Ernst & Young

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

Audit or review of the financial report of the Company and any other entity in the Group

51,517	47,778
<u>51,517</u>	<u>47,778</u>

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

18. RELATED PARTY AND INTER-COMPANY DISCLOSURES

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

Mr. Woodham is the owner of the premises leased by the Company at 2 Corporation Place, Orange NSW. The lease is for a further 3 years with an option to extend by a further 3 years. The gross rent paid in 2011 was \$73,037 (including GST) (2010: \$64,657). At 30 June 2011 \$Nil (2010: \$Nil) was payable to Mr Woodham for rent.

Mr. Woodham has a minority shareholding in one of the drilling companies used by the Company during the year to undertake drilling activities. Techdrill is contracted by the Company at market rates negotiated at arm's length. During the year the Company paid Techdrill \$3,742,723 (including GST) (2010:\$1,782,791). At 30 June 2011 \$Nil (2010: \$64,396) was payable to Techdrill for drilling services.

Mr. Hill has a consulting agreement for work done in addition to his non-executive Director services. The agreement commenced on 8 May 2007 and is on an ongoing basis. It can be terminated on 4 weeks notice by either party, with remuneration calculated on a daily basis. The gross fees paid in 2011 were \$38,919 (including GST) (2010: \$93,268). At 30 June 2011 \$Nil (2010: \$6,281) 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

19. OPERATING SEGMENTS

Identification of reportable segments

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

The Consolidated Entity operates entirely in the industry of exploration for minerals in Australia. The operating segments are identified by management based on the size of the exploration tenement. The reportable segments are split between the Hera 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
- Corporate costs
- Depreciation and amortisation of non-project specific property, plant and equipment

The following represents profit and loss and asset and liability information for reportable segments for the years ended 30 June 2011 and 30 June 2010.

Segment Results	Hera and Nymagee Projects	Other Exploration Projects	Advisory Services to YTG	Total
<u>Year ended 30 June 2011</u>				
Segment Revenue	-	-	115,066	115,066
Deferred exploration costs written-off	-	(1,861)	-	(1,861)
Depreciation and amortisation	-	-	-	-
Other allocated costs	-	-	-	-
Segment Net Loss After Tax	-	(1,861)	115,066	113,205

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

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	(2,725,473)

Year ended 30 June 2010

Segment Revenue	-	-	1,394,548	1,394,548
Deferred exploration costs written-off	-	(605,284)	-	(605,284)
Depreciation and amortisation	-	-	-	-
Other allocated costs	-	-	(217,165)	(217,165)
Segment Net Loss After Tax	-	(605,284)	1,177,383	572,099

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

Interest revenue	400,677
Corporate operating costs	(2,015,351)
Depreciation and amortisation	(80,594)
Net Loss after tax per the statement of comprehensive income	(1,123,169)

YTC Resources Limited
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19. OPERATING SEGMENTS (continued)

	Hera and Nymagee Projects	Other Exploration Projects	Advisory Services to YTG	Total
Segment assets and liabilities for the year ended 30 June are as follows:				
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>-</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>-</u>	<u>-</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>
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>-</u>	<u>21,152,404</u>
Reconciliation of segment assets to total assets				
Cash and cash equivalents				8,364,285
Trade and other receivables				160,156
Prepayments				52,785
Corporate plant and equipment				<u>238,400</u>
Total assets per the balance sheet at 30 June 2010				<u>29,968,030</u>
Segment liabilities at 30 June 2010				
Acquisition costs - current				
Deferred acquisition costs	1,367,258	-	-	1,367,258
	<u>1,367,258</u>	<u>-</u>	<u>-</u>	<u>1,367,258</u>
Reconciliation of segment liabilities to total liabilities				
Trade and other payables				514,642
Provisions				<u>70,325</u>
Total liabilities per the balance sheet at 30 June 2011				<u>1,952,225</u>

YTC Resources Limited

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20. PARENT COMPANY INFORMATION

	2011 \$	2010 \$
Information relating to the parent entity of the Group, YTC Resources Ltd:		
Current assets	29,008,416	8,577,226
Non-current assets	34,606,059	21,390,804
Total assets	63,614,475	29,968,030
Current liabilities	981,926	584,967
Non-current liabilities	3,732,952	1,367,258
Total liabilities	4,714,878	1,952,225
Issued capital	65,712,596	32,744,356
Reserves	1,617,401	976,375
Accumulated losses	(8,430,399)	(5,704,926)
Total shareholders' equity	58,899,598	28,015,805
Profit or loss	(2,725,474)	(1,123,169)
Other comprehensive income	-	-

(a) Expenditure commitments

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

	Parent 2011 \$	Parent 2010 \$
Within one year	30,253	239,174
After one year but not longer than 5 years	326,019	-
	<u>356,272</u>	<u>239,174</u>

(b) Lease commitments

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

	Parent 2011 \$	Parent 2010 \$
Within one year	72,348	60,000
After one year but not longer than 5 years	87,711	115,000
	<u>160,059</u>	<u>175,000</u>

21. 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

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(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.

		Interest Rate Sensitivity				
			-20%		20%	
		Carrying Amount	Profit	Equity	Profit	Equity
		\$	\$	\$	\$	\$
2011 Financial Assets: Cash and cash equivalents assets	Note (i)	28,605,566	(271,753)	-	271,753	-
			Interest Rate Sensitivity			
2010 Financial Assets: Cash and cash equivalents assets		8,364,285	-20%		20%	
			(75,279)	-	75,279	-

(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 2011 from around 4.75 % to 5.75%.

(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.

YTC Resources Limited

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(d) Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The Group's maximum exposures to credit risk at reporting date in relation to each class of financial asset is the carrying amount of those assets as indicated in the 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 8.

22. SHARE BASED PAYMENT ARRANGEMENTS

(a) Recognised share based payments expenses

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

	Consolidated 2011 \$	2010 \$
Expenses arising from the equity settled share based payment transactions - eligible employees and directors	641,026	94,558

(b) Type of share based payment plan

Employee Share Option Plan

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

(c) Options granted as at 30 June 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

YTC Resources Limited
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22. SHARE BASED PAYMENT ARRANGEMENTS (continued)

(d) Options granted as at 30 June 2010

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

(e) Weighted average remaining contractual life

The weighted average remaining contractual life for the options outstanding as at 30 June 2011 is 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 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 2011 is shown in Note 11.

23. CONTINGENT LIABILITIES

There are no contingent liabilities that require disclosure.

24. DIVIDENDS

No dividend was paid or declared by the Company in the period since the end of the previous financial year, and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend for the financial year ended 30 June 2011. The balance of our franking account is Nil (2010: Nil).

YTC Resources Limited
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25. KEY MANAGEMENT PERSONNEL

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

	Consolidated 2011 \$	Consolidated 2010 \$
Short-term employee benefits	1,079,154	886,365
Post-employment benefits	67,101	37,994
Share based payments	427,076	22,785
Total	1,573,331	947,144

(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.

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

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

(a) Acquired or disposed on-market.

(b) Share Purchase Plan

(c) No longer included in 2011 following resignation of KMP

YTC Resources Limited
Financial Statements

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

(ii) *Option holdings*

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

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					
Dr. Wenxiang Gao	500,000	-	-	-	500,000
Mr. Anthony Wehby	500,000	-	-	-	500,000
Mr. Rimas Kairaitis	1,000,000	-	-	-	1,000,000
Dr. Guoqing Zhang	-	-	-	-	-
Mr. Stephen Woodham	500,000	-	-	-	500,000
Mr. Robin Chambers	500,000	-	-	-	500,000
Mr. Richard Hill	500,000	-	-	-	500,000
Ms. Christine Ng	-	-	-	-	-
Executives					
Mr. Richard Willson	500,000	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

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

(a) No longer included in 2011 following resignation of KMP

YTC Resources Limited Financial Statements

26. 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 \$3,732,952 (\$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 30 June 2011. 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	Deferred consideration
	\$	\$	\$
Exploration and evaluation assets	13,227,258	2,365,694	15,592,952
Other property, plant and equipment	140,000	-	140,000
Fair value of identifiable net assets	13,367,258	2,365,694	15,732,952

Cost of the combination:	\$
Cash consideration (paid)	12,000,000
Deferred consideration (revalued at 30 June 2011)	3,732,952
	15,732,952

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 2011 and of its performance for the year ended on that date; and

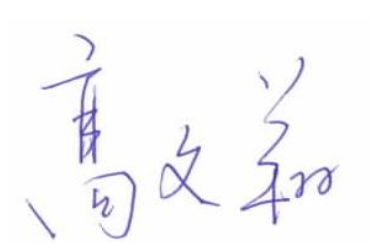
(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

(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 2011.

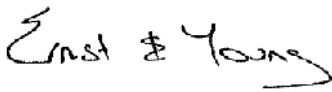
On behalf of the Board



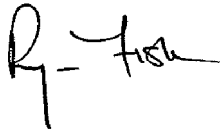
Wenxiang Gao
Chairman
15 September 2011

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 2011, 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 in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'R. Fisk'.

Ryan Fisk
Partner
Sydney
15 September 2011

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 2011, 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.

Opinion

In our opinion:

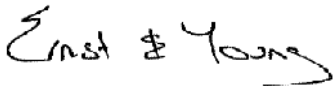
- a. the financial report of YTC Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - ii complying with Australian 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

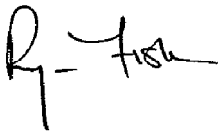
We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of YTC Resources Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

A stylized, handwritten signature of 'Ernst & Young' in black ink.

Ernst & Young

A handwritten signature of 'R. Fisk' in black ink.

Ryan Fisk
Partner
Sydney
15 September 2011