



ABN 37 108 476 384

FINANCIAL REPORT

30 June 2009

YTC Resources Limited Corporate Directory

Directors

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

Company Secretary

Mr. Matthew Sikirich

Registered Office and Principal place of business

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

Share Register

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

Stock Exchange Listing

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

Auditors

Ernst and Young
680 George Street
Sydney NSW 2000

YTC Resources Limited
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YTC Resources Limited

Directors' Report

The following report is submitted in respect of the results of YTC Resources Limited ("YTC" or the "Company") and its subsidiaries, together the consolidated group ("Group"), for the financial year ended 30 June 2009, together with the state of affairs of the Group as at that date.

DIRECTORS AND OFFICERS

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

Dr. Wenxiang Gao - Chairman

Dr. Gao has over 20 years experience as a senior mining engineer in China. He graduated as a Master of Mining Engineering from the Mining Academy of Kunming and University of Science and Technology. He earned his Doctor Degree in the School of Resources & Safety Engineering of South Central University, China in June 2008.

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

Listed company directorships held by Dr. Gao in the past three years:

Yunnan Tin Co., Ltd (Shenzhen Stock Exchange)	Vice Chairman 21 October 2006 – Present
China Yunnan Tin Minerals Group Company Ltd (Hong Kong Stock Exchange)	Appointed 16 May 2008 — Present

Mr. Rimas Kairaitis – Director and Chief Executive Officer

Mr. Kairaitis is a geologist with over 12 years experience in minerals exploration and resource development in gold, base metals and industrial minerals in Queensland and NSW, working with companies including Shell Minerals, Plutonic Resources, and CRA.

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

Mr. Kairaitis has a strong exploration track record, leading the geological field team to the discovery of the Wyoming Gold deposit in NSW in 2001 and the McPhillamy's Gold Deposit in 2007.

He graduated with a Bachelor of Applied Science (Geology) with first class Honours and University Medal in 1992 from the University of Technology, Sydney. He is also a member of the Australian Institute of Mining and Metallurgy.

In the last three years Mr. Kairaitis has held no other listed company directorships.

Mr. Anthony Wehby

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

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

YTC Resources Limited

Directors' Report

Dr. Guoqing Zhang

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

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

Dr. Zhang has held no other listed company directorships in the past three years.

Mr. Stephen Woodham

Mr. Woodham has over 16 years experience in the mining and exploration industry in Western Australia and New South Wales specialising in field logistics and support and land access in rural and remote environments. He also has a successful track record of tenement acquisition, mining investment and commercial and cross-cultural negotiation.

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

Centaurus Resources Ltd (Australian Stock Exchange) Appointed 11 October 2007 – 8 January 2009

Mr. Robin Chambers

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

Mr. Chambers has advised a number of major Chinese state owned enterprises on their investments in Australia over more than 25 years, including Sinosteel Corporation, CITIC, Sinotrans, Everbright, Ministry of Geology & Resources (now Ministry of Land and Resources) and many of China's leading steel mills. He has also advised Australian and US corporations on a range of projects in China.

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

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

Mr. Richard Hill

Mr. Richard Hill has over 16 years experience in the resource industry as both a solicitor and a geologist. He initially worked for the law firm Clayton Utz practising in commercial, corporate and resources law and litigation.

Over the past 11 years, Mr. Hill has worked as a geologist for several major Australian mining companies and more recently has founded two ASX-listed mining companies. Mr. Hill has a diversity of practical geological experience as a mine based and exploration geologist. In his commercial and legal roles, he has been involved in project generation and evaluation, acquisition and joint venture negotiation, mining law and land access issues as well as local and overseas marketing and fund raising.

Mr. Hill's professional associations include membership of the Australian Institute of Mining and Metallurgy, The Financial Services Institute of Australia (formerly the Securities Institute of Australia), the Geological Society of Australia. Mr. Hill's qualifications are B.Juris, LLB., B.Sc. (Geology) (First Class Honours), ASIA.

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

Centaurus Resources Ltd (Australian Stock Exchange) Appointed 11 October 2007 - Present

YTC Resources Limited Directors' Report

Ms. Christine Ng

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

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

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

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

Mr. Matthew Sikirich - Company Secretary

Mr. Sikirich is a Chartered Accountant with extensive experience in corporate finance consulting, company secretarial roles and accounting for publicly listed companies. Mr. Sikirich holds a Bachelor of Commerce from the University of Western Australia.

Directors' Interests in the shares and options of the Company

At the date of this report the interests of the Directors in the shares and other equity securities of the Company were:

	<u>Ordinary Shares</u>	<u>Options over Ordinary Shares</u>
Directors		
Wenxiang Gao	10,000	500,000
Rimas Kairaitis	3,323,544	1,000,000
Anthony Wehby	195,000	500,000
Guoqing Zhang	-	-
Stephen Woodham	3,514,128	500,000
Robin Chambers	310,003	500,000
Richard Hill	1,085,821	500,000
Christine Ng	-	-

DIVIDENDS

No dividend was paid or declared by the Company in the period since the end of the previous financial year, and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend for the financial year ended 30 June 2009.

CORPORATE STRUCTURE

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

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

YTC Resources Limited Directors' Report

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

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

REVIEW AND RESULTS OF OPERATIONS

Operational Performance

Hera Project

On 18 June 2009, The Company announced it had reached agreement to purchase a 100% interest in the Hera Project and an 80% interest in the adjacent Nymagee Joint Venture, from CBH Resources Ltd. The purchase was settled on 22 September 2009.

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 is the culmination of a 2 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.

Doradilla Project

Exploration drilling at Doradilla confirms the following:

- **Bonanza grade silver-bismuth lode** was intersected south of the **Doradilla Copper Mine**. The lode assayed:
 - **DCMD002: 1.5m @ 683ppm silver & 1.2% bismuth from 126.65m**Lode position is open at depth and to the south along strike.
- Sulphide 'Nickel Skarn' mineralisation confirmed within ultramafic bodies
- Strong oxide tin above the Doradilla tin deposit

Baldry Project

Aircore drilling identifies easterly extensions of the Mount Aubrey Gold Mine quartz lodes:

MAAC03: 2m @ 1.45g/t Au from 21m
MAAC19: 10m @ 0.87g/t Au from 5m
MAAC20: 19m @ 0.52g/t Au from 27m to EOH

Semi-continuous veining now demonstrated over a 2.5km strike length. Drilling results continue to provide encouragement to the potential discovery of a high-grade, low sulphidation gold deposit.

YTC Resources Limited

Directors' Report

Pound Flat Project

During the year YTC was granted a new Exploration Licence EL 7280 (Pound Flat). The tenement area contains the Pound Flat tin deposit.

The Pound Flat deposit has been explored in detail by other companies from 1978 to 1982 resulting in the delineation of two geological domains:

- A hard rock, sheeted vein hosted tin deposit overlain by;
- A shallow eluvial/alluvial + shallow oxide tin deposit.

The deposit represents the potential for a future low-cost, high-margin mining operation with modest capital expenditure requirements.

Giants Den Project

A 72 hole aircore drilling programme for 831m was completed to validate the historic drilling and to attempt to advance the Alluvials to Resource status.

The overall results of the drilling showed that a potentially high grade alluvial tin deposit occurs at Tin Chrome Creek and in the upper reaches of Stone Dam Creek, however the narrow intervals (<2m) and relative depth (from 6-8m) of the tin bearing gravels suggests limited scope for potential economic extraction.

Tallebung Project

Results for all exploration work on the project, including an evaluation of all diamond drill holes completed in 2008, were assessed in a full technical review.

The technical review concludes the good potential for a shallow (<90m), medium tonnage, low-grade tin deposit at the historic Tallebung Mine.

Torrington Project

No activities completed on the project during the year.

Kadungle Project

No activities completed on the project during the year.

Tingha Project

No activities completed on the project during the year.

Financial Performance

The net loss of the Group for the year ended 30 June 2009 after income tax was \$2,477,216 (2008: \$1,127,437). The net loss included the write down of deferred exploration and evaluation expenditure of \$1,185,292.

During the financial year the Company issued 300,000 options to employees. These options are required to be valued and expensed. For details of option issues and their valuation refer to note 23 to the financial statements.

Cash Flow

The Group had a net cash decrease for the financial year of \$405,526, consisting of exploration and operations expenditure of \$1,112,889, interest received of \$323,960 and a share placement of \$2,760,610. The cash balance at the end of the financial year was \$1,266,523. Subsequent to the end of the financial year the Company raised approximately \$23.1 million before costs through the issue of shares to existing major shareholders, international and domestic institutions and sophisticated investors at \$0.21 per share to acquire and develop the Hera Project in Cobar New South Wales and the adjacent Nymagee prospect. Approximately \$2.7m of this raising is awaiting FIRB approval.

YTC Resources Limited Directors' Report

Objectives, Strategy and Risks

With the acquisition of the Hera Project and the adjacent Nymagee Prospect, YTC Resources Limited has been repositioned as a developing mining company. The development of the Hera Project and the exploration of the surrounding areas will be the main focus of YTC's efforts going forward.

YTC will continue to explore its other tin, gold and base metals projects in New South Wales with the aim of identifying economic deposits and is considered a speculative investment.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Total Group equity increased by \$325,069. The movement was mainly due to the loss for the financial year of \$2,477,216 offset by the increase in contributed equity \$2,760,610. Deferred exploration and evaluation expenditure increased by \$11,929,285 which was made up of the estimated acquisition cost of the Hera and Nymagee projects, including the royalty totalling \$12,192,000 and exploration expenditure of \$922,577 offset by impairment of previously incurred exploration costs of \$1,185,292.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 7 September 2009, shareholder approval was obtained to proceed with a placement of approximately 110m shares to existing major shareholders, international and domestic institutions and sophisticated investors at \$0.21 per share to raise approximately \$23.1m before costs. On 11 September 2009 these shares were issued except for approximately 13m shares which is awaiting FIRB approval.

On 22 September 2009 the Company utilised the funds raised to pay the final amount of \$11m to settle the acquisition of 100% of the Hera Gold Project and an 80% interest in the Nymagee Joint Venture.

On 8 September 2009, the Company announced that it had adopted a Share Purchase Plan and that an offer will be made under the plan to all of the Company's shareholders registered at 17.00 WST on 10 September 2009 with a registered address in Australia or New Zealand.

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). 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.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Directors have excluded from this report any further information on the likely developments in the operations of the Company and the expected results of those operations in future financial years, as the Directors believe that it would be speculative and prejudicial to the interests of the Company.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group carries out operations in New South Wales that are subject to environmental regulations under both Commonwealth and State legislation in relation to its exploration activities. The Group has formal procedures in place to ensure regulations are adhered to. During the financial year there has been no significant breach of these regulations.

YTC Resources Limited

Directors' Report

SHARE OPTIONS

(i) Unissued shares under option

As at the date of this report, there were 4,600,000 un-issued ordinary shares under options. The options are unlisted and have various terms as set out below.

<u>Number of Options</u>	<u>Expiry</u>	<u>Exercise Price (per share)</u>
4,000,000	4 May 2012	\$0.25
300,000	31 December 2010	\$1.50
300,000	31 December 2010	\$1.00

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

(ii) Shares issued as a result of the exercise of options

There have been no shares issued as a result of the exercise of options during the financial year.

MEETINGS OF DIRECTORS

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

Name	Number of Meetings Eligible to Attend	Number of Meetings Attended
Wenxiang Gao	5	5
Rimas Kairaitis	5	5
Anthony Wehby	5	5
Guoqing Zhang	5	5
Stephen Woodham	5	3
Robin Chambers	5	4
Richard Hill	5	4
Christine Ng	5	4

Due to the size and nature of the Company, the Board performs the functions that may otherwise be performed by an audit or remuneration committee. Refer to the Corporate Governance Statement for further information.

Post the end of the financial year a remuneration committee was formed and has held one meeting. The remuneration committee is made up of Anthony Wehby, Guoqing Zhang, Rimas Kairaitis and Stephen Woodham.

EMPLOYEES

The Company had 8 employees at 30 June 2009 (2008: 8 employees).

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

YTC Resources Limited

Directors' Report

REMUNERATION REPORT (AUDITED)

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

Remuneration policy and committee

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

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

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

As part of its Corporate Governance Policies and Procedures, the Board has adopted a formal Remuneration Committee Charter. Due to the current size of the Group and number of directors, the Board elected not to create a separate Remuneration Committee but instead decided to undertake the function of the Committee as a full Board under the guidance of the formal charter. Post the end of the financial year a remuneration committee was formed and has held one meeting. The remuneration committee is made up of Anthony Wehby, Guoqing Zhang, Rimas Kairaitis and Stephen Woodham.

Details of key management personnel

	Position	Appointed	Resigned
Directors			
Dr. Wenxiang Gao	Chairman	25-Feb-08	-
	Director	27-Mar-07	-
Mr. Rimas Kairaitis	Director	12-Jun-08*	-
Mr. Anthony Wehby	Vice-Chairman	14-Sep-06	-
Dr. Guoqing Zhang	Director	25-Feb-08	-
Mr. Stephen Woodham	Director	24-Mar-04	-
Mr. Robin Chambers	Director	27-Mar-07	-
Mr. Richard Hill	Director	28-Apr-06	-
Ms. Christine Ng	Director	12-Jun-08	-
Executives			
Mr. Rimas Kairaitis	Chief Executive Officer	1-Apr-07	-
Mr. Matthew Sikirich	Company Secretary	13-Sep-06	-

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

YTC Resources Limited
Directors' Report

Remuneration of key management personnel

	Non-Executive Directors Fees	Salary and Fees	Non-Monetary	Super-annuation	Options	Total	Remuneration consisting of options
	\$	\$	\$	\$	\$	\$	%
Directors							
Dr. Wenxiang Gao							
2009	27,250	-	-	-	-	27,250	-
2008	32,700	-	-	-	-	32,700	-
Mr. Rimantas Kairaitis							
2009	-	187,085	-	16,838	-	203,923	-
2008	-	128,656	-	11,579	-	140,235	-
Mr. Anthony Wehby							
2009	25,000	-	-	2,250	-	27,250	-
2008	30,000	-	-	2,700	-	32,700	-
Dr. Quoqing Zhang							
2009	25,000	-	-	2,250	-	27,250	-
2008	10,467	-	-	942	-	11,409	-
Mr. Stephen Woodham							
2009	25,000	40,800	-	2,250	-	68,050	-
2008	30,000	68,700	-	2,700	-	101,400	-
Mr. Robin Chambers							
2009	25,000	-	-	2,250	-	27,250	-
2008	30,000	-	-	2,700	-	32,700	-
Mr. Richard Hill							
2009	25,000	62,120	-	2,250	-	89,370	-
2008	30,000	29,900	-	2,700	-	62,600	-
Ms. Christine Ng							
2009	27,250	-	-	-	-	27,250	-
2008	1,635	-	-	-	-	1,635	-
Mr. Jianming Xiao							
2009	-	-	-	-	-	-	-
2008	21,380	-	-	-	-	21,380	-
Executives							
Mr. Matthew Sikirich							
2009	-	56,995	-	-	-	56,995	-
2008	-	65,044	-	-	-	65,044	-
Total 2009	179,500	347,000	-	28,088	-	554,588	-
Total 2008	186,182	292,300	-	23,321	-	501,803	-

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

No options were granted or vested in relation to key management personnel during the financial year ended 30 June 2009 (June 2008: Nil). During the financial year 300,000 options were granted to employees. For details of these options refer to note 23 to the financial statements.

All options have vested at 30 June 2009.

YTC Resources Limited
Directors' Report

Shareholdings of key management personnel (consolidated)

2009	Balance at the start of the year	Granted during the year as compensation	On exercise of share options	Other changes during the year ^(a)	Balance at the end of the year
Directors					
Dr. Wenxiang Gao	10,000	-	-	-	10,000
Mr. Anthony Wehby	195,000	-	-	-	195,000
Mr. Rimas Kairaitis	3,308,044	-	-	3,500	3,311,544
Dr. Guoqing Zhang	-	-	-	-	-
Mr. Stephen Woodham	3,822,804	-	-	(377,392)	3,445,412
Mr. Robin Chambers	310,003	-	-	-	310,003
Mr. Richard Hill	1,057,984	-	-	-	1,057,984
Ms. Christine Ng	-	-	-	-	-
Executives					
Mr. Matthew Sikirich	284,997	-	-	-	284,997
	8,988,832	-	-	(373,892)	8,614,940

(a) Acquired by on-market purchases.

2008	Balance at the start of the year	Granted during the year as compensation	On exercise of share options	Other changes during the year ^(b)	Other changes during the year ^(c)	Balance at the end of the year
Directors						
Dr. Wenxiang Gao	-	-	-	10,000	-	10,000
Mr. Anthony Wehby	170,000	-	-	-	25,000	195,000
Mr. Rimas Kairaitis	3,221,044	-	-	-	87,000	3,308,044
Dr. Guoqing Zhang	-	-	-	-	-	-
Mr. Stephen Woodham	3,820,804	-	-	-	2,000	3,822,804
Mr. Robin Chambers	310,003	-	-	-	-	310,003
Mr. Richard Hill	1,057,984	-	-	-	-	1,057,984
Ms. Christine Ng	-	-	-	-	-	-
Mr. Jianming Xiao	-	-	-	20,000	(20,000)	-
Executives						
Mr. Matthew Sikirich	279,997	-	-	-	5,000	284,997
	8,859,832	-	-	30,000	99,000	8,988,832

(b) Mr. Xiao and Dr. Gao held 100,000 shares in joint ownership at 30 June 2007 of which part were subsequently transferred to employees of Yunnan Tin Company Group Ltd resulting in them holding 20,000 and 10,000 shares respectively.

(c) Acquired by on-market purchases. Mr Xiao resigned during the year.

YTC Resources Limited
Directors' Report

Option holdings of key management personnel (consolidated)

2009	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year
Directors					
Dr. Wenxiang Gao	500,000	-	-	-	500,000
Mr. Anthony Wehby	500,000	-	-	-	500,000
Mr. Rimas Kairaitis	1,000,000	-	-	-	1,000,000
Dr. Guoqing Zhang	-	-	-	-	-
Mr. Stephen Woodham	500,000	-	-	-	500,000
Mr. Robin Chambers	500,000	-	-	-	500,000
Mr. Richard Hill	500,000	-	-	-	500,000
Ms. Christine Ng	-	-	-	-	-
Executives					
Mr. Matthew Sikirich	500,000	-	-	-	500,000
	4,000,000	-	-	-	4,000,000

2008	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year
Directors					
Dr. Wenxiang Gao	500,000	-	-	-	500,000
Mr. Anthony Wehby	500,000	-	-	-	500,000
Mr. Rimas Kairaitis	1,000,000	-	-	-	1,000,000
Dr. Guoqing Zhang	-	-	-	-	-
Mr. Stephen Woodham	500,000	-	-	-	500,000
Mr. Robin Chambers	500,000	-	-	-	500,000
Mr. Richard Hill	500,000	-	-	-	500,000
Ms. Christine Ng	-	-	-	-	-
Mr. Jianming Xiao ^(a)	500,000	-	-	(500,000)	-
Executives					
Mr. Matthew Sikirich	500,000	-	-	-	500,000
	4,500,000	-	-	(500,000)	4,000,000

(a) Mr. Jianming Xiao's options lapsed on his resignation from the company.

YTC Resources Limited

Directors' Report

Options granted as part of remuneration

No options were granted or vested in relation to key management personnel during the financial year ended 30 June 2009 (2008: Nil). During the year 300,000 options were granted to employees. For details of these options refer to note 23 to the financial statements.

Executive Directors and Executives

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

The Chief Executive Officer, Mr. Rimas Kairaitis, is employed under an executive employment agreement. The agreement may be terminated by Mr. Kairaitis at any time by giving three months notice in writing, or such shorter period of notice as may be agreed. The Company may terminate the agreement by the board giving three months written notice or by paying an amount equivalent to three months remuneration or without notice in case of serious misconduct, at which time Mr. Kairaitis would be entitled to that portion of remuneration arising up to the date of termination. Mr Kairaitis was paid \$200,000 plus superannuation until 31 December 2008 and \$175,000 plus superannuation after that date for services as the Chief Executive Officer and Executive Director. The reduction in pay was to reduce costs.

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

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

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

The Company Secretary, Mr. Matthew Sikirich is employed and remunerated on an hourly basis. Mr. Sikirich's services may be terminated by either party at any time. There are no other termination benefits payable.

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

Non-Executive Directors

The constitution and the ASX listing rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The latest determination was an aggregate remuneration of \$300,000 per year. Each Director was paid the \$30,000 p.a plus superannuation or equivalent up to 31 December 2008 and \$20,000 p.a plus superannuation or equivalent from 1 January 2009. The reduction in pay was to reduce costs.

Other transactions with key management personnel

- (i) Mr. Stephen Woodham is the owner of the premises leased by the Company at 2 Corporation Place, Orange NSW. The lease is for a further 1 year with an option to extend by a further 3 years. The gross rent per annum is \$57,750 (incl GST).
- (ii) During the year purchases totalling \$74,539 were made from Techdrill Services Pty Ltd to provide drilling services at normal market prices. Mr. Woodham was a significant shareholder in Techdrill Services Pty Ltd.

YTC Resources Limited Directors' Report

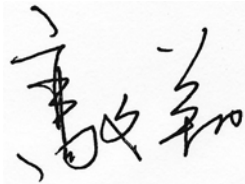
CORPORATE GOVERNANCE

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

AUDITOR'S INDEPENDENCE AND NON-AUDIT SERVICES

The Company has obtained an independence declaration from its auditors, Ernst and Young, which forms part of this report. A copy of that declaration is included at page 59 of this report.

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



Dr. Wenxiang Gao
Chairman
28 September 2009

YTC Resources Limited

Corporate Governance Statement

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

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

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

Principle 1 – Lay solid foundations for management and oversight

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

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

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

Role of the Board

The responsibilities of the Board include:

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

Role of Senior Executives

The responsibilities of Senior Executives include:

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

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

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

YTC Resources Limited

Corporate Governance Statement

Principle 2 – Structure the Board to add value

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

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

Name	Term in office
Dr. Wenxiang Gao	2 years 6 months
Mr. Rimas Kairaitis	1 year 3 months
Mr. Anthony Wehby	3 years
Dr. Guoqing Zhang	1 year 7 months
Mr. Stephen Woodham	5 years 6 months
Mr. Robin Chambers	2 years 6 months
Mr. Richard Hill	3 years 5 months
Ms. Christine Ng	1 year 3 months

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

In accordance with the definition of independence set out in the ASX's Principle of Good Governance, Mr. Anthony Wehby is considered the only Independent Director. Accordingly, a majority of the Board is not considered independent.

The Directors, however, consider that the current structure and composition of the Board is appropriate to the size and nature of operations of the Group given the desire to grow.

Recommendation 2.2: The Chair should be an Independent Director.

Chairman

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

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

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

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

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

Recommendation 2.4: The Board should establish a Nomination Committee

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

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

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

YTC Resources Limited

Corporate Governance Statement

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

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

Principle 3 – Promote ethical and responsible decision-making

Recommendation 3.1: Companies should establish a code of conduct

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

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

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

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

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

Directors, executives and employees may deal in company securities; however they may not do so if in possession of information which is price sensitive or likely to be price sensitive to the security's market price. Changes in a Director's interest are required to be advised to the Company within 5 days for notification to the ASX.

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

Principle 4 – Safeguard integrity in financial reporting

Recommendation 4.1: The Board should establish an Audit Committee

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

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

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

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

As above, the Group, has not formed a separate Committee. The role of the Audit and Risk Management Committee has been assumed by the full Board operating under the Audit and Risk Management Committee Charter adopted by the Board, due to the small size and nature of the Group.

YTC Resources Limited

Corporate Governance Statement

Recommendation 4.3: The Audit Committee should have a formal charter

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

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

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

Principle 5 – Make timely and balanced disclosure

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

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

The Company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Company that a reasonable person would expect to have a material effect on the price of the Company's securities.

Principle 6 – Respect the rights of shareholders

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

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

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

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

YTC Resources Limited

Corporate Governance Statement

Principle 7 – Recognise and manage risk

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

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

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

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

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

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

The Chief Executive Officer and the Company Secretary, namely Mr R Kairaitis and Mr M Sikirich have made the following certifications to the Board in accordance with Section 295A of the Corporations Act:

- that the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and its consolidated entities in accordance with all mandatory professional reporting requirements
- that the above statement is founded on a sound system of internal control and risk management which implements the policies adopted by the Board and that the Company's risk management and internal control is operating effectively and efficiently in all material respects in relation to financial reporting risks.

Principle 8 – Remunerate fairly and responsibly

Recommendation 8.1: The Board should establish a Remuneration Committee.

The Board has formally adopted a Remuneration Committee Charter, however a separate committee was not formed given the size of the Group during the financial year. Instead the function is undertaken by the full Board in accordance with the policies and procedures outlined in the Remuneration Committee Charter. Post the end of the financial year a Remuneration Committee was formed and has held one meeting. The remuneration committee comprises Anthony Wehby, Guoqing Zhang, Rimas Kairaitis and Stephen Woodham.

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

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

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

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

YTC Resources Limited

Corporate Governance Statement

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

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

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

Corporate Governance Compliance

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

Best Practice Recommendation	Notification of Departure	Explanation of Departure
2.1	The Company does not have a majority of independent directors	The Directors consider that the current structure and composition of the Board is appropriate to the size and nature of operations of the Group given the desire to grow.
2.2	The Chair should be an Independent Director	The Board are of the opinion that all Directors exercise and bring to bear an unfettered and independent judgement towards their duties. The Board is satisfied that Dr Gao plays an important role in the continued success and performance of the Company.
2.4	The Company does not have a Nomination Committee	The role of the Nomination Committee has been assumed by the full Board operating under the Nomination Committee Charter adopted by the Board due to the small size and nature of the Group.
4.1/4.2	The Company does not have an Audit and Risk Management Committee	The role of the Audit and Risk Management Committee has been assumed by the full Board operating under the Audit and Risk Management Committee Charter adopted by the Board, due to the small size and nature of the Group.
2.5	A Board performance review was not conducted during the year	The Board conducts its performance review of itself on an ongoing basis throughout the year. The small size of the Group and hands on management style requires an increased level of interaction between directors and executives throughout the year. Board members meet amongst themselves both formally and informally. The Board considers that the current approach that it has adopted with regard to the review of its performance provides the best guidance and value to the Group.
8.1	The Company does not have a Remuneration Committee	The role of the Remuneration Committee has been assumed by the full Board operating under the Remuneration Committee Charter adopted by the Board, due to the small size and nature of the Group. Subsequent to year end the Board formed a Remuneration Committee as a result of the change to the company's activities.

YTC Resources Limited
Financial Statements

Income Statement - for the year ended 30 June 2009

	Notes	Consolidated 2009 \$	Consolidated 2008 \$	Company 2009 \$	Company 2008 \$
Revenues					
Interest revenue	3(a)	225,684	232,920	225,684	232,920
Revenue and other income		<u>225,684</u>	<u>232,920</u>	<u>225,684</u>	<u>232,920</u>
Compliance costs		43,030	34,364	43,030	34,364
Consulting expense		245,361	198,805	245,361	198,805
Audit fees		42,172	41,050	42,172	41,050
Employee benefits expense		501,961	383,462	502,161	383,462
Directors Fees		179,500	186,181	179,300	186,181
Office rental and outgoings		63,861	72,539	63,861	72,539
Promotion		6,050	23,952	6,050	23,952
Administration expense	3(b)	205,657	225,893	205,657	225,893
Travel expenses		172,707	149,872	172,707	149,872
Capitalised exploration costs written off		1,185,292	-	80,743	-
Impairment of loans receivable		-	-	1,104,549	-
Loss on disposal of assets		3,776	115	3,776	115
Depreciation		40,413	31,670	40,413	31,670
Amortisation		13,120	12,454	13,120	12,454
Expenses		<u>2,702,900</u>	<u>1,360,357</u>	<u>2,702,900</u>	<u>1,360,357</u>
(Loss) before income tax from continuing operations		(2,477,216)	(1,127,437)	(2,477,216)	(1,127,437)
Income tax expense	4	-	-	-	-
(Loss) after income tax from continuing operations	14	<u>(2,477,216)</u>	<u>(1,127,437)</u>	<u>(2,477,216)</u>	<u>(1,127,437)</u>
(Loss) attributable to members of the parent		<u>(2,477,216)</u>	<u>(1,127,437)</u>	<u>(2,477,216)</u>	<u>(1,127,437)</u>
Basic (loss) per share (cents per share)	18	(5.67)	(2.75)	(5.67)	(2.75)
Diluted (loss) per share (cents per share)	18	(5.67)	(2.75)	(5.67)	(2.75)

The above income statement should be read in conjunction with the accompanying notes.

YTC Resources Limited
Financial Statements

Balance Sheet - as at 30 June 2009

	Notes	Consolidated 2009 \$	Consolidated 2008 \$	Company 2009 \$	Company 2008 \$
ASSETS					
Current assets					
Cash and cash equivalents	15(b)	1,266,523	1,672,049	1,266,523	1,672,049
Trade and other receivables	5	1,588	98,174	1,588	98,174
Prepayments		35,812	26,424	35,812	26,424
Total current assets		1,303,923	1,796,647	1,303,923	1,796,647
Non current assets					
Other financial assets	6	-	-	2	2
Other receivables	7	-	-	2,561,766	2,844,971
Property, plant and equipment	8	335,997	260,355	335,997	260,355
Deferred exploration and evaluation expenditure	9	15,319,672	3,390,387	12,757,904	545,414
Total non current assets		15,655,669	3,650,742	15,655,669	3,650,742
Total assets		16,959,592	5,447,389	16,959,592	5,447,389
LIABILITIES					
Current liabilities					
Trade and other payables	10	11,167,890	323,538	11,167,890	323,538
Provisions	11	28,823	18,041	28,823	18,041
Total current liabilities		11,196,713	341,579	11,196,713	341,579
Non current liabilities					
Trade and other payables	10	332,000	-	332,000	-
Total non current liabilities		332,000	-	332,000	-
Total liabilities		11,528,713	341,579	11,528,713	341,579
Net assets		5,430,879	5,105,810	5,430,879	5,105,810
Equity					
Contributed equity	12	9,130,819	6,370,209	9,130,819	6,370,209
Reserves	13	881,817	840,142	881,817	840,142
Accumulated losses	14	(4,581,757)	(2,104,541)	(4,581,757)	(2,104,541)
Total equity		5,430,879	5,105,810	5,430,879	5,105,810

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity - for the year ended 30 June 2009

Consolidated	Issued Share Capital \$	Share Option Reserve \$	Accumulated Losses \$	Total \$
Balance as at 1 July 2007	6,390,477	628,758	(977,104)	6,042,131
Loss for the period	-	-	(1,127,437)	(1,127,437)
Total loss for the period	-	-	(1,127,437)	(1,127,437)
Equity Transactions:				
Options issued for the period	-	211,384	-	211,384
Transaction costs on share issue from prior year	(20,268)	-	-	(20,268)
Balance as at 30 June 2008	6,370,209	840,142	(2,104,541)	5,105,810
Balance as at 1 July 2008	6,370,209	840,142	(2,104,541)	5,105,810
Loss for the period	-	-	(2,477,216)	(2,477,216)
Total (expense) for the period	-	-	(2,477,216)	(2,477,216)
Equity Transactions:				
Shares issued for the period	2,760,610	-	-	2,760,610
Options issued for the period	-	41,675	-	41,675
Balance as at 30 June 2009	9,130,819	881,817	(4,581,757)	5,430,879

Company	Issued Share Capital \$	Share Option Reserve \$	Accumulated Losses \$	Total \$
Balance as at 1 July 2007	6,390,209	628,758	(977,104)	321,743
Loss for the period	-	-	(1,127,437)	(1,127,437)
Total loss for the period	-	-	(1,127,437)	(1,127,437)
Equity Transactions:				
Options issued for the period	-	211,384	-	211,384
Transaction costs on share issue from prior year	(20,268)	-	-	(20,268)
Balance as at 30 June 2008	6,370,209	840,142	(2,104,541)	5,105,810
Balance as at 1 July 2008	6,370,209	840,142	(2,104,541)	5,105,810
Loss for the period	-	-	(2,477,216)	(2,477,216)
Total (expense) for the period	-	-	(2,477,216)	(2,477,216)
Equity Transactions:				
Shares issued for the period	2,760,610	-	-	2,760,610
Options issued for the period	-	41,675	-	41,675
Balance as at 30 June 2009	9,130,819	881,817	(4,581,757)	5,430,879

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Cash Flow Statement - for the year ended 30 June 2009

	Notes	Consolidated 2009 \$	Consolidated 2008 \$	Company 2009 \$	Company 2008 \$
Cash flows from operating activities					
Payments to suppliers and employees		(1,384,256)	(1,160,914)	(1,384,256)	(1,160,914)
Interest received		323,960	142,045	323,960	142,045
Net cash flows used in operating activities	15(a)	(1,060,296)	(1,018,869)	(1,060,296)	(1,018,869)
Cash flows from investing activities					
Purchase of property, plant and equipment		(13,860)	(163,681)	(13,860)	(163,681)
Proceeds on sale of equipment		20,909	3,976	20,909	3,976
Exploration expenditure		(1,112,889)	(2,434,984)	(320,855)	(545,414)
Acquisition of Business	27	(1,000,000)	-	(1,000,000)	-
Loan to subsidiaries for exploration		-	-	(792,034)	(1,889,570)
Net cash flows used in investing activities		(2,105,840)	(2,594,689)	(2,105,840)	(2,594,689)
Cash flows from financing activities					
Proceeds from issue of shares		2,760,610	-	2,760,610	-
Net cash flows from financing activities		2,760,610	-	2,760,610	-
Net decrease in cash and cash equivalents		(405,526)	(3,613,558)	(405,526)	(3,613,558)
Cash and cash equivalents at beginning of the year		1,672,049	5,285,607	1,672,049	5,285,607
Cash and cash equivalents at end of the year	15(b)	1,266,523	1,672,049	1,266,523	1,672,049

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

YTC Resources Limited

Notes to the Financial Statements

1. CORPORATE INFORMATION

The financial report of YTC Resources Limited and its subsidiaries for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the Directors on 28 September 2009.

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

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

The nature of the operations and principal activities of the Group are described in the Directors report.

2A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been adopted by YTC Resources Limited are as follows:

(a) Basis of preparation

The financial report is a general-purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, the Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis.

The financial report is presented in Australian dollars.

(b) Compliance with IFRS

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.

YTC Resources Limited
Notes to the Financial Statements

(c) New accounting standards and interpretations

The following table sets out new Australian Accounting Standards and Interpretations that have been issued but are not yet effective and which have not been early adopted by the Company for the annual reporting period ending 30 June 2009.

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB Int. 18	Transfers of Assets from Customers	This Interpretation provides guidance on the transfer of assets such as items of property, plant and equipment or transfers of cash received from customers. The Interpretation provides guidance on when and how an entity should recognise such assets and discusses the timing of revenue recognition for such arrangements and requires that once the asset meets the condition to be recognised at fair value, it is accounted for as an 'exchange transaction'. Once an exchange transaction occurs the entity is considered to have delivered a service in exchange for receiving the asset. Entities must identify each identifiable service within the agreement and recognise revenue as each service is delivered.	Applies prospectively to transfer of assets from customers received on or after 1 July 2009	No impact to the Group considered likely as no revenue derived from customers at present.	1 July 2009

YTC Resources Limited
Notes to the Financial Statements

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New Standard replacing AASB 114 <i>Segment Reporting</i> , which adopts a management reporting approach to segment reporting.	1 January 2009	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. However, the changes might have an indirect impact through the level at which assets will have to be tested for impairment. The Group has not yet determined the extent of the impact, if any.	1 July 2009
AASB 1039 (revised)	Concise Reporting	AASB 1039 was revised in August 2008 to achieve consistency with AASB 8 <i>Operating Segments</i> . The revisions include changes to terminology and descriptions to ensure consistency with the revised AASB 101 <i>Presentation of Financial Statements</i> .	1 January 2009	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report.	1 July 2009
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	These amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report.	1 July 2009

YTC Resources Limited
Notes to the Financial Statements

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 101 (Revised), AASB 2007-8 and AASB 2007-10	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 July 2009
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of “vesting conditions”, introducing the term “non-vesting conditions” for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	The Group has share-based payment arrangements that may be affected by these amendments. However, the Group has not yet determined the extent of the impact, if any.	1 July 2009
AASB 2008-2	Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation	The amendments provide a limited exception to the definition of a liability so as to allow an entity that issues puttable financial instruments with certain specified features, to classify those instruments as equity rather than financial liabilities.	1 January 2009	These amendments are not expected to have any impact on the Group's financial report as the Group does not have on issue or expect to issue any puttable financial instruments as defined by the amendments.	1 July 2009

YTC Resources Limited
Notes to the Financial Statements

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 3 (Revised)	Business Combinations	The revised Standard introduces a number of changes to the accounting for business combinations, the most significant of which includes the requirement to have to expense transaction costs and a choice (for each business combination entered into) to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	The Group may enter into some business combinations during the next financial year in which case the new standard will be adopted accordingly.	1 July 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	There are a number of changes arising from the revision to AASB 127 relating to changes in ownership interest in a subsidiary without loss of control, allocation of losses of a subsidiary and accounting for the loss of control of a subsidiary. Specifically in relation to a change in the ownership interest of a subsidiary (that does not result in loss of control) – such a transaction will be accounted for as an equity transaction.	1 July 2009	If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or a loss in the Group's income statement.	1 July 2009

YTC Resources Limited
Notes to the Financial Statements

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending Standard issued as a consequence of revisions to AASB 3 and AASB 127. Refer above.	1 July 2009	Refer to AASB 3 (Revised) and AASB 127 (Revised) above.	1 July 2009
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact. This was the first omnibus of amendments issued by the IASB arising from the Annual Improvements Project and it is expected that going forward, such improvements will be issued annually to remove inconsistencies and clarify wording in the standards. The AASB issued these amendments in two separate amending standards; one dealing with the accounting changes effective from 1 January 2009 and the other dealing with amendments to AASB 5, which will be applicable from 1 July 2009 [refer below AASB 2008-6].	1 January 2009	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009

YTC Resources Limited
Notes to the Financial Statements

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	This was the second omnibus of amendments issued by the IASB arising from the Annual Improvements Project. Refer to AASB 2008-5 above for more details.	1 July 2009	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009
AASB 2008-7	Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to AASB 127 deleting the “cost method” and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	1 January 2009	Recognising all dividends received from subsidiaries, jointly controlled entities and associates as income will likely give rise to greater income being recognised by the parent entity after adoption of these amendments. In addition, if the Group enters into any group reorganisation establishing new parent entities, an assessment will need to be made to determine if the reorganisation meets the conditions imposed to be effectively accounted for on a ‘carry-over basis’ rather than at fair value.	1 July 2009

YTC Resources Limited
Notes to the Financial Statements

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2009-2	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]	The main amendment to AASB 7 requires fair value measurements to be disclosed by the source of inputs, using the following three-level hierarchy: ▶ quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); ▶ inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and ▶ inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). These amendments arise from the issuance of <i>Improving Disclosures about Financial Instruments (Amendments to IFRS 7)</i> by the IASB in March 2009. The amendments to AASB 4, AASB 1023 and AASB 1038 comprise editorial changes resulting from the amendments to AASB 7.	Annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009.	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report.	1 July 2009
AASB 2009-7	Amendments to Australian Accounting Standards [AASB 5, 7, 107, 112, 136 & 139 and Interpretation 17]	These comprise editorial amendments and are expected to have no major impact on the requirements of the amended pronouncements.	1 July 2009	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009

YTC Resources Limited

Notes to the Financial Statements

2A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of YTC Resources Limited and its subsidiaries (as outlined in note 1).

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered whether a group controls an entity.

The financial statements of subsidiaries are prepared for the same reporting period as the company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions, have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and ceases to be consolidated from the date of control is transferred out of the Group.

Investments in subsidiaries held by YTC Resources Limited are accounted for at cost in the separate financial statements of the Company.

(e) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the balance sheet.

(f) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(g) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation, amortisation and any impairment in value. Depreciation is calculated on a straight-line basis over their estimated useful lives as follows:

- Plant and equipment over 4 to 8 years
- Land – not depreciated
- Motor vehicles – 7 years
- Leasehold improvements – 6 years

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

YTC Resources Limited
Notes to the Financial Statements

2A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(g) Plant and equipment (continued)

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

Impairment losses are recognised in the income statement.

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

De-recognition

An item of plant and equipment is de-recognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(h) Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(i) Exploration and evaluation expenditure

Expenditure on acquisition, exploration and evaluation relating to an area of interest is carried forward where rights to tenure of the area of interest are current and;

- i) it is expected that expenditure will be recouped through successful development and exploitation of the area of interest or alternatively by its sale and/or;
- ii) exploration and evaluation activities are continuing in an area of interest but at balance date have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated then any capitalised exploration and evaluation expenditure is reclassified as capitalised 'Mine properties in development'. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

If facts and circumstances suggest that the carrying amount of any recognised exploration and evaluation assets may be impaired, the entity must perform impairment tests on those assets in accordance with AASB 136 "Impairment of Assets". Impairment of exploration and evaluation assets is to be assessed at a cash generating unit or group of cash generating units level provided this is no larger than an area of interest. Any impairment loss is to be recognised as an expense in accordance with AASB 136. Accumulated costs in relation to an abandoned area are written off to the income statement in the period in which the decision to abandon the area is made.

YTC Resources Limited
Notes to the Financial Statements

2A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(j) Trade and other payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(k) Provisions and employee benefits

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(i) Employee leave benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employee's services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(l) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue can be recognised:

Interest income

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

(m) Share-based payment transactions

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

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using the Black Scholes model, further details of which are given in note 23.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of YTC ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

YTC Resources Limited

Notes to the Financial Statements

2A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(n) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

YTC Resources Limited
Notes to the Financial Statements

2A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(o) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(p) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown directly in equity as a deduction, net of tax, from proceeds.

(q) Segment reporting

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other business segments.

A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different than those of segments operating in other economic environments.

YTC Resources Limited

Notes to the Financial Statements

2A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(r) Loss per share

Basic loss per share

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

Diluted loss per share

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

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

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

2B. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

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

(a) Significant accounting judgements

Exploration and evaluation expenditure

Exploration and evaluation expenditure is capitalised when either, costs are expected to be recouped through successful development and exploitation of the area of interest; or alternatively by its sale: or exploration and/or evaluation activities in the area have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. In determining this, assumptions, including the maintenance of title, ongoing expenditure and prospectivity are made and in the event that these assumptions no longer hold valid then this expenditure may, in part or full, be expensed through the income statement in future periods – see note 9 for disclosure of carrying values.

(b) Significant accounting estimates and assumptions

Share-based payment transactions

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

YTC Resources Limited
Notes to the Financial Statements

3. REVENUE AND EXPENSES

	Consolidated	Consolidated	Company	Company
	2009	2008	2009	2008
	\$	\$	\$	\$
Revenue from continuing operations				
(a) Other income				
Interest	225,684	232,920	225,684	232,920
	<u>225,684</u>	<u>232,920</u>	<u>225,684</u>	<u>232,920</u>

Expenses from continuing operations

Loss before income tax includes the following specific expenses:

(b) Administration expense

Accounting fees	81,717	94,078	81,717	94,078
Legal Fees	25,399	17,600	25,399	17,600
Bank fees	1,992	956	1,992	956
Computer expenses	2,820	14,173	2,820	14,173
Courier	10,667	9,463	10,667	9,463
Insurance	48,915	25,806	48,915	25,806
Printing and stationery	11,584	22,826	11,584	22,826
Postage	1,788	1,287	1,788	1,287
Subscriptions	1,600	5,605	1,600	5,605
Telephone	15,250	20,854	15,250	20,854
Other	3,925	13,245	3,925	13,245
Total administration expense	<u>205,657</u>	<u>225,893</u>	<u>205,657</u>	<u>225,893</u>

(c) Employee benefits expense

Employee benefits expense and directors fees include superannuation expense of

	<u>73,060</u>	<u>56,071</u>	<u>73,060</u>	<u>56,071</u>
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(d) Lease Payments

Leased Premises	52,500	56,875	52,500	56,875
Office Equipment	11,361	3,660	11,361	3,660
Total Lease Payments	<u>63,861</u>	<u>60,535</u>	<u>63,861</u>	<u>60,535</u>

YTC Resources Limited
Notes to the Financial Statements

4. INCOME TAX

	Consolidated 2009 \$	Consolidated 2008 \$	Company 2009 \$	Company 2008 \$
The major components of income tax expense Income Statement				
<i>Current income Tax</i>				
Current income tax charge	(970,497)	(1,051,874)	(1,055,458)	(456,095)
<i>Deferred income tax</i>				
Relating to origination and reversal of temporary differences	210,321	799,330	295,282	205,101
Unrecognised tax losses	760,176	252,544	760,176	250,994
Income tax expense reported in the income statement	-	-	-	-

A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Company's applicable income tax rate is as follows:

	Consolidated 2009 \$	Consolidated 2008 \$	Company 2009 \$	Company 2008 \$
Accounting loss before income tax	(2,477,216)	(1,127,437)	(2,477,216)	(1,127,437)
At the Company's statutory income tax rate (30%)	(743,165)	(338,231)	(743,165)	(338,231)
Share based payments	12,503	63,415	12,503	63,415
Adjustments in respect of current income tax charge of previous years	(29,514)	(22,272)	(29,514)	(23,872)
Income tax benefit not brought to account	760,176	252,544	760,176	250,944
Income tax reported in the income statement	-	-	-	-

YTC Resources Limited
Notes to the Financial Statements

4. INCOME TAX

Consolidated	Balance Sheet		Income Statement	
	2009	2008	2009	2008
	\$	\$	\$	\$
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
<i>Deferred tax liabilities</i>				
Deferred Exploration and evaluation expenditure	(1,208,302)	(987,116)	(221,186)	(757,853)
Receivables	(22)	(28,352)	28,330	(28,352)
<i>Deferred Tax Assets</i>				
Provisions	8,647	5,412	3,235	3,862
Cost of capital raising	44,983	65,683	(20,700)	(16,987)
Carried forward losses recognised	1,154,694	944,373	210,321	799,330
Net deferred tax	-	-	-	-
Deferred tax income/(expense)			-	-

At 30 June 2009 the Group had carried forward tax losses totalling \$7,997,518 (2008: \$4,682,529) and unrecognised tax losses at 30% of \$1,244,562 (2008: \$484,386).

Company	Balance Sheet		Income Statement	
	2009	2008	2009	2008
	\$	\$	\$	\$
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
<i>Deferred tax liabilities</i>				
Deferred Exploration and evaluation expenditure	(469,771)	(163,624)	(306,147)	(163,624)
Receivables	(22)	(28,352)	28,330	(28,352)
<i>Deferred Tax Assets</i>				
Provisions	8,647	5,412	3,235	3,862
Cost of capital raising	44,983	65,683	(20,700)	(16,987)
Carried forward losses recognised	416,163	120,881	295,282	205,101
Net deferred tax	-	-	-	-
Deferred tax income/(expense)			-	-

At 30 June 2009 the Company had carried forward tax losses totalling \$5,450,584 (2008: \$1,932,390) and unrecognised tax losses at 30% of \$1,219,012 (2008: \$458,836).

The Group has not formed a tax consolidated group at 30 June 2009.

YTC Resources Limited
Notes to the Financial Statements

5. TRADE AND OTHER RECEIVABLES - CURRENT

	Consolidated	Consolidated	Company	Company
	2009	2008	2009	2008
	\$	\$	\$	\$
Trade receivables	1,513	3,667	1,513	3,667
Accrued Interest	75	94,507	75	94,507
	<u>1,588</u>	<u>98,174</u>	<u>1,588</u>	<u>98,174</u>

All of the above are non-interest bearing and generally receivable on 30 day terms. These receivables and prepayments are non interest bearing and generally on 30 day terms. Due to the short term return their carrying value approximates their fair value.

6. OTHER FINANCIAL ASSETS – NON CURRENT

	Consolidated	Consolidated	Company	Company
	2009	2008	2009	2008
	\$	\$	\$	\$
Investment in controlled entities	-	-	2	2

The consolidated financial statements incorporate the assets, liabilities and results of Stannum Pty Ltd and Defiance Resources Pty Ltd in accordance with the accounting policy described in note 2A(d). Both companies are incorporated and are residents of Australia and are 100% owned by the Company.

7. RECEIVABLES – NON CURRENT

	Consolidated	Consolidated	Company	Company
	2009	2008	2009	2008
	\$	\$	\$	\$
Amount owing by controlled entities:				
Stannum Pty Ltd	-	-	1,371,907	1,394,935
Defiance Resources Ltd	-	-	1,189,859	1,450,036
Total net of provision for impairment loss	<u>-</u>	<u>-</u>	<u>2,561,766</u>	<u>2,844,971</u>

(a) Provision for impairment loss

Movements in the provision for impairment loss were as follows:

At 1 July	-	-	-	-
Charge for the year	-	-	(1,104,549)	-
At 30 June	<u>-</u>	<u>-</u>	<u>(1,104,549)</u>	<u>-</u>

Wholly owned controlled entity receivables are repayable on demand and are non-interest bearing, however the Company for the foreseeable future, continues to provide financial support and has no intention of demanding repayment until the subsidiaries have the capacity to do so.

A provision for impairment loss is recognised when there is objective evidence that a receivable is impaired. An impairment loss of \$1,104,549 (2008: \$Nil) has been recognised by the company in the current year. Refer to note 20 for further details on account movements.

YTC Resources Limited
Notes to the Financial Statements

8. PROPERTY, PLANT AND EQUIPMENT

	Consolidated 2009 \$	Consolidated 2008 \$	Company 2009 \$	Company 2008 \$
Property, plant and equipment at cost	425,655	304,620	425,655	304,620
Accumulated depreciation amortisation and impairment	(89,658)	(44,265)	(89,658)	(44,265)
Total plant and equipment	335,997	260,355	335,997	260,355
Property, plant and equipment is represented by the following:				
Motor Vehicles				
At 1 July, net of accumulated depreciation and impairment	108,762	95,689	108,762	95,689
Additions	1,300	45,195	1,300	45,195
Disposals	(23,094)	(16,541)	(23,094)	(16,541)
Depreciation expense	(17,339)	(15,581)	(17,339)	(15,581)
At 30 June, net of accumulated depreciation and impairment	69,629	108,762	69,629	108,762
Plant & Equipment				
At 1 July, net of accumulated depreciation and impairment	85,603	51,629	85,603	51,629
Additions ¹	60,968	57,392	60,968	57,392
Disposals	-	(7,329)	-	(7,329)
Depreciation expense	(23,074)	(16,089)	(23,074)	(16,089)
At 30 June, net of accumulated depreciation and impairment	123,497	85,603	123,497	85,603
Leasehold improvements				
At 1 July, net of accumulated amortisation and impairment	65,991	63,802	65,991	63,802
Additions	-	14,643	-	14,643
Amortisation expense	(13,120)	(12,454)	(13,120)	(12,454)
At 30 June, net of accumulated amortisation and impairment	52,871	65,991	52,871	65,991
Land ²				
At 1 July	-	-	-	-
Additions ¹	90,000	-	90,000	-
At 30 June	90,000	-	90,000	-

1 - Of the additions to Plant and Equipment and Land in 2009, \$140,000 relates to assets acquired as part of the purchase of the Hera project. Of this, \$140,000 remains unpaid at 30 June 2009. Refer Note 27 for further information.

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

YTC Resources Limited
Notes to the Financial Statements

9. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated 2009 \$	Consolidated 2008 \$	Company 2009 \$	Company 2008 \$
Exploration and evaluation				
At cost	16,504,964	3,390,387	12,838,647	545,414
Accumulated impairment	(1,185,292)	-	(80,743)	-
Total exploration and evaluation	15,319,672	3,390,387	12,757,904	545,414

Year ended 30 June 2009

At 1 July	3,390,387	844,210	545,414	-
Exploration expenditure during the year	922,577	2,546,177	101,233	545,414
Exploration acquired during the year	12,192,000	-	12,192,000	-
Impairment charge recognised	(1,185,292)	-	(80,743)	-
At 30 June	15,319,672	3,390,387	12,757,904	545,414

The recoverability of the carrying amount of the deferred exploration and evaluation expenditure is dependant on successful development and commercial exploitation, or alternatively the sale, of the respective areas of interest.

An impairment charge of \$1,185,292 has been recognised in the consolidated entity (\$80,743 in parent entity) in 2009. Impairment has been recognised for between 25% and 100% of exploration expenditure incurred on tenements which have either downgraded or will not be pursued.

Movements in the provision for impairment loss were as follows:

At 1 July	-	-	-	-
Charge for the year	(1,185,292)	-	(80,743)	-
At 30 June	(1,185,292)	-	(80,743)	-

An amount of \$12,192,000 within exploration expenditure during the year relates to the acquisition of the Hera Project and an 80% interest in the adjacent Nymagee Joint Venture from CBH Resources Limited in June 2009. This includes a \$1,000,000 non-refundable deposit which was paid in June 2009. As at 30 June 2009, \$11,192,000 of this expenditure remains unpaid.

Refer to Note 27 for further information.

10. TRADE AND OTHER PAYABLES

	Consolidated 2009 \$	Consolidated 2008 \$	Company 2009 \$	Company 2008 \$
Current				
Trade payables	124,138	240,463	124,138	240,463
Acquisition costs	11,000,000	-	11,000,000	-
Accrued Expenses	43,752	83,075	43,752	83,075
	11,167,890	323,538	11,167,890	323,538
Non - current				
Deferred acquisition costs	332,000	-	332,000	-

Trade payables are non-interest bearing and generally payable on 7 to 30 day terms and due to the short term nature of these payables their carrying value is assumed to approximate their fair value.

Deferred acquisition costs relate to the acquisition of the Hera Project and an 80% interest in the adjacent Nymagee Joint Venture from CBH Resources Limited in June 2009. Refer note 27 for more information. An additional \$140,000 remains payable for property, plant and equipment purchased as part of the Hera Project transaction.

YTC Resources Limited
Notes to the Financial Statements

11. PROVISIONS

	Consolidated 2009 \$	Consolidated 2008 \$	Company 2009 \$	Company 2008 \$
Annual Leave	28,823	18,041	28,823	18,041

12. CONTRIBUTED EQUITY

(a) Issued and paid up capital

Ordinary shares fully paid	9,130,819	6,370,209	9,130,819	6,370,209
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	Number of shares	\$
(b) Movements in ordinary shares on issue		
Balance at 1 July 2007	41,031,950	6,390,477
Issue of shares during the year to 30 June 2008	-	-
Transaction costs on share issue from prior year	-	(20,268)
Balance as at 30 June 2008	41,031,950	6,370,209
Balance at 1 July 2008	41,031,950	6,370,209
Issue of shares during the year to 30 June 2009	2,760,610	2,760,610
Balance as at 30 June 2009	43,792,560	9,130,819

(c) Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of a winding up of the Parent, to participate in the proceeds from sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or proxy, at a meeting of the Company.

(d) Capital Risk Management

When managing capital, managements objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest costs of capital available to the entity.

In order to maintain or adjust capital structure, the entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, enter into joint ventures or sell assets.

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

No dividends were paid in the year ending 30 June 2009 and no dividends are expected to be paid in the year ending 30 June 2010.

There is no intention to incur debt funding on behalf of the Company as ongoing exploration expenditure will be funded via equity or with joint ventures with other companies. The Group is not subject to any externally imposed capital requirements.

YTC Resources Limited
Notes to the Financial Statements

13. RESERVES

	Consolidated 2009 \$	Consolidated 2008 \$	Company 2009 \$	Company 2008 \$
Option reserve	881,817	840,142	881,817	840,142
	<u>881,817</u>	<u>840,142</u>	<u>881,817</u>	<u>840,142</u>

(a) Movements

Carrying amount at beginning of financial year	840,142	628,758	840,142	628,758
Options issued during the year	41,675	211,384	41,675	211,384
Carrying amount at the end of the financial year	<u>881,817</u>	<u>840,142</u>	<u>881,817</u>	<u>840,142</u>

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

Date	Details	Number of options	\$
1 July 2008	Opening Balance	4,800,000	840,142
12 November 2008	Employees options exercisable at \$1.00 per share*	150,000	21,151
12 November 2008	Employees options exercisable at \$1.50 per share*	150,000	20,524
26 November 2008	Options lapsed on resignation of holder	<u>(500,000)</u>	<u>-</u>
30 June 2009	Closing Balance	<u>4,600,000</u>	<u>881,817</u>

*All options have vested by 30 June 2009. Refer to part (c) below for option terms. The options were issued on 12 November 2008 and accepted by employees on various grant dates.

(c) Valuation of Options Reserve

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

Grant Date	12-Nov-08
No. of options	300,000
Share price at date of grant	\$0.15
Exercise price for 50% of options	\$1.00
Exercise price for 50% of options	\$1.50
Expected price volatility	106%
Risk free rate	5.40%
Expected life of options	1.5 years
Expected Dividend yield	0.00%
Black-Scholes fair value:	
Per \$1.00 option	\$0.141
Per \$1.50 option	\$0.137
Employment Condition expiry	31/12/2008

YTC Resources Limited
Notes to the Financial Statements

14. ACCUMULATED LOSSES

	Consolidated 2009 \$	Consolidated 2008 \$	Company 2009 \$	Company 2008 \$
Movements in accumulated losses were as follows:				
Balance at beginning of year	(2,104,541)	(977,104)	(2,104,541)	(977,104)
Net loss attributable to members of YTC Resources Limited	(2,477,216)	(1,127,437)	(2,477,216)	(1,127,437)
Balance at end of year	(4,581,757)	(2,104,541)	(4,581,757)	(2,104,541)

15. CASH FLOW STATEMENT

	Consolidated 2009 \$	Consolidated 2008 \$	Company 2009 \$	Company 2008 \$
(a) Reconciliation of the net (loss) after tax to the net cash flows used in operating activities				
Net loss after tax	(2,477,216)	(1,127,437)	(2,477,216)	(1,127,437)
Adjustments for:				
Issue of options	41,675	211,384	41,675	211,384
Capitalised exploration costs written off	1,185,292	-	80,743	-
Impairment of loans receivable	-	-	1,104,549	-
Depreciation	40,413	31,670	40,413	31,670
Amortisation	13,120	12,454	13,120	12,454
Net loss on disposal of plant and equipment	3,776	115	3,776	115
Changes in assets and liabilities:				
(Increase)/Decrease in receivables	96,586	(96,806)	96,586	(96,806)
(Increase)/Decrease in prepayments	(9,389)	(26,424)	(9,389)	(26,424)
Increase/(Decrease) in trade and other payables	34,665	(35,654)	34,665	(35,654)
Increase/(Decrease) in provisions	10,782	11,829	10,782	11,829
Net cash flow used in operating activities	(1,060,296)	(1,018,869)	(1,060,296)	(1,018,869)
(b) Reconciliation of cash				
Cash balance comprises:				
Cash at bank	1,266,521	1,672,047	1,266,521	1,672,047
Petty cash	2	2	2	2
	1,266,523	1,672,049	1,266,523	1,672,049
(c) Non-cash financing and investing activities				
Assets traded in	-	19,700	-	19,700

YTC Resources Limited
Notes to the Financial Statements

16. EXPENDITURE COMMITMENTS

(a) Expenditure commitments

Under the terms and conditions of being granted exploration licenses, the Group has a minimum annual commitment for the term of the license. The terms of the licenses are 2 years. Commitments have been calculated to the next renewal date.

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

	Consolidated 2009	Consolidated 2008	Company 2009	Company 2008
	\$	\$	\$	\$
Within one year	148,019	597,666	-	-
After one year but not longer than 5 years	594,733	-	-	-
	<u>742,752</u>	<u>597,666</u>	<u>-</u>	<u>-</u>

(b) Lease commitments

The Company has a 1 year remaining on the lease on its premises.

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

	Consolidated 2009	Consolidated 2008	Company 2009	Company 2008
	\$	\$	\$	\$
Within one year	57,750	57,750	57,750	57,750
After one year but not longer than 5 years	-	57,750	-	57,750
	<u>57,750</u>	<u>115,500</u>	<u>57,750</u>	<u>115,500</u>

17. SUBSEQUENT EVENTS

On 7 September 2009, shareholder approval was obtained to proceed with a placement of approximately 110m shares to existing major shareholders, international and domestic institutions and sophisticated investors at \$0.21 per share to raise approximately \$23.1m before costs. On 11 September 2009 these shares were issued except for approximately 13m shares which require Australian and Chinese government approval.

On 22 September 2009 the Company utilised the funds raised to pay the final amount of \$11m to settle the acquisition of 100% of the Hera Gold Project and an 80% interest in the Nymagee Joint Venture.

The funds raised will be used by YTC predominately to:

- Convert the existing PFS in respect of Hera to a Definitive Feasibility Study (DFS)
- Upgrade the existing decline permits to a permitted Mining Lease
- Fund aggressive exploration at depth and along strike of the Hera deposit to expand existing resources and test for a major 'Cobar style' deposit.

On 8 September 2009, the Company announced that it had adopted a Share Purchase Plan and that an offer will be made under the plan to all of the Company's shareholders registered at 17.00 WST on 10 September 2009 with a registered address in Australia or New Zealand.

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). 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.

YTC Resources Limited
Notes to the Financial Statements

18. LOSS PER SHARE

	Consolidated 2009 \$	Consolidated 2008 \$	Company 2009 \$	Company 2008 \$
Loss used in calculating basic and dilutive EPS	(2,477,216)	(1,127,437)	(2,477,216)	(1,127,437)
Weighted number of ordinary shares outstanding during the period used in the calculation of basic EPS	43,656,420	41,031,950	43,656,420	41,031,950
Weighted number of ordinary shares outstanding during the period used in the calculation of diluted EPS	43,656,420	41,031,950	43,656,420	41,031,950
Basic loss per share (cents per share)	(5.67)	(2.75)	(5.67)	(2.75)
Diluted loss per share (cents per share)	(5.67)	(2.75)	(5.67)	(2.75)

As at 30 June 2009 and 2008, share options are not considered dilutive as the conversion of the options to ordinary shares will result in a decrease in the net loss per share. There are 4,600,000 un-issued ordinary shares under options as at 30 June 2009.

Since the reporting date and the date of completion of these financial statements the only transaction involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary or potential ordinary shares outstanding are referred to above in note 17.

19. AUDITOR'S REMUNERATION

	Consolidated 2009 \$	Consolidated 2008 \$	Company 2009 \$	Company 2008 \$
The auditor of YTC Resources Limited is Ernst & Young				
Amounts received or due and receivable by Ernst & Young for:				
Audit or review of the financial report of the Company and any other entity in the Group	41,420	41,050	41,420	41,050
Taxation advice	5,000	-	5,000	-
	46,420	41,050	46,420	41,050

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

20. RELATED PARTY AND INTER-COMPANY DISCLOSURES

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

Mr. Woodham is the owner of the premises leased by the Company at 2 Corporation Place, Orange NSW. The lease is for a further 1 year with an option to extend by a further 3 years. The gross rent paid in 2009 was \$57,750 (incl GST) (2008: \$57,750). At 30 June 2009 \$4,813 (2008: \$4,813) was payable to Mr Woodham for rent.

Mr. Hill has a consulting agreement for work done in addition to his non-executive Director services. The agreement commenced on 8 May 2007 and is on an ongoing basis. It can be terminated on 4 weeks notice by either party, with remuneration calculated on a daily basis. At 30 June 2009 \$Nil (2008: \$Nil) was payable to Mr Hill.

For all payments to directors and executives please refer to the "Remuneration Report" contained in the "Directors Report".

YTC Resources Limited

Notes to the Financial Statements

20. RELATED PARTY AND INTER-COMPANY DISCLOSURES (cont)

The Company has two subsidiaries Defiance Resources Pty Ltd and Stannum Pty Ltd which are related parties. The Company funds exploration expenditure on behalf of its subsidiaries through inter-company loans. The loans are interest free and have no fixed re-payment date. For further details on the loans refer to note 7 "Receivables – Non Current". A breakdown of the movement in the intercompany loan accounts is as follows.

	Company 2009 \$	Company 2008 \$
Loans to subsidiaries:		
Opening balance	2,844,971	844,208
Additional funding for exploration and evaluation	821,344	2,000,763
Impairment of loan receivable from subsidiaries	(1,104,549)	-
	<u>2,561,766</u>	<u>2,844,971</u>

21. SEGMENT INFORMATION

The Group operates in one geographic segment and within one industry classification being exploration for minerals in Australia.

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and a short term deposit, receivables and payables including intercompany receivables in the holding company.

The main purpose of these instruments is to finance the Groups operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables which arise directly from its operations. It is, and has been throughout the entire period under review, the Group policy that no trading in financial instruments shall be taken.

The main risks arising from the Group's financial instruments are only cash flow interest rate risk. Other minor risks are summarised below.

There are no formal risk management policies in place against cash flow interest rate risk or any other financial risk as we are not exposed adversely to such risks.

(a) Interest rate risk

The Group's exposure to the risks of changes in market interest rates relates primarily to the Group's short-term deposits with a floating interest rate. These financial assets with variable rates expose the Group to cash flow interest rate risk. All other financial assets and liabilities in the form of receivables and payables are non interest bearing.

The Group's has not entered in any hedging activities to cover interest rate risk. In regard to its interest rate risk the Group continually analyses its exposure. Within this analysis consideration is given to potential renewal of existing positions, alternative investments and the mix of fixed and variable interest rates.

The following table set out the carrying amount by maturity of the parent and Group's exposure to interest rate risk for each class of these financial instruments. Trade and other receivables and payables are not interest bearing. Also included is the effect on profit and equity after tax if interest rates at that date had been 10% or higher or lower with all other variables held constant as a sensitivity analysis.

YTC Resources Limited
Notes to the Financial Statements

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont)

Based on the sensitivity analysis only interest revenue from variable rate deposits and cash balances is impacted resulting in a decrease or increase in overall income.

		Interest Rate Sensitivity				
		-65%			+65%	
		Carrying Amount	Profit	Equity	Profit	Equity
		\$	\$	\$	\$	\$
Consolidated 2009 Financial Assets: Cash and cash equivalents assets Company 2009 Financial Assets: Cash and cash equivalents assets	Note (i)	1,266,523	(24,697)	(24,697)	24,697	24,697
		1,266,523	(24,697)	(24,697)	24,697	24,697
Consolidated 2008 Financial Assets: Cash and cash equivalents assets Company 2008 Financial Assets: Cash and cash equivalents assets		Interest Rate Sensitivity				
		-10%			+10%	
		1,672,049	(12,122)	(12,122)	12,122	12,122
		1,672,049	(12,122)	(12,122)	12,122	12,122

(i) Cash and cash equivalents include only short-term deposits with floating interest rates in AUD.

A sensitivity of 65% has been selected as this is considered reasonable as it represents a 2% change from current interest rates and is in line with short to medium term market expectations of movement.

A positive 65% sensitivity would move short term interest rates as 30 June 2009 from around 3.00 % to 4.95%.

In 2008 a sensitivity of 10% was selected as this was considered reasonable given the then level of both short term and long term Australian dollar interest rates. A negative 10% sensitivity would have moved short term interest rates as 30 June 2008 from around 7.25 % to 6.525 % representing a 72.5 basis point shift.

(a) Commodity price risk

The Group is exposed to commodity price risk. The risk arises from its activities directed at exploration and development mineral commodities. If commodity prices fall, the market for companies exploring for these commodities is affected. The Group does not hedge its exposures.

(b) Fair values

All financial assets and liabilities recognised in the balance sheet, whether they are carried at cost or at fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable note.

(c) Credit risk exposures

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

The Group's receivables at balance date are detailed in Note 7 and comprise primarily of accrued interest receivable and trade debtors.

The Group trades only with recognised, credit worthy third parties.

The credit risk of the Company mirrors that of the Group to the extent of the carrying amount of those assets as indicated in the Balance Sheet.

(d) Liquidity risk

The Group's exposure to liquidity risk is disclosed in note 10.

YTC Resources Limited
Notes to the Financial Statements

23. SHARE BASED PAYMENT ARRANGEMENTS

(a) Recognised share based payments expenses

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

	Consolidated 2009 \$	Consolidated 2008 \$	Company 2009 \$	Company 2008 \$
Expenses arising from the equity settled share based payment transactions - eligible employees and directors	41,675	211,384	41,675	211,384

(b) Type of share based payment plan

Employee Share Option Plan

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

(c) Options granted as at 30 June 2009

Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number	Granted during the year Number	Lapsed during the year Number	Balance at the end of the year Number	Exercisable at the end of the year Number
4-May-07	4-May-12	0.25	4,500,000	-	(500,000)	4,000,000	4,000,000
22-Nov-07	31-Dec-10	\$1.00	50,000	-	-	50,000	50,000
22-Nov-07	31-Dec-10	\$1.50	50,000	-	-	50,000	50,000
10-Dec-07	31-Dec-10	\$1.00	50,000	-	-	50,000	50,000
10-Dec-07	31-Dec-10	\$1.50	50,000	-	-	50,000	50,000
20-Dec-07	31-Dec-10	\$1.00	50,000	-	-	50,000	50,000
20-Dec-07	31-Dec-10	\$1.50	50,000	-	-	50,000	50,000
12-Nov-08	31-Dec-10	\$1.00	-	150,000	-	150,000	150,000
12-Nov-08	31-Dec-10	\$1.50	-	150,000	-	150,000	150,000
			4,800,000	300,000	(500,000)	4,600,000	4,600,000
Weighted average exercise price			0.31	1.25	-	0.38	0.80

(d) Options granted as at 30 June 2008

Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Balance at the end of the year Number	Exercisable at the end of the year Number
4-May-07	4-May-12	0.25	4,500,000	-	-	4,500,000	500,000
22-Nov-07	31-Dec-10	\$1.00	-	50,000	-	50,000	50,000
22-Nov-07	31-Dec-10	\$1.50	-	50,000	-	50,000	50,000
10-Dec-07	31-Dec-10	\$1.00	-	50,000	-	50,000	50,000
10-Dec-07	31-Dec-10	\$1.50	-	50,000	-	50,000	50,000
20-Dec-07	31-Dec-10	\$1.00	-	50,000	-	50,000	50,000
20-Dec-07	31-Dec-10	\$1.50	-	50,000	-	50,000	50,000
			4,500,000	300,000	-	4,800,000	800,000
Weighted average exercise price			0.25	1.25	-	0.31	0.62

(e) Weighted average remaining contractual life

The weighted average remaining contractual life for the options outstanding as at 30 June 2009 is 2.7 years

YTC Resources Limited
Notes to the Financial Statements

23. SHARE BASED PAYMENT ARRANGEMENTS (cont)

(f) Fair Value of options granted

The fair value of the equity share options at grant date is determined using a Black-Scholes option pricing model that takes into account the terms and conditions upon which the options were granted.

The model inputs for options granted and assessed fair value at grant date of options granted during the year ended 30 June 2009 is provided in the table below.

Grant Date	12-Nov-08
No. of options	300,000
Share price at date of grant	\$0.15
Exercise price for 50% of options	\$1.00
Exercise price for 50% of options	\$1.50
Expected price volatility	106%
Risk free rate	5.40%
Expected life of options	1.5 years
Expected Dividend yield	0.00%
Black-Scholes fair value:	
Per \$1.00 option	\$0.141
Per \$1.50 option	\$0.137
Employment Condition expiry	31/12/2008

24. CONTINGENT LIABILITIES

There are no contingent liabilities that require disclosure.

25. DIVIDENDS

No dividend was paid or declared by the Company in the period since the end of the previous financial year, and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend for the financial year ended 30 June 2009. The balance of our franking account is Nil (2008: Nil).

YTC Resources Limited
Notes to the Financial Statements

26. KEY MANAGEMENT PERSONNEL

	Consolidated 2009 \$	Consolidated 2008 \$	Company 2009 \$	Company 2008 \$
Short-term employee benefits	526,500	478,481	526,500	478,481
Post-employment benefits	28,088	23,321	28,088	23,321
Share based payments	-	-	-	-
Total	554,588	501,802	554,588	501,802

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

(i) Share holdings

The number of shares in the Company held during the financial year held by each director, executive and key management personnel of YTC Resources Limited, including their related parties, is set out below.

2009	Balance at the start of the year	Granted during the year as compensation	On exercise of share options	Other changes during the year ^(a)	Balance at the end of the year
Directors					
Dr. Wenxiang Gao	10,000	-	-	-	10,000
Mr. Anthony Wehby	195,000	-	-	-	195,000
Mr. Rimas Kairaitis	3,308,044	-	-	3,500	3,311,544
Dr. Guoqing Zhang	-	-	-	-	-
Mr. Stephen Woodham	3,822,804	-	-	(377,392)	3,445,412
Mr. Robin Chambers	310,003	-	-	-	310,003
Mr. Richard Hill	1,057,984	-	-	-	1,057,984
Ms. Christine Ng	-	-	-	-	-
Executives					
Mr. Matthew Sikirich	284,997	-	-	-	284,997
	8,988,832	-	-	(373,892)	8,614,940

(a) Acquired or disposed on-market.

2008	Balance at the start of the year	Granted during the year as compensation	On exercise of share options	Other changes during the year ^(b)	Other changes during the year ^(c)	Balance at the end of the year
Directors						
Dr. Wenxiang Gao	-	-	-	10,000	-	10,000
Mr. Anthony Wehby	170,000	-	-	-	25,000	195,000
Mr. Rimas Kairaitis	3,221,044	-	-	-	87,000	3,308,044
Dr. Guoqing Zhang	-	-	-	-	-	-
Mr. Stephen Woodham	3,820,804	-	-	-	2,000	3,822,804
Mr. Robin Chambers	310,003	-	-	-	-	310,003
Mr. Richard Hill	1,057,984	-	-	-	-	1,057,984
Ms. Christine Ng	-	-	-	-	-	-
Mr. Jianming Xiao	-	-	-	20,000	(20,000)	-
Executives						
Mr. Matthew Sikirich	279,997	-	-	-	5,000	284,997
	8,859,832	-	-	30,000	99,000	8,988,832

(b) Mr. Xiao and Dr. Gao held 100,000 shares in joint ownership at 30 June 2007 of which part were subsequently transferred to employees of Yunnan Tin Company Group Ltd resulting in them holding 20,000 and 10,000 shares respectively.

(c) Acquired by on-market purchases. Mr Xiao resigned during the year.

YTC Resources Limited
Notes to the Financial Statements

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

(ii) *Option holdings*

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

2009	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year
Directors					
Dr. Wenxiang Gao	500,000	-	-	-	500,000
Mr. Anthony Wehby	500,000	-	-	-	500,000
Mr. Rimas Kairaitis	1,000,000	-	-	-	1,000,000
Dr. Guoqing Zhang	-	-	-	-	-
Mr. Stephen Woodham	500,000	-	-	-	500,000
Mr. Robin Chambers	500,000	-	-	-	500,000
Mr. Richard Hill	500,000	-	-	-	500,000
Ms. Christine Ng	-	-	-	-	-
Executives					
Mr. Matthew Sikirich	500,000	-	-	-	500,000
	4,000,000	-	-	-	4,000,000

2008	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year
Directors					
Dr. Wenxiang Gao	500,000	-	-	-	500,000
Mr. Anthony Wehby	500,000	-	-	-	500,000
Mr. Rimas Kairaitis	1,000,000	-	-	-	1,000,000
Dr. Guoqing Zhang	-	-	-	-	-
Mr. Stephen Woodham	500,000	-	-	-	500,000
Mr. Robin Chambers	500,000	-	-	-	500,000
Mr. Richard Hill	500,000	-	-	-	500,000
Ms. Christine Ng	-	-	-	-	-
Mr. Jianming Xiao ^(a)	500,000	-	-	(500,000)	-
Executives					
Mr. Matthew Sikirich	500,000	-	-	-	500,000
	4,500,000	-	-	(500,000)	4,000,000

(a) Mr. Jianming Xiao's options lapsed on his resignation from the company.

YTC Resources Limited

Notes to the Financial Statements

27. BUSINESS COMBINATION

On 18 June 2009, YTC Resources Limited (YTC) 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 them potential to be rapidly advanced to development. YTC's intention is to develop a gold and base metal mine at Hera, with ore to be trucked to CBH's Endeavour Mine for processing.

The total cost of the acquisition was agreed to be as follows:

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

The Company recorded deferred consideration of \$322,000 representing the Net Present Value of projected royalty payments due under the terms of the acquisition, calculated based on information available as at 30 June 2009. The deferred consideration will be revalued at each reporting date in accordance with AASB 3 with a corresponding adjustment to exploration and evaluation assets acquired.

Funding for the acquisition and mine development was raised via a share placement. Refer note 17 for more information.

The fair value of the identifiable assets of the Project at the date of acquisition were:

	Consolidated Recognised on acquisition \$	Carrying Value \$
Exploration and evaluation assets	12,192,000	12,192,000
Other property, plant and equipment	140,000	140,000
Fair value of identifiable net assets	<u>12,332,000</u>	<u>12,332,000</u>

Cost of the combination:	\$
Non-refundable cash deposit	1,000,000
Cash consideration	11,000,000
Deferred consideration	<u>332,000</u>
	<u>12,332,000</u>

Of the total cost of the combination, \$1,000,000 was paid prior to 30 June 2009. For details of the outstanding amounts, refer to note 10.

From the date of acquisition, the Hera Project and Nymagee JV have not contributed any profit or loss to the income statement of YTC Resources Limited.

If the acquisition had been completed on the first date of the financial year, Group revenue and loss would not have been different to the results currently reported in the income statement.

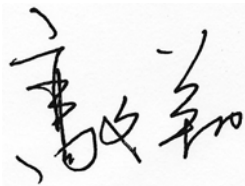
YTC Resources Limited Directors' Declaration

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

1. In the opinion of the Directors
 - (a) the financial statements and notes of the Company and of the Group are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and of the Group's financial position as at 30 June 2009 and of their performance, for the year ended on that date; and
 - (ii) complying with Accounting Standards 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.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with sections of 295A of the Corporations Act 2001 for the financial year ending 30 June 2009.

This declaration is made in accordance with a resolution of the Directors.

On behalf of the Board



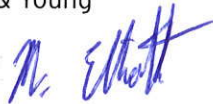
Wenxiang Gao
Chairman
28 September 2009

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

In relation to our audit of the financial report of YTC Resources Limited for the financial year ended 30 June 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.

A handwritten signature in blue ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in blue ink that reads 'M. Elliott'.

Michael Elliott
Partner
28 September 2009

Independent auditor's report to the members of YTC Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of YTC Resources Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the 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 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. In Note 2A, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met 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.

Auditor's Opinion

In our opinion:

1. the financial report of YTC Resources Limited is in accordance with the *Corporations Act 2001*, including:

- i giving a true and fair view of the financial position of YTC Resources Limited and the consolidated entity at 30 June 2009 and of their performance for the year ended on that date; and
- ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of YTC Resources Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

A stylized, handwritten signature in blue ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in blue ink, likely belonging to Michael Elliott, written in a cursive style.

Michael Elliott
Partner
Sydney
28 September 2009