

**YTC**  
RESOURCES LIMITED

A.C.N 108 476 384

**HALF YEAR  
FINANCIAL REPORT**

**31 December 2009**

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## 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 (appointed 5 February 2010)

Mr Matthew Sikirich (resigned 5 February 2010)

### 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](http://www.ytcresources.com)

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## Directors' Report

Your Directors submit their report for the half year ended 31 December 2009.

### DIRECTORS

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

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

### REVIEW AND RESULTS OF OPERATIONS

#### *Financial Performance*

The net loss after tax of YTC Resources Limited ("YTC" or "Company") and its subsidiaries together ("Group" or "Consolidated Entity") for the half year period to 31 December 2009 was \$1,134,621 (2008: \$693,417).

Total additional deferred exploration expenditure net of exploration costs written off for the half year ending 31 December 2009 was \$1,760,130, which was primarily incurred on the Hera project. The Group has taken an impairment charge on deferred exploration expenditure of \$244,685 and increased the valuation of the Hera Deferred Royalty by \$378,465.

The Group has expended cash of \$2,200,512 on exploration and operating activities, and \$11,000,000 as payment for the final balance due on acquisition of the Hera project (\$10,860,000) and related property, plant and equipment (\$140,000). The company raised \$23,613,538 net of costs by way of a share placement and a Share Purchase Plan. The cash balance at the end of the period was \$11,519,375.

#### *Operational Performance*

##### *Hera Project (100% EL6162 & 80% Nymagee JV)*

On 22 September 2009, YTC completed its acquisition of the Hera Gold Project including an 80% interest in the Nymagee JV tenements. The purchase secured for YTC the undeveloped Hera Gold Deposit and approximately 24km strike length of highly prospective Cobar Basin rocks.

The Hera deposit is an advanced, **undeveloped, high-grade gold-base metal deposit**, with the potential to be rapidly advanced to development for modest capital expenditure.

The acquisition was the culmination of a two year, Australia wide, project acquisition assessment by YTC, and Hera is considered an ideal project for YTC for the following reasons:

- The Hera deposit is an advanced, high grade gold deposit with base-metal credits capable of generating high margin production revenues.
- The project is located in a low-risk, established mining province close to YTC's technical base in central NSW.
- The project represents an ideal fit for the company's technical skills and capacity to rapidly develop a mining operation.
- The Project contains outstanding exploration upside, with the potential to significantly expand the existing resource.

## Directors' Report

The initial work programme of Hera commenced in October 2009 and included the commencement of a Definitive Feasibility Study (DFS) timed for delivery in June 2010. Key DFS activities in the period included:

- Appointment of GR Engineering Services (GRES) as lead consultants to the DFS.
- Commencement of metallurgical studies and process flow sheet optimisation studies under the supervision of Leo Consulting and utilising Gekko & Metcon Laboratories.
- Commencement of a 13 hole Resource infill programme to further define and upgrade the Main Lens mineralisation.

### DFS Manager Appointed

In November 2009, YTC announced the appointment of GR Engineering Services ('GRES') as Lead Manager to the Hera Gold Project Definitive Feasibility Study ('DFS').

GRES personnel have a reputation for successful feasibility studies and project delivery, in particular gold and base metal processing facilities including site infrastructure.

GRES are leading the Feasibility team in combination with a number of sub consultants.

Manager	Task
GRES	Overall study management/co-ordination.
GRES	Process plant, services and infrastructure.
Optiro	Mining including mine geotechnical Financial modelling/analysis (with GRES input)
Coffey	Plant and infrastructure civil geotechnical Hydrology Tailings storage facility Site drainage/catchment Geochemistry and ARD
Leo Consulting/Metcon Laboratories	Metallurgical test work and flow sheet design

### Metallurgy – Stage 1

Stage 1 of the DFS Scope of Work, being a detailed metallurgical test work programme and the optimisation of the Hera process options, has been completed.

Stage 1 metallurgy results have been strongly encouraging indicating very high gravity gold recoveries (+70%) are achievable at coarse grinds. In addition, flotation tests of the gravity tail show high recoveries of copper, lead and zinc to a bulk float.

Test programmes have now been completed at both Metcon Laboratories and Gekko Systems.

### Summary Results:

#### Metcon Laboratories

- Coarse grind to P80 passing 400µm
- 5.7% gravity concentrate using Knelson Concentrator recovers 69% of the gold
- Regrind of gravity tail to 200µm then bulk sulphide float
- Bulk float recovers 90.3% of the Cu, 98.4% of the Pb & 90.7% of the Zn
- Indicative flow sheet recovers 94.6% of the Au & 93.4% of the Ag

## Directors' Report

### Gekko Systems

- Coarse grind to P80 passing 600µm
- 3.2% gravity concentrate using gravity tables recovers 74% of the gold or
- 11.3% gravity concentrate using gravity tables recovers 83% of the gold
- Bulk float recovers up to 86% of the Cu, 88% of the Pb & 96% of the Zn
- Indicative flow sheet recovers 91.8% of the Au & 93% of the Ag

These initial results are considered strongly encouraging as they indicate that despite utilising a low energy coarse grind, the Hera ore will deliver:

- Very high gravity gold recoveries at coarse grind, and
- High base metal recoveries.

Such strong results at coarse grinds infers the Hera Project is amenable to a lower Capex, lower Opex grinding circuit whilst still retaining high metal recoveries, and higher gravity gold recoveries than reported in previous metallurgical test work.

Further test work has shown that the bulk sulphide concentrate can be reground to produce separate Cu-Pb-Zn concentrates.

### Stage 2

Under Stage 2 of the DFS Scope of Work, GRES is now evaluating the infrastructure, plant design and cost estimates for the optimised process options.

Environmental consultants, RW Corkery, has distributed briefs to update the existing studies for; groundwater, traffic, air, noise and flora and fauna.

### Resource Drilling

Strong results reported to 31 December 2009 on the Resource drilling programme include:

**HRD003: 19m @ 6.33g/t Au, 0.35% Pb, 0.48% Zn from 380m,**  
*including:* **4m @ 16.66g/t Au from 380m,**  
and **6m @ 8.57g/t Au, 0.61% Pb and 1.3% Zn from 392m**

**HRD009W1: 3m @ 6.20/t Au, 23ppm Ag, 2.8%Pb, 4.3% Zn from 457m**

Resource drilling also discovered copper-gold lens located on the western margin of the Hera Main Lens. The copper-gold lens returned intersections of:

**HRD005: 7m @ 3.15% Cu, 0.56g/t Au, 33g/t Ag and 1.2% Pb from 282m**  
*as part of* **24m @ 1.02%Cu, 0.21g/t Au, 15g/t Ag and 0.9% Pb from 267m**

### Exploration Drilling

The Group also initiated a significant, parallel exploration programme around the Hera deposit and within the 5km prospective corridor between the Hera Gold Deposit and the historic Nymagee Copper Mine. The exploration programme has been designed to make further discoveries around the Hera Gold Deposit capable of making incremental or major-step changes to the proposed economic development of Hera. Key exploration activities commenced in the half year period include:

- Deep drilling of the Far West Lens, where historic deep drilling had delineated high-grade gold, lead and zinc mineralisation which had not been closed off.
- Detailed ground gravity survey covering the 5km corridor between the Hera Gold Deposit and the Nymagee Copper Mine.

## Directors' Report

- Drill testing to the immediate north of the Hera Gold Deposit, where previous drilling had demonstrated the northern stroke extent of economic mineralisation remains open.

Exploration drilling completed to date has focussed on the Far West lens and drill testing of the Zeus gravity anomaly, located 1.5km south of the Hera Deposit.

### Zeus Gravity Anomaly

Initial drill testing of the Zeus gravity anomaly has been completed. Two holes have been completed testing a modelled gravity source to the Zeus anomaly. The eastern hole, ZDD002, intersected strong alteration with Cu, Pb & Zn sulphide mineralisation over 1.5m. Strong quartz veining was intersected at the base of the hole and is accompanied by weak Zn & Pb sulphides.

**ZDD002: 2m @ 1.2% Zn, 0.1% Cu and 0.57% Pb from 385m**

The gravity source is yet to be explained, however the base metal mineralisation and strong alteration observed in ZDD002 is typical of marginal intersections at the Hera deposit and is considered highly encouraging. Follow up drilling at Zeus has been planned to be completed as part of the current exploration drilling programme.

### Far West Lens

Three drill holes have now been completed into the Far West Lens in a program designed to target extensions to the high grade gold and base metal mineralisation. Holes HRD001 and HRD001W1 both drifted approximately 25m north of target and intersected the Far West Lens at its northern margin.

Results have been received for HRD001, & HRD001W1:

**HRD001: 1.63 @ 1.11g/t Au, 1.0% Cu, 1.8% Pb, 0.95% Zn and 30ppm Ag from 679m**

**HRD001W1 1.0m @ 1.2g/t Au, 0.21% Cu, 2.39% Pb, 0.51% Zn and 28ppm Ag from 704m**

Hole HRD010W1, intersected the Far West Lens approximately 100m below the high grade interval in TNY074AW.

### Kadungle Project (EL6226)

During the quarter reconnaissance exploration was completed at the Plevna Prospect. The Plevna prospect lies 5km to the south of Mt Leadley and is the site of strong Cu, Pb, Zn & As soil geochemistry together with historic IP and magnetic anomalies.

Reconnaissance mapping and sampling identified two significant zones of quartz vein float with some epithermal textures. 23 rock chip samples were collected which returned elevated Zn, Mo, As, S, and Sb results.

### Doradilla Project (EL6258 & EL6645)

Exploration involved location and sampling of old workings to the north of the Doradilla Copper Mine and compilation of historic sampling results.

Mineralisation at Chimney Shaft to the north of the Doradilla Copper Mine has been mapped as a gossanous mica schist and quartz ± tourmaline veining with pervasive alteration over a 300m north – south strike length. A low outcrop of highly weathered skarn was located 200m to the north of Northern Shaft. 19 rock chip samples were collected and returned strongly anomalous results with values up to 36ppm Ag, 1.3% Pb, 0.2% Zn, 0.4% As, 0.1% Sn, 1020ppm Mo, 32ppm In.

This mineralisation is closely associated with high grade silver-bismuth mineralisation intersected in RC drilling during the previous year.

## Directors' Report

Also during the period hole DR10 was examined and sampled at the NSW DII Londonderry Core Library. This 1973 drill hole intersected sulphide bearing serpentinites with visible nickel sulphide as Nickel skarn sulphide mineralisation and no previous sampling. YTC sampling of sulphide bearing zones returned only weak nickel values up to 0.2% Ni.

### Tallebung Project (EL6699)

Historic drill hole DDH18 was re-sampled at the NSW DII Londonderry Core Library. The hole contains strong quartz veining with Ag, Cu, Pb, Zn, Sn, W mineralisation. The sampling generated the following new intersections.

Hole	From (m)	To (m)	Interval (m)	Ag ppm	Pb %	Sn %	W ppm	Comments
DDH18	21.01	35.10	14.09	29	0.15	0.25	322	new YTC assays;
<i>includes</i>	24.92	25.58	0.66	228	2.15	4.27	2700	new YTC assays
DDH18	45.01	45.95	0.94	34		0.06	290	new YTC assays
DDH18	59.89	60.48	0.58			0.64	28	historic assays

### Torrington Project (EL6389, 6392 & 6690)

No exploration activities

### Baldry Project (EL6673)

No field based exploration was completed on the Baldry Project in the half year.

### Giants Den Project (EL6449)

No field based exploration was completed on the Giants Den Project in the half year

### Tingha Project (EL7106)

No field based exploration was completed on the Tingha Project in the half year

### Corporate

During the period, the Company completed a fundraising program which raised **\$25.75m** before costs. The fundraising was undertaken in three parts:

- A **Placement** to new and existing shareholders which raised \$23,156,193 before costs.
- A **Share Purchase Plan** which raised \$1,787,100 before costs.
- A **Placement** to Yunnan Tin Group and its nominee which raised \$807,388 before costs.

The Board considers the successful capital raising and strong take up of the Share Purchase Plan a strong endorsement of the Company's strategy and the recently acquired Hera Gold Project.

In January 2010 the Company issued 1,425,000 employee incentive options with an exercise price of \$0.40 and a 3 year term. Of these options, 775,000 vest on 1 January 2011.

### Objectives, Strategy and Risks

YTC continues to explore its Hera Gold Project and its tin and copper-gold projects in New South Wales with the aim of identifying economic deposits. Supported by its partners at Yunnan Tin Company Group Ltd, YTC is actively reviewing advanced mining project opportunities across a variety of minerals and locations.



## 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 2009.

Signed in accordance with a resolution of the directors.



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Dr. Wenxiang Gao  
Chairman  
4 March 2010

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

In relation to our review of the financial report of YTC Resources Ltd for the half-year ended 31 December 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Michael Elliott  
Partner  
Sydney  
4 March 2010

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# Statement of Comprehensive Income

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	Notes	Consolidated	
		31-Dec-09 \$	31-Dec-08 \$
<b>Revenue</b>			
Interest revenue		160,742	129,512
<b>Total revenue</b>		160,742	129,512
<b>Expenses</b>			
Employee benefits expense	2(a)	327,366	352,050
Consulting expenditure		281,856	103,896
Insurance		26,190	23,081
Accounting fees		73,052	45,188
Office rental and outgoings		30,467	32,161
Travel expenses		145,722	122,781
Administration expenditure	2(b)	131,160	50,327
Capitalised exploration costs written off		244,665	60,248
Depreciation		27,940	26,583
Amortisation		6,945	6,614
<b>Expenses</b>		1,295,363	822,929
<b>Loss before income tax</b>		(1,134,621)	(693,417)
Income tax expense		-	-
<b>Loss after income tax</b>		(1,134,621)	(693,417)
Other comprehensive income		-	-
<b>Total comprehensive loss for the period</b>		(1,134,621)	(693,417)
<b>Loss per share for loss attributable to the ordinary equity holders of the parent</b>			
Basic loss per share (cents per share)		(1.42)	(1.58)
Diluted loss per share (cents per share)		(1.42)	(1.58)

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

# Statement of Financial Position

AS AT 31 DECEMBER 2009

	Notes	Consolidated	
		31-Dec-09	30-Jun-09
		\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	11,519,375	1,266,523
Trade and other receivables		68,236	1,588
Prepayments		18,781	35,812
<b>Total current assets</b>		<u>11,606,392</u>	<u>1,303,923</u>
<b>Non current assets</b>			
Plant and equipment		469,688	335,997
Deferred exploration and evaluation expenditure	4	17,079,802	15,319,672
<b>Total non current assets</b>		<u>17,549,490</u>	<u>15,655,669</u>
<b>Total assets</b>		<u>29,155,882</u>	<u>16,959,592</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		494,090	11,167,890
Provisions		41,531	28,823
<b>Total current liabilities</b>		<u>535,621</u>	<u>11,196,713</u>
<b>Non current liabilities</b>			
Other payables		710,465	332,000
<b>Total non current liabilities</b>		<u>710,465</u>	<u>332,000</u>
<b>Total liabilities</b>		<u>1,246,086</u>	<u>11,528,713</u>
<b>Net assets</b>		<u>27,909,796</u>	<u>5,430,879</u>
<b>Equity</b>			
Contributed equity	5	32,744,357	9,130,819
Reserves	6	881,817	881,817
Accumulated losses		(5,716,378)	(4,581,757)
<b>Total equity</b>		<u>27,909,796</u>	<u>5,430,879</u>

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

## Statement of Changes in Equity

AS AT 31 DECEMBER 2009

	Issued Share Capital	Share Option Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
<b>Balance as at 1 July 2008</b>	6,370,209	840,142	(2,104,541)	5,105,810
Total comprehensive loss for the period	-	-	(693,417)	(693,417)
<b>Transactions with owners in their capacity as owners</b>				
Shares issued for the period	2,760,610	-	-	2,760,610
Options issued for the period	-	41,675	-	41,675
<b>Balance as at 31 December 2008</b>	<u>9,130,819</u>	<u>881,817</u>	<u>(2,797,958)</u>	<u>7,214,678</u>
<b>Balance as at 1 July 2009</b>	9,130,819	881,817	(4,581,757)	5,430,879
Total comprehensive loss for the period	-	-	(1,134,621)	(1,134,621)
<b>Transactions with owners in their capacity as owners</b>				
Shares issued for the period	25,286,267	-	-	25,286,267
Cost of shares issued	<u>(1,672,729)</u>	-	-	<u>(1,672,729)</u>
<b>Balance as at 31 December 2009</b>	<u>32,744,357</u>	<u>881,817</u>	<u>(5,716,378)</u>	<u>27,909,796</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 2009

	Consolidated	
Notes	31-Dec-09 \$	31-Dec-08 \$
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(977,691)	(695,435)
Interest received	92,994	135,868
<b>Net cash flows used in operating activities</b>	<u>(884,697)</u>	<u>(559,567)</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(300,174)	(12,725)
Acquisition of projects	(10,860,000)	-
Exploration and evaluation expenditure	(1,315,815)	(974,423)
<b>Net cash flows used in investing activities</b>	<u>(12,475,989)</u>	<u>(987,148)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	25,286,267	2,760,610
Payment for share issue costs	(1,672,729)	-
<b>Net cash flows from financing activities</b>	<u>23,613,538</u>	<u>2,760,610</u>
Net increase in cash and cash equivalents	10,252,852	1,213,895
Cash and cash equivalents at beginning of period	1,266,523	1,672,049
<b>Cash and cash equivalents at end of period</b>	<b>3</b> <u>11,519,375</u>	<u>2,885,944</u>

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

## **Notes to the Financial Statements**

### **FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

#### **CORPORATE INFORMATION**

The financial report of YTC Resources Limited for the half year ended 31 December 2009 was authorised for issue in accordance with a resolution of Directors on 4 March 2010.

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

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

#### **1. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

##### **Basis of preparation**

This general purpose condensed financial report for the half year ended 31 December 2009 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 2009 and considered together with any public announcements made by YTC Resources Limited during the half year ended 31 December 2009 in accordance with continuous disclosure obligations of the ASX listing rules.

##### **Significant Accounting Policies**

Apart from the changes in accounting policy below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

##### **Change in accounting policy**

From 1 July 2009 the Company has adopted the following Standards for annual reporting periods beginning on or after 1 January 2009. Adoption of these standards does not have any effect on the financial performance or position of the Company.

##### **AASB 8: Operating Segments**

AASB 8 replaces AASB 114 *Segment Reporting* upon its effective date. The Consolidated Entity concluded that the operating segments determined in accordance with AASB 8 are the same as the business segments previously identified under AASB 114. AASB 8 disclosures are shown in note 7, including the revised comparative information.

##### **AASB 101: Presentation of Financial Statements**

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Consolidated Entity has elected to present one statement.

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

**Notes to the Financial Statements**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

	Note	31-Dec-09	31-Dec-08
<b>2. EXPENSES</b>		\$	\$
Loss before income tax includes the following specific expenses:			
<b>(a) Employee benefits expense</b>			
Salaries and on-costs		327,366	310,375
Options expense	6	-	41,675
		<u>327,366</u>	<u>352,050</u>
<b>(b) Administration expenditure</b>			
Audit fees		19,213	16,178
Legal fees		41,976	10,677
Printing and stationary		19,197	9,412
Telephone and internet		13,926	7,771
Information technology		10,541	1,914
Advertising and promotion		15,068	-
Other		11,239	4,375
Total administration expenditure		<u>131,160</u>	<u>50,327</u>

	31-Dec-09	30-Jun-09
<b>3. CASH AND CASH EQUIVALENTS</b>	\$	\$
Cash and cash equivalents are comprised of the following:		
Cash at bank and in hand	2,979,375	1,226,523
Short-term deposits	8,540,000	40,000
	<u>11,519,375</u>	<u>1,266,523</u>

**4. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE**

	31-Dec-09	30-Jun-09
<b>Exploration and evaluation</b>	\$	\$
At cost	18,509,759	16,504,964
Accumulated impairment	<u>(1,429,957)</u>	<u>(1,185,292)</u>
Total exploration and evaluation	<u>17,079,802</u>	<u>15,319,672</u>

During the period, deferred exploration and evaluation assets with a carrying value of \$244,665 were written-off by the Company. The assets had previously been recognised in connection with Exploration Licences 6449, 6699, 6645 and 7106.



**Notes to the Financial Statements**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

	31-Dec-09	30-Jun-09
<b>5. CONTRIBUTED EQUITY</b>	<b>\$</b>	<b>\$</b>
<b>(a) Issued and paid up capital</b>		
Ordinary shares fully paid	32,744,357	9,130,819

**(b) Movements in ordinary shares on issue**

Details	Number of shares	\$
Opening Balance	43,792,560	9,130,819
Share Placement net of issue costs	111,900,804	21,826,438
Share Purchase Plan	8,510,000	1,787,100
Closing Balance	164,203,364	32,744,357

	31-Dec-09	30-Jun-09
<b>6. RESERVES</b>	<b>\$</b>	<b>\$</b>
Carrying amount at beginning of period	881,817	840,142
Options issued during period	-	41,675
Option Premium Reserve	881,817	881,817

**(a) Movements in Option Reserve**

Details	Date	Number of options	\$
Opening Balance	1-Jul-09	4,600,000	881,817
Options expired - 50,000 options exercisable at \$1.00	9-Dec-09	(50,000)	-
Options expired - 50,000 options exercisable at \$1.50	9-Dec-09	(50,000)	-
Closing Balance	31-Dec-09	4,500,000	881,817

**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 project, being the most significant current project of the Company, and all other tenements. 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

**Notes to the Financial Statements**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

**7. SEGMENT INFORMATION (continued)**

The following represents profit and loss and asset information for reportable segments for the half-years ended 31 December 2009 and 31 December 2008.

	Hera Project	Other Exploration Projects	Total
<b>Segment Results</b>			
<b><u>Half -year ended 31 December 2009</u></b>			
Segment Revenue	-	-	-
Deferred exploration costs written-off	-	(244,665)	(244,665)
Depreciation and amortisation	(2,815)	-	(2,815)
Segment Net Loss After Tax	(2,815)	(244,665)	(247,480)

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

Interest revenue	160,742
Corporate operating costs	(1,015,813)
Corporate asset depreciation and amortisation	(32,070)
Net Loss after tax per the statement of comprehensive income	(1,134,621)

**Half -year ended 31 December 2008**

Segment Revenue	-	-	-
Deferred exploration costs written-off	-	(60,248)	(60,248)
Depreciation and amortisation	-	-	-
Segment Net Loss After Tax	-	(60,248)	(60,248)

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

Interest revenue	129,512
Corporate operating costs	(729,484)
Depreciation and amortisation	(33,197)
Net Loss after tax per the statement of comprehensive income	(693,417)

**Notes to the Financial Statements**  
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

7. SEGMENT INFORMATION (continued)

	Hera Project	Other Exploration Projects	Total
<b>Segment assets for the half-year ended 31 December are as follows:</b>			
<b>Segment assets at 31 December 2009</b>			
Property, plant and equipment	91,330	-	91,330
Deferred exploration and evaluation expenditure	14,093,652	2,986,150	17,079,802
	<u>14,184,982</u>	<u>2,986,150</u>	<u>17,171,132</u>
<b>Reconciliation of segment assets to total assets</b>			
Cash and cash equivalents			11,519,375
Trade and other receivables			68,236
Prepayments			18,781
Corporate plant and equipment			378,358
<b>Total assets per the balance sheet at 31 December 2009</b>			<u>29,155,882</u>
<b>Segment assets at 31 December 2008</b>			
Property, plant and equipment	-	-	-
Deferred exploration and evaluation expenditure	-	4,104,330	4,104,330
	<u>-</u>	<u>4,104,330</u>	<u>4,104,330</u>
<b>Reconciliation of segment assets to total assets</b>			
Cash and cash equivalents			2,885,944
Trade and other receivables			107,273
Prepayments			15,170
Corporate plant and equipment			239,882
<b>Total assets per the balance sheet at 31 December 2008</b>			<u>7,352,599</u>

**Notes to the Financial Statements**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

31-Dec-09    30-Jun-09  
 \$                    \$

**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	385,449	148,019
After one year but not longer than 5 years	331,748	594,733
	717,197	742,752

**(b) Lease commitments**

Within 1 year	28,875	57,750
	28,875	57,750

**9. BUSINESS COMBINATION**

**Prior period acquisition**

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

The Hera Project and Nymagee Joint Venture are located approximately 100km south-east of the mining town of Cobar in central NSW and include the undeveloped Hera gold-base metal deposit.

The Hera deposit is an undeveloped, high-grade gold-base metal deposit, with the potential to be rapidly advanced to development. The Company is working to develop a gold and base metal mine at Hera.

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 \$710,465 (\$332,000 at 30 June 2009) 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 2009. The deferred consideration is revalued at each reporting date in accordance with AASB 3 with a corresponding adjustment to exploration and evaluation assets acquired.

**Notes to the Financial Statements**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

**9. BUSINESS COMBINATION (continued)**

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

	<b>Provisional Fair Value as previously reported</b>	<b>Fair Value Adjustments</b>	<b>Fair Value at acquisition</b>
	\$	\$	\$
Exploration and evaluation assets	12,192,000	378,465	12,570,465
Other property, plant and equipment	140,000	-	140,000
Fair value of identifiable net assets	<u>12,332,000</u>	<u>378,465</u>	<u>12,710,465</u>

Cost of the combination:	\$
Non-refundable cash deposit (paid)	1,000,000
Cash consideration (paid)	11,000,000
Deferred consideration (revalued at 31 December 2009)	<u>710,465</u>
	<u>12,710,465</u>

**10. DIVIDENDS**

No dividends were paid or proposed during the period (2008: nil).

**11. EVENTS AFTER THE BALANCE SHEET DATE**

During January 2010 a total of 1,425,000 unlisted options were issued to employees of the Company. The details are:

<b>Number</b>	<b>Exercise Price</b>	<b>Vesting Date</b>	<b>Expiry Date</b>
775,000	\$0.40	1 January 2011	31 December 2012
650,000	\$0.40	1 January 2010	31 December 2012

On 24 July 2009, MetalsX Ltd (MLX) announced an agreement with the Yunnan Tin Group of China (YTG) to form an unincorporated joint venture on the MLX Tasmanian Tin Assets (Joint Venture). The joint venture agreement between YTG and MLX was signed on 28 January 2010 with completion and settlement to follow. As alliance partner to YTG, and under the YTC-YTG Alliance Agreement, YTC will assist in completing the agreement and will provide advice on the operation of the Joint Venture. The benefits to YTC under the Alliance Agreement include a \$1.5m fee payable to YTC on completion and settlement of the Joint Venture agreement and a share of YTG's Joint Venture holding company's profit for advice on the operation of the Joint Venture.

Other than those detailed above, there are no events occurring subsequent to the balance date requiring disclosure.

## Notes to the Financial Statements FOR THE HALF YEAR ENDED 31 DECEMBER 2009

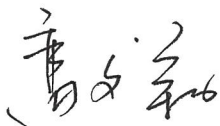
### DIRECTORS' DECLARATION

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 2009 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



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Dr. Wenxiang Gao  
Chairman  
4 March 2010

To the members of YTC Resources Ltd,

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of YTC Resources Ltd, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the 31 December 2009 or from time to time during the six months.

### Directors' Responsibility for the Half-Year Financial Report

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

### Auditor's Responsibility

Our responsibility is to express an opinion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2009 and its performance for the six months ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of YTC Resources Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the half-year financial report.

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

### Independence

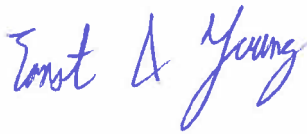
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

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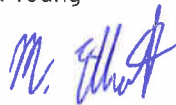
## Conclusion

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

- i giving a true and fair view of the company's financial position as at 31 December 2009 and of its performance for the six months ended on that date; and
- ii complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Michael Elliott  
Partner  
Sydney  
4 March 2010