ASX: YTC
Mar 2013
Quarterly

YTC RESOURCES LIMITED

# MARCH 2013–QUARTERLY ACTIVITIES REPORT

## HIGHLIGHTS

### COMPLETION OF A$158 MILLION FINANCING WITH GLENCORE

On 26 March 2013, following receipt of Shareholder Approval, YTC Resources Limited ("YTC" or "the Company") formally completed the A$158m funding package with Glencore International AG (**"Glencore"**) to develop the Hera and Nymagee Projects. On Completion:

- YTC issued 9.39 million shares in YTC at 31.38 cents per share to Glencore Australia, representing a 25% premium to YTC's share price at the time of signing the transaction term sheet (**"Placement"**).
- YTC Commenced Drawdown of Facilities A & E as part of the A$155 million in debt and converting note facilities (together **"Project Finance Facilities"**)
- Mr Mike Menzies was appointed to the YTC Board as a nominee of Glencore

### HERA PROJECT MOVES TO FULL SCALE CONSTRUCTION

Following Financial Completion of the Project Finance Facilities, YTC has moved to full scale construction at the Hera Project. Key activities in the quarter:

- Execution of underground Mining Contract with Pybar Mining Services ('Pybar')
- Hera Decline advance to 263m (development at 485m at 29th April)
- Installation of underground fan complete
- Execution of Camp Accommodation construction Contract with Ausco Modular ('Ausco')
- Finalisation of Scope of Works and EPC Plant Construction Contract with Gekko Systems ('Gekko')
- Installation of concrete batch plant

### CORPORATE

- At 31 March 2013, the Company held cash reserves of $5.3 million, and undrawn financing facilities of $155m
- Appointment of Mr Mike Menzies as a Director
- Purchase of Put Option gold price cover

*Installation of Vent Fan: Hera Project Portal*



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## COMPLETION OF A$158 MILLION FINANCING WITH GLENCORE TO DEVELOP HERA AND NYMAGEE

On the 15th March, YTC received shareholder approval for the Glencore Funding transaction with 98% of voted shares in favor. Shareholder approval represented the last substantive condition precedent to the provision of funding, allowing for formal completion of the funding transaction to take place on the 26th March.

On Completion:

- YTC issued 9.39 million shares in YTC at 31.38 cents per share to Glencore Australia, representing a 25% premium to YTC's share price at the time of signing the transaction term sheet ("**Placement**").
- YTC Commenced Drawdown of Facilities A & E as part of the A$155 million in debt and converting note facilities (together "**Project Finance Facilities**").
- Mr Mike Menzies was appointed to the YTC Board as a nominee of Glencore.

The key terms of the Project Finance Facilities are summarised below:

| | | |
|---|---|---|
| **Placement** | Shares: | 9,390,000 |
| | Amount | A$2,946,582.00 |
| | Issue Price: | $0.3138 per share (being a 25% premium to YTC's 30 day VWAP) |
| | Glencore Position: | The placement will increase Glencore's total shareholding in YTC to 9.9% (undiluted) |
| **Facility A** | Limit: | A$20 million Converting Note Facility |
| | Conversion: | Convertible at YTC's option at $0.251 per share |
| | Interest Rate: | 3M AUD BBSW + 4% |
| | Use of Funds: | Hera Development, Nymagee feasibility study and development, working capital |
| | Maturity Date: | 60 months after shareholder approval |
| | Drawdown Period: | 12 months from shareholder approval |
| **Facility B** | Limit: | A$50 million Converting Note Facility |
| | Conversion: | Convertible at YTC's option at 60 day VWAP Price prior to conversion |
| | Interest Rate: | 3M AUD BBSW + 4% |
| | Use of Funds: | Hera Development, Nymagee feasibility study and development, working capital |
| | Maturity Date: | 60 months after shareholder approval |
| | Drawdown Period: | 12 months from shareholder approval |
| **Facility C** | Limit: | A$30 million Debt Facility |
| | Interest Rate: | 3M AUD BBSW + 4.5% |
| | Use of Funds: | Hera Development, Nymagee feasibility study and development, working capital |
| | Maturity Date: | 60 months after shareholder approval |
| | Drawdown Period: | 18 months from shareholder approval |
| **Facility D** | Limit: | A$50 million Debt Facility |
| | Interest Rate: | 3M AUD BBSW + 4.5% |
| | Use of Funds: | Nymagee development |
| | Maturity Date: | 42 months after first drawdown |
| | Drawdown Period: | 12 months after completion of approved Nymagee bankable feasibility study or earlier with Glencore consent |
| **Facility E** | Limit: | A$5m Debt Facility |
| | Interest Rate: | 3M AUD BBSW + 4.5% |
| | Use of Funds: | Purchase of precious and/or base metal option cover. |
| | Maturity Date: | 42 months after first drawdown |
| | Drawdown Period: | 12 months from shareholder approval |



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## HERA PROJECT MOVES TO FULL SCALE CONSTRUCTION

Following funding completion, YTC has now moved to full scale construction on the Hera Project. Key activities during the quarter are described below.

### HERA UNDERGROUND DEVELOPMENT

YTC commenced the Hera portal and decline development in December 2012 under an early works agreement with Pybar Mining Services ('Pybar'). During the quarter YTC executed an underground mining contract with Pybar allowing development to continue under the full underground mining contract replacing the early works agreement.

Decline advance is progressing well, with improving ground conditions allowing for a steadily increasing rate of advance.

- At the end of the March quarter, underground development was at 263m, or 82% of schedule.
- As at 29th April, underground development is at 485m
- Underground development for April to date is at 109% of the month schedule

At current advance rates, decline and underground development is expected to move ahead of schedule in June 2013. Other significant activities during the quarter included:

- Completion of Pybar Site establishment
- Completed establishment of explosives magazine
- Installation of underground fan at portal face
- Delivery of new underground loader and haul truck
- Installation of concrete batch plant
- Installation of lined leachate ponds for the ROM pad

Installing Main Vent Fan at Portal face

Installation of lined leachate ponds for the ROM pad

Delivery of new Elphinstone R2900 Loader

Completed concrete batch plant



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## HERA CAMP CONSTRUCTION

YTC has executed the camp construction contract with Ausco Modular ('Ausco') and construction on Stage 1 of 2 has commenced. Stage 1 is expected to be ready for occupation in August 2013. YTC and contract personnel are utilizing temporary accommodation on site in the interim.

## PROCESS PLANT CONSTRUCTION

During the quarter, YTC moved to finalise the Scope of Works and contract documents for the EPC plant construction contract with Gekko Systems ('Gekko'). Orders for long lead items are expected to be placed as soon as final pricing and contract documents are finalised.

The final scope of works will include recent re-engineering by YTC and Gekko on the crushing and grinding circuits to allow greater flexibility for the integration of Nymagee ore feed during Stage 2 of the Hera/Nymagee project development.

## HERA PROJECT CONSTRUCTION SCHEDULE

A summary of the Hera Project construction schedule and major contractors is presented below.

| | Quarter | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Mar-13 | Jun-13 | Sep-13 | Dec-13 | Mar-14 | Jun-14 | Sep-14 | Dec-14 |
| **Mine** | | | | | | | | |
| Mine: Ore to the ROM | | | | | ■ | ■ | ■ | ■ |
| Full Scale Ore Production | | | | | | | ■ | ■ |
| **Mill** | | | | | | | | |
| Mill Construction | | ■ | ■ | ■ | ■ | | | |
| Mill Practical Completion | | | | | | ■ | | |
| Mill Commissioning | | | | | | ■ | ■ | |
| Mill Acceptance | | | | | | | ■ | |
| Milling Ramp Up | | | | | | | ■ | ■ |
| Full Scale Mill Production | | | | | | | | ■ |
| **Tailings Dam** | | | | | | | | |
| Stage 1 | | | | | ■ | | | |
| **Mine Camp** | | | | | | | | |
| Stage 1 | ■ | ■ | ■ | | | | | |
| Stage 2 | | | | | ■ | | | |
| **Revenue** | | | | | | | | |
| First gold sales | | | | | | | ■ | |
| First base metal sales | | | | | | | | ■ |



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# CORPORATE

## CASH POSITION

At 31 March 2013, the Company held cash reserves of $5.3 million, and undrawn available financing facilities of $155m.

As part of the funding completion on the 26th March, Mr Michael Menzies has been appointed to YTC's Board of Directors. Mr Menzies has more than 35 years' experience in the mining industry in a variety of operational and management roles covering open cut and underground mining and processing operations in each of base metals, gold and coal. Mr Menzies has worked for Glencore in a number of capacities since 2010, including conducting operational reviews and mining project evaluation work, primarily in the base metals sector. Mr Menzies is also one of Glencore's nominees on the joint Technical Steering Committee established by YTC and Glencore, which will oversee the technical aspects of the Hera Project.

## PUT OPTION GOLD PRICE PROTECTION

In April 2013 YTC purchased Put Options to cover approximately 75% of the expected gold production from the Hera project for the period April 2015 to July 2016. The Options give YTC the right, but not the obligation, to sell up to a total of 29k ounces of gold at AUD$1,500/oz.

*Competent Persons Statement – Nymagee & Hera Resource Estimate*

*The Resource Estimation for both Hera and Nymagee deposits has been completed by Mr Dean Fredericksen the Chief Operating Officer of YTC Resources Ltd who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Dean Fredericksen has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr Fredericksen consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.*

*Competent Persons Statement – Exploration Results*

*The information in this report that relates to Exploration Results is based on information compiled by 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 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.*

*Competent Persons Statement – 3KEL-Midway Resource Estimation*

*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.*



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# ABOUT THE HERA-NYMAGEE PROJECT

The Hera-Nymagee Project represents YTC's flagship Project and consists of the Hera gold-base metal deposit (YTC 100%) and the Nymagee copper deposit (YTC 95%), and is located approximately 100km south-east of Cobar, in central NSW. The deposits are hosted in the Cobar Basin, which also host the major mineral deposits at CSA (Cu-Ag), The Peak (Cu-Au) and Endeavor (Cu-Pb-Zn-Ag).

YTC completed the Definitive Feasibility Study ('DFS") on the Hera Gold Project in June 2011, which confirmed the technical and financial viability of the development of the Hera deposit as a shallow underground mine and processing plant producing gold and silver doré bars and a bulk lead-zinc concentrate for sale.

YTC has now commenced the full scale development of the Hera project following completion of Glencore funding package on the 26th March 2013.

The Company is also currently evaluating the Nymagee copper deposit, located 4.5km to the north, with a view to demonstrating an integrated development of the Hera and Nymagee deposits.

YTC maintains a commitment to the ongoing exploration of the Hera-Nymagee Project and considers both deposits have the potential to evolve into very large "Cobar style' mineral systems.



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# APPENDIX 1: MINERAL RESOURCES AND RESERVES

Table 1: Hera Deposit Mineral Resource Estimate (YTC – 100%) – June 2011

| Category | Tonnes | NSR (A$) | Au g/t | Ag g/t | Cu % | Pb % | Zn % | Au Eq (g/t) | Contained Au ozs Eq |
|---|---|---|---|---|---|---|---|---|---|
| Indicated | 2,113,000 | 243 | 4.2 | 17.0 | 0.2 | 2.8 | 3.9 | 9.2 | |
| Inferred | 330,000 | 207 | 3.5 | 14 | 0.1 | 2.3 | 3.3 | 7.5 | |
| Total | 2,444,000 | 238 | 4.1 | 16.7 | 0.2 | 2.8 | 3.8 | 8.6 | 677,200 |

Table 2: Hera Deposit – DFS Mining Reserve (YTC-100%) – September 2011

| Source | Tonnes | Au (g/t) | Ag (g/t) | Cu (%) | Pb (%) | Zn (%) | Au Eq (g/t) | Contained Gold Ounces (Au Eq.) |
|---|---|---|---|---|---|---|---|---|
| Development Sub-total | 278,158 | 2.86 | 13.06 | 0.13 | 2.26 | 3.19 | | |
| Stope Sub-Total | 1,597,760 | 3.72 | 15.39 | 0.17 | 2.56 | 3.55 | | |
| MINE PROBABLE RESERVE | 1,875,918 | 3.59 | 15.04 | 0.16 | 2.51 | 3.50 | 7.00 | 423,471 |

Table 3: Nymagee Deposit Mineral Resource Estimate (YTC – 95%) – December 2011

| 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 |

Table 4: Midway & 3KEL deposits – Doradilla JV (YTC earning 70%) – February 2008

| | | Midway | | 3KEL | | TOTAL | |
|---|---|---|---|---|---|---|---|
| Category | Sn Cut-off | Tonnes (M) | % Sn | Tonnes (M) | % Sn | Tonnes (M) | % Sn |
| Inferred | 0.1% | 4.63 | 0.25 | 3.18 | 0.34 | 7.81 | 0.29 |
| Inferred | 0.2% | 1.97 | 0.4 | 1.85 | 0.48 | 3.82 | 0.44 |
| Inferred | 0.5% | 0.38 | 0.92 | 0.56 | 0.89 | 0.94 | 0.90 |



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# APPENDIX 2: GOLD EQUIVALENT CALCULATIONS – HERA DFS & HERA RESERVE

This report makes references to the Hera Ore Reserve, DFS outputs and metal equivalents. It is the Company's opinion that all the elements included in the metal equivalents calculation have a reasonable potential to be recovered.

Au Equivalent calculation formula = (Metal price x metal grade) ÷ (gold price per oz ÷ 31.1)
The following metal prices, exchange rates and metal recoveries and payabilities were used for the calculation of a gold equivalent

| Metal | Recovery | Payability | Source |
|---|---|---|---|
| Au | 94% | 100% | YTC Metallurgical testwork and Marketing Study |
| Cu | 88% | 0% | YTC Metallurgical testwork and Marketing Study |
| Pb | 91% | 95% | YTC Metallurgical testwork and Marketing Study |
| Zn | 90% | 85% | YTC Metallurgical testwork and Marketing Study |
| Ag to dore | 47% | 100% | YTC Metallurgical testwork and Marketing Study |
| Ag to Bulk Con | 46% | 0% | YTC Metallurgical testwork and Marketing Study |

| Metal | Price | Source |
|---|---|---|
| Au | US$1450/oz | 20% discount to spot |
| Pb | US$2,500/t | LME 15 month buyer |
| Zn | US$2,318t | LME 15 month buyer |
| Ag | US$32/oz | 20% discount to spot |
| AUD/USD | 1.00 | Consensus Forecast |



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# APPENDIX 3: GOLD EQUIVALENT & NSR CALCULATIONS – HERA RESOURCE

This report makes references to the Hera Resource and metal equivalents. It is the Company's opinion that all the elements included in the metal equivalents calculation have a reasonable potential to be recovered.

Au Equivalent calculation formula = (Metal price x metal grade) ÷ (gold price per oz ÷ 31.1)

The following metal prices, exchange rates and metal recoveries and payabilities were used in the estimation of "net recoverable ore value per tonne (NSR)" and for the calculation of a gold equivalent.

| Metal | Recovery | Payability | Source |
|---|---|---|---|
| Au | 94% | 100% | YTC Metallurgical testwork and Marketing Study |
| Cu | 88% | 0% | YTC Metallurgical testwork and Marketing Study |
| Pb | 91% | 95% | YTC Metallurgical testwork and Marketing Study |
| Zn | 90% | 85% | YTC Metallurgical testwork and Marketing Study |
| Ag to dore | 47% | 100% | YTC Metallurgical testwork and Marketing Study |
| Ag to Bulk Con | 46% | 0% | YTC Metallurgical testwork and Marketing Study |

| Metal | Price | Source |
|---|---|---|
| Au | US$1200/oz | 90% of Consensus forecast, to May 2013 *Consensus economics, May2011* |
| Cu | US$8,370/t | 90% of Consensus forecast, to May 2013 *Consensus economics, May2011* |
| Pb | US$2,420/t | 90% of Consensus forecast, to May 2013 *Consensus economics, May2011* |
| Zn | US$2,425/t | 90% of Consensus forecast, to May 2013 *Consensus economics, May2011* |
| Ag | US$27/oz | 90% of Consensus forecast, to May 2013 *Consensus economics, May2011* |
| AUD/USD | 0.90 | |



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