



A.C.N 108 476 384

**HALF YEAR
FINANCIAL REPORT**

31 December 2011

Corporate Directory

Directors

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

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.au

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.
ASX Code: YTC

Auditors

Ernst and Young
680 George Street
Sydney NSW 2000

Website

www.ytcresources.com

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Directors' Report

Your Directors submit their report for the half year ended 31 December 2011.

DIRECTORS

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

Mr. Anthony Wehby (Vice Chairman until 12 December 2011, Chairman since 12 December 2011)

Dr. Wenxiang Gao (Chairman until 12 December 2011)

Mr. Rimas Kairaitis (Chief Executive Officer)

Mr. Stephen Woodham

Mr. Robin Chambers

Mr. Richard Hill

Ms. Christine Ng

Dr. Guoqing Zhang (until 18 November 2011, Alternate for Dr. Wenxiang Gao since 24 November 2011)

Mr. Yong Chen (Alternate for Dr. Wenxiang Gao for duration of 17 November 2011, Alternate for Ms. Christine Ng since 5 December 2011)

REVIEW AND RESULTS OF OPERATIONS

Financial Performance

The net loss after tax of YTC Resources Limited ("YTC" or "Company") and its subsidiaries together ("Group" or "Consolidated Entity") for the half year period to 31 December 2011 was \$442,760 (2010: \$1,091,907).

Total additional deferred exploration expenditure for the half year ending 31 December 2011 was \$7,267,941, which was primarily incurred on the Hera and Nymagee projects. The Group commenced mine construction activities at Hera and spent \$853,150 during the period (2010: \$Nil).

Operational Performance

HERA PROJECT (100%)

On 19 September, YTC announced the results of the Hera DFS, managed by Optiro Mining Consultants, confirming the technical and financial viability of the development of the Hera deposit. Stage 1 development will see the establishment of the Hera gold mine and construction of a processing facility at the Hera site. Feasibility studies are progressing on Stage 2 to evaluate the integration of the Nymagee deposit utilising Stage 1 infrastructure.

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

DFS Summary

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

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

Directors' Report

DFS Summary Table

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

All dollar figures are in Australian dollars unless otherwise stated.

NYMAGEE JV (YTC 90%)

Activities at Nymagee during the half year were dominated by drilling activity culminating in the maiden Nymagee Resources Estimate completed in December.

Nymagee Drilling Results

Highlight copper drilling results at Nymagee included:

- **NMD038:** 92m @ 1.5% Cu from 88m (Southern Footwall Zone)
- **NMD038:** 18m @ 6.3% Cu, 0.65g/t Au & 26g/t Ag from 294m (Main Lens)
- **NMRC030:** 10m @ 4.3% Cu, 16g/t Ag and 0.27g/t Au from 102m (Main Lens)
- **NMRC040:** 10m @ 6.7% Cu, and 13g/t Ag from 15m (Main Lens)
- **NMRC059:** 87m @ 2.2% Cu from 13m to EOH (Southern Footwall Zone),
- **NMD041:** 49.1m @ 1.8% Cu from 26m (Northern Footwall Zone)
- **NMRC098:** 12m @ 3.2% Cu and 11g/t Ag from 91m
- **NMD53W1:** 10m @ 4.2% Cu and 16g/t Ag from 337m
- **NMD054:** 25.6m @ 5.0% Cu, 0.1g/t Au and 24g/t Ag

Directors' Report

Highlight results from the lead-zinc-silver lens at Nymagee include:

- **NMD043:** 8m @ 0.5% Cu, 5.0% Pb, 13.6% Zn and 125g/t Ag from 205m
- **NMRC026:** 7m @ 0.4% Cu, 3.3% Pb, 6.0% Zn and 30g/t Ag from 104m
- **NMRC051:** 12m @ 0.3g/t Au, 0.3% Cu, 5.7% Pb, 9.1% Zn and 62g/t Ag from 89m
- **NMRC105:** 13m @ 0.21g/t Au, 0.4% Cu, 7.3% Pb, 12.3% Zn and 37g/t Ag from 57m

Broad copper mineralisation was intersected in the deepest drilling to date at Nymagee indicating the copper mineralisation is persistent and well developed at depth:

- **NMD050W1:** 33.3m @ 0.96% Cu from 422.42m, including
1.0m @ 12.0% Cu from 438.7m
61.0m @ 0.8% Cu from 547m, including
4.0m @ 2.0% Cu from 558m
10.0m @ 0.5% Cu from 644m

Maiden Nymagee Resource

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

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

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

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

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

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

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

Directors' Report

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

KADUNGLE PROJECT (100%)

The Kadungle Project is located approximate 40km north-west of Parkes in central NSW and is prospective for epithermal gold and porphyry related copper-gold mineralisation.

YTC completed three RC drill holes in December 2011 testing for epithermal gold mineralisation associated with a breccia margin target and a gravity low.

Assay results for these holes were not available at end of the half year period but have since been announced.

TALLEBUNG PROJECT (100%)

YTC is targeting large tonnage, 'porphyry-tin' style mineralisation at Tallebung.

YTC has commenced a Right to Negotiate Process under the Native Title Act, seeking access to drill test the resistivity targets at Tallebung.

CORPORATE

Sale of New England Tin Projects to Taronga Mines

During the period YTC finalised the agreement to sell its New England Tin Projects to Taronga Mines Limited (TAZ), a tin company which will be seeking an ASX listing.

The all-script deal sees the beneficial combination of TAZ'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.

Under the agreement YTC has been issued with 12.4 million TAZ shares and 5.5 million options to acquire shares in TAZ, representing 25% of the issued shares and 50% of the issued options in TAZ prior to Taronga's Initial Public Offering (IPO) capital raising.

Through this transaction YTC shareholders have gained 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 TAZ IPO.

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

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

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

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

YTC moves to 95% interest in Nymagee Joint Venture

On 28 December 2011, YTC advised that it reached an agreement with Allegiance Mining Operations Pty Ltd, a company owned by the Minmetals Resources Limited (HKSE 1208) group of companies, to acquire an additional 5% in the Nymagee Mine Joint Venture to bring YTC's total beneficial interest to 95%. At the date of this report the agreement has not been finalised.

Directors' Report

YTC Resources purchased an 80% interest in the Nymagee Mine Joint Venture from CBH Resources as part of the Hera Project purchase transaction in September 2009. YTC has subsequently earned a 90% interest through sole funding exploration expenditure.

During the period YTC announced a maiden resource at Nymagee of 8.1Mt @ 1.2% Cu, 0.3%Pb, 0.7% Zn and 9g/t Ag.

The Nymagee Mine Joint Venture includes the following Exploration Licenses and Mining Leases which cover both the historic Nymagee Copper Mine as well as linking the tenement coverage of the Hera-Nymagee corridor. EL 4458, EL 4232, ML 53, ML 90, ML 5295, ML 5828 and PLL 847.

As part of the agreement YTC will secure title to the tenements and also acquire the freehold land that encompasses the Nymagee mine site.

In consideration for the acquired interest YTC will assume the responsibility for all liabilities associated with the tenements which including an existing environmental rehabilitation liability. The environmental rehabilitation liability is currently estimated at \$450,000 being the environmental security bond held against the tenements.

YTC is the manager and operator of the Joint Venture and undertaking exploration at Nymagee to pursue the combined development of Nymagee and Hera.

As at the date of this report no agreement to acquire the outstanding 5% in the Nymagee Mine Joint Venture has been completed.

Appointment of independent non-executive Chairman

In December, Mr Anthony Wehby was appointed Chairman of the Company replacing Dr Wenxiang Gao who continues as a non-executive director.

Mr Wehby has been an independent non-executive director and Vice Chairman since the Company's listing in 2007.

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 & Nymagee Resource Estimates

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 – Hera Ore Reserve

The Information in this report relating to Ore Reserves is based on work undertaken by Mr Michael Leak of Optiro Pty Ltd under supervision of Mr Sean Pearce. This report has been compiled by Sean Pearce, who is a Member of the Australasian Institute of Mining and Metallurgy. Sean Pearce has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr Pearce consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Directors' Report

Auditor's Independence Declaration

Section 307C of the *Corporations Act 2001* requires our auditors, Ernst & Young, to provide the directors of YTC Resources Limited with an Auditor's Independence Declaration in relation to the review of the half-year financial report. The Independence Declaration is set out on page 9 and forms part of this Directors' Report for the half year ended 31 December 2011.

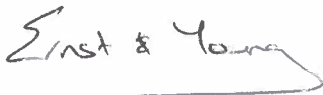
Signed in accordance with a resolution of the directors.

A handwritten signature in blue ink, appearing to read 'Anthony Wehby', with a stylized flourish at the end.

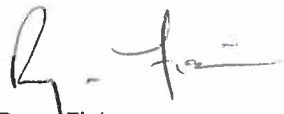
Mr. Anthony Wehby
Chairman
8 March 2012

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

In relation to our review of the financial report of YTC Resources Limited for the half-year ended 31 December 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 cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that appears to read 'Ryan Fisk'.

Ryan Fisk
Partner
Sydney
8 March 2012

Income Statement

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

	Notes	Consolidated	
		31-Dec-11 \$	31-Dec-10 \$
Revenue			
Management fee		27,707	69,466
Interest revenue		753,228	210,582
Gain on sale of tin tenements	2(a)	635,647	-
Total revenue		1,416,582	280,048
Employee benefits expense	2(b)	775,297	577,253
Consulting expenditure		326,655	211,442
Insurance		60,864	41,052
Accounting fees		22,805	71,150
Office rental and outgoings		39,265	36,659
Travel expenses		356,522	167,526
Administration expenditure	2(c)	183,822	213,741
Capitalised exploration costs written off		1,983	-
Depreciation		81,975	42,981
Amortisation		10,154	10,151
Expenses		1,859,342	1,371,955
Loss before income tax		(442,760)	(1,091,907)
Income tax expense		-	-
Loss after income tax		(442,760)	(1,091,907)
Other comprehensive income		-	-
Total comprehensive loss for the period		(442,760)	(1,091,907)
Earnings per share for loss attributable to the ordinary equity holders of the parent			
Basic loss per share (cents per share)		(0.09)	(0.63)
Diluted loss per share (cents per share)		(0.09)	(0.63)

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

Statement of Financial Position

AS AT 31 DECEMBER 2011

		Consolidated	
		31-Dec-11	30-Jun-11
	Notes	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	3	20,691,104	28,605,566
Trade and other receivables		257,794	340,769
Prepayments		68,396	62,081
Held-for-sale exploration assets		-	394,696
Total current assets		21,017,294	29,403,112
Non current assets			
Investments in associates	2(a)	1,028,117	-
Financial assets		110,000	-
Plant and equipment		892,915	731,360
Deferred exploration and evaluation expenditure	4	40,747,945	33,480,004
Mines under development	5	853,150	-
Total non current assets		43,632,127	34,211,364
Total assets		64,649,421	63,614,476
LIABILITIES			
Current liabilities			
Trade and other payables		930,332	871,096
Provisions		141,607	110,830
Total current liabilities		1,071,939	981,926
Non current liabilities			
Provisions		4,564,000	3,732,952
Total non current liabilities		4,564,000	3,732,952
Total liabilities		5,635,939	4,714,878
Net assets		59,013,482	58,899,598
Equity			
Contributed equity	6	66,199,707	65,712,596
Reserves		1,686,934	1,617,401
Retained losses		(8,873,159)	(8,430,399)
Total equity		59,013,482	58,899,598

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

Statement of Changes in Equity

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

Consolidated

	Issued Share Capital	Share Option Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
Balance as at 1 July 2010	32,744,356	976,375	(5,704,926)	28,015,805
Total comprehensive loss for the period	-	-	(1,091,907)	(1,091,907)
Transactions with owners in their capacity as owners				
Shares issued for the period	7,905,000	-	-	7,905,000
Cost of share issue	(597,389)	-	-	(597,389)
Options expensed in the period	-	35,317	-	35,317
Balance as at 31 December 2010	<u>40,051,967</u>	<u>1,011,692</u>	<u>(6,796,833)</u>	<u>34,266,826</u>
 Balance as at 1 July 2011	 65,712,596	 1,617,401	 (8,430,399)	 58,899,598
Total comprehensive loss for the period	-	-	(442,760)	(442,760)
Transactions with owners in their capacity as owners				
Shares issued for the period	311,500	-	-	311,500
Tax refund on share issue costs	175,611	-	-	175,611
Options expensed in the period	-	69,533	-	69,533
Balance as at 31 December 2011	<u>66,199,707</u>	<u>1,686,934</u>	<u>(8,873,159)</u>	<u>59,013,482</u>

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

Cash Flow Statement

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

	Consolidated	
	31-Dec-11	31-Dec-10
Notes	\$	\$
Cash flows from operating activities		
Receipts from customers	61,480	116,173
Payments to suppliers and employees	(1,938,278)	(1,187,617)
Interest received	802,101	234,396
Net cash flows used in operating activities	(1,074,697)	(837,048)
Cash flows from investing activities		
Purchase of property, plant and equipment	(253,684)	(85,974)
Exploration and evaluation expenditure	(6,692,215)	(4,743,956)
Expenditures on Mine Development	(280,977)	-
Net cash flows used in investing activities	(7,226,876)	(4,829,930)
Cash flows from financing activities		
Proceeds from issue of shares	211,500	7,905,000
Tax refund on share issue costs / (Share Issue Costs)	175,611	(597,389)
Net cash flows from financing activities	387,111	7,307,611
Net increase in cash and cash equivalents	(7,914,462)	1,640,633
Cash and cash equivalents at beginning of period	28,605,566	8,364,285
Cash and cash equivalents at end of period	20,691,104	10,004,918

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

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

CORPORATE INFORMATION

The financial report of YTC Resources Limited for the half year ended 31 December 2011 was authorised for issue in accordance with a resolution of Directors on 8 March 2012.

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

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

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

This interim condensed financial report for the half year ended 31 December 2011 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001. The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half year financial report be read in conjunction with the annual report for the year ended 30 June 2011 and considered together with any public announcements made by YTC Resources Limited during the half year ended 31 December 2011 in accordance with continuous disclosure obligations of the ASX listing rules.

Significant Accounting Policies

The Group has adopted the following new and amended Australian Accounting Standards as of 1 July 2011:

- Revised AASB 124 Related Party Disclosures;
- AASB 1054 Australian Additional Disclosures;
- AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions;
- AASB 2009-12 and AASB2010-5 Amendments to Australian Accounting Standards;
- AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project; and
- AASB 2011-1 Amendments to Australian Accounting Standards arising from Trans-Tasman Convergence Project.

The Group has not elected to early adopt any other new standards or amendments that are issued but not yet effective.

Investment in associates

The Group's investment in its associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate is carried on the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The income statement reflects the Group's share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of profit of an associate is shown on the face of the income statement. This is the profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associate.

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the "share of profit of an associate" in the income statement.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Financial assets

Financial assets represent the options to obtain shares in Taronga Mines Limited upon their listing at Australian Stock Exchange. All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with net changes in fair value recognised in finance costs in the income statement.

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

2. REVENUE & EXPENSES

(a) In July 2011, YTC obtained 12.4 million shares (or 25% interest) in Taronga Mines Limited (TAZ) and 5.5 million options in TAZ as consideration for the sale of tin tenements. The sale of the tenements to TAZ resulted in the Group recognising a \$635,647 gain on sale.

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

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

Notes to the Financial Statements
FOR THE HALF YEAR ENDED 31 DECEMBER 2011

	31-Dec-11	31-Dec-10
	\$	\$

2. REVENUE & EXPENSES (CONTINUED)

Loss before income tax includes the following specific expenses:

(b) Employee benefits expense

Salaries and on-costs	705,764	541,936
Options expense	69,533	35,317
	<u>775,297</u>	<u>577,253</u>

(c) Administration expenditure

Audit fees	5,497	18,879
Legal fees	13,237	39,856
Printing and stationary	37,597	21,025
Telephone and internet	21,934	13,770
Information technology	31,019	11,823
Advertising and promotion	46,659	89,986
Other	27,879	18,402
Total administration expenditure	<u>183,822</u>	<u>213,741</u>

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

Cash at bank and in hand	2,070,108	1,433,823
Short-term deposits	18,620,996	27,171,743
	<u>20,691,104</u>	<u>28,605,566</u>

4. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

At cost	42,137,610	34,867,686
Accumulated impairment	(1,389,665)	(1,387,682)
Total exploration and evaluation	<u>40,747,945</u>	<u>33,480,004</u>

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

5. MINES UNDER DEVELOPMENT

	Consolidated	
	31-Dec-11	30-Jun-11
	\$	\$
At cost	853,150	-
Accumulated impairment	-	-
Total Mines Under Development	853,150	-

6. CONTRIBUTED EQUITY

(a) Issued and paid up capital

Ordinary shares fully paid	66,199,707	65,712,596
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(b) Movements in ordinary shares on issue

Details	Date	Number of shares	\$
Opening Balance	1-Jul-10	248,353,364	65,712,596
Exercise of Options	14-Jul-11	160,000	64,000
Issue of Shares	28-Jul-11	160,970	100,000
Exercise of Options	1-Sep-11	50,000	22,500
Exercise of Options	23-Nov-11	500,000	125,000
Tax refund on share issue costs			175,611
Closing Balance		249,224,334	66,199,707

7. SEGMENT INFORMATION

Identification of reportable segments

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

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

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

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

7. SEGMENT INFORMATION (CONTINUED)

Accounting policies and inter-segment transactions

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

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

The following represents profit and loss and asset information for reportable segments for the half-years ended 31 December 2011 and 31 December 2010.

	Hera and Nymagee Projects	Other Exploration Projects	Yunnan Tin Group Management	Total
Segment Results				
<u>Half -year ended 31 December 2011</u>				
Segment Revenue	-	-	27,707	27,707
Gains on sale of tin tenements	-	635,647	-	635,647
Deferred exploration costs written-off	-	(1,983)	-	(1,983)
Other allocated costs	-	-	(27,707)	(27,707)
Segment Net Profit After Tax	-	633,664	-	633,664

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

Interest revenue	753,228
Corporate operating costs	(1,737,523)
Corporate asset depreciation and amortisation	(92,129)
Net Loss after tax per the statement of comprehensive income	(442,760)

Half -year ended 31 December 2010

Segment Revenue	-	-	69,466	69,466
Deferred exploration costs written-off	-	-	-	-
Other allocated costs	-	-	(50,132)	(50,132)
Segment Net Profit Loss After Tax	-	-	19,334	19,334

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

Interest revenue	210,582
Corporate operating costs	(1,268,691)
Depreciation and amortisation	(53,132)
Net Loss after tax per the statement of comprehensive income	(1,091,907)

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

7. SEGMENT INFORMATION (CONTINUED)

	Hera and Nymagee Projects	Other Exploration Projects	Yunnan Tin Group Management	Total
Segment assets for the half-year ended 31 December are as follows:				
Segment assets at 31 December 2011				
Property, plant and equipment	186,574	-	-	186,574
Deferred exploration and evaluation expenditure	34,139,924	6,608,021	-	40,747,945
Mines under development	853,150	-	-	853,150
	<u>35,179,648</u>	<u>6,608,021</u>	<u>-</u>	<u>41,787,669</u>
Reconciliation of segment assets to total assets				
Cash and cash equivalents				20,691,104
Trade and other receivables				257,794
Prepayments				68,396
Equity Accounted Investments				1,028,117
Financial Assets				110,000
Corporate plant and equipment				<u>706,341</u>
Total assets per the balance sheet at 31 December 2011				<u>64,649,421</u>
Segment assets at 30 June 2011				
Held-for-sale exploration assets	-	394,696	-	394,696
Property, plant and equipment	189,175	-	-	189,175
Deferred exploration and evaluation expenditure	29,326,238	4,153,766	-	33,480,004
	<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>

Notes to the Financial Statements
FOR THE HALF YEAR ENDED 31 DECEMBER 2011

	Consolidated	
	31-Dec-11	30-Jun-11
	\$	\$

8. COMMITMENTS

(a) Expenditure commitments

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

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

Within 1 year	294,470	147,658
After one year but not longer than 5 years	361,924	692,317
	<u>656,394</u>	<u>839,975</u>

(b) Lease commitments

Within 1 year	72,348	72,348
After one year but not longer than 5 years	51,265	87,711
	<u>123,613</u>	<u>160,059</u>

9. 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 \$4,564,000 (\$3,732,952 at 30 June 2011) representing the net present value of projected royalty payments due under the terms of the acquisition, calculated based on information available as at 31 December 2011. The deferred consideration is revalued at each reporting date in accordance with AASB 3 applicable on the date of acquisition with a corresponding adjustment to exploration and evaluation assets acquired.

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

9. HERA PROJECT DEFERRED ACQUISITION COSTS (CONTINUED)

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

	Provisional Fair Value as previously reported	Fair Value Adjustments	Fair Value at acquisition
	\$	\$	\$
Exploration and evaluation assets	15,592,952	831,048	16,424,000
Other property, plant and equipment	140,000	-	140,000
Fair value of identifiable net assets	<u>15,732,952</u>	<u>831,048</u>	<u>16,564,000</u>

Cost of the combination:	\$
Cash consideration (paid)	12,000,000
Deferred consideration (revalued at 31 December 2011)	<u>4,564,000</u>
	<u>16,564,000</u>

10. DIVIDENDS

No dividends were paid or proposed during the period (2010: nil).

11. EVENTS AFTER THE BALANCE SHEET DATE

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

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of YTC Resources Limited, I state that:

In the opinion of the directors

- (a) the financial statements and notes of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2011 and its performance, for the half year ended on that date of the Consolidated Entity; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Mr. Anthony Wehby
Chairman
8 March 2012

Independent review report to members of YTC Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of YTC Resources Limited, which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement 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 half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of YTC Resources Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

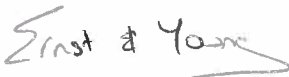
Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

A handwritten signature in dark ink, appearing to read 'Ernst & Young'.

Ernst & Young

A handwritten signature in dark ink, appearing to read 'R. Fisk'.

Ryan Fisk
Partner
Sydney
8 March 2012