



## ANNUAL REPORT 2007





## CORPORATE DIRECTORY

### Directors

Jianming Xiao - Chairman  
Anthony Wehby - Vice Chairman  
Stephen Woodham - Non-Executive Director  
Wenxiang Gao - Non-Executive Director  
Robin Chambers - Non-Executive Director  
Richard Hill - Non-Executive Director

### 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](mailto: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  
11 Mounts Bay Road  
Perth WA 6000

\* Pictures in this report may not represent assets of the Company.



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To the Shareholders,

YTC Resources Ltd ("YTC") debuted strongly on ASX on 8 May 2008, with the Company's share price continuing to be well supported. This strong IPO performance represents an endorsement of the Company's exploration assets, its strong board and management, a quality shareholder base and of course YTC's unique alliance with Yunnan Tin Group Company Limited ("Yunnan Group").

Exploration activity has been particularly aggressive in the first six months of listing, with the Company completing four separate drilling programmes and three geophysical surveys, together with associated geological mapping and rock sampling.

Of particular encouragement are exploration results generated from the Doradilla, Kadungle and Torrington Projects.

The Doradilla polymetallic deposit was successfully acquired shortly after YTC listed on ASX. This project has produced spectacular tin, copper, zinc, bismuth and indium grades from the Company's initial drill programme. The results have encouraged YTC to expand exploration across the tenement and commence detailed metallurgical testing on the shallow tin laterite mineralisation. We believe that this project has the potential to host a large, shallow deposit along a 16km mineralised trend.

Broad scale copper-gold mineralisation continues to be intersected in drill holes at the Kadungle Project, confirming the interpretation of a large mineralised system. Recent drill results, and targets generated from the EH4 geophysical survey, provide strong support for a continued exploration effort at Kadungle.

At the date of this report, no gold assays were available from drilling under the Mt Aubrey Gold mine within the Baldry Project, however, the vein textures and alteration observed in the core provide support for continuing exploration along the 1km long Mt Aubrey vein trend.

Initial geophysical surveying and rock chip sampling at the Torrington Project have generated excitement within the exploration team. At the Planet Mine area, rock chip assays up to 3.2% tin, 227g/t silver and 859ppm indium have been recorded within a very strong co-incident geophysical anomaly of 400m x 600m. Drilling of these targets is scheduled for October.

The company continues to work in close and successful co-operation with its alliance partners, the Yunnan Group. Co-operative activities have included application of EH4 geophysical technology to the Kadungle Project and the ongoing review of projects within Australia. In addition, the Yunnan Group's advanced metallurgical capabilities will be of great assistance in the metallurgical assessment of the Doradilla laterite mineralisation.

I would like to thank YTC's shareholders, the Board of Directors and the tireless efforts of YTC's staff in what has been an energetic and successful year for the Company.

Looking ahead to 2008, YTC is working to extend its exploration activities and maximise shareholder return through strong results and high quality acquisitions.

Sincerely

A handwritten signature in black ink, appearing to read "Rimantas Kairaitis". The signature is fluid and cursive, with a long horizontal stroke at the end.

Rimantas Kairaitis  
Chief Executive Officer

## REVIEW OF ACTIVITIES

### HIGHLIGHTS

#### SUCCESSFUL ASX LISTING

On 8 May 2007 YTC Resources Ltd successfully listed on ASX raising \$3.5m before expenses. These funds were added to the \$2.67m invested by Yunnan Tin Company Group of China in March 2007 to fund an aggressive exploration program.

#### DORADILLA PROJECT

Exciting tin, copper, indium and bismuth results from the initial drilling programme at the Doradilla Project including:

- 3KAC004: 40m @ 1.5% Sn, 0.52% Cu, 110ppm In, 0.35% Zn from 6m including  
18m @ 3.04% Sn, 0.85% Cu, 230ppm In, 0.73% Zn from 18m
- 3KAC016: 42m @ 1.32% Sn from 2m including  
10m @ 4.44% Sn, 106ppm In & 0.1% Bi from 4m and  
2m @ 0.31% Sn & 2.0% Bi from 30m

Metallurgical testing to commence shortly.

#### KADUNGLE PROJECT

Five diamond core drill holes completed at Mt Leadley and Mt Leadley South prospects.

Broad intervals of porphyry copper-gold mineralisation returned from the first hole:

- KDD006: 156m @ 0.15g/t Au & 0.1% Cu

Assays awaited for mineralised intersections from holes KDD008 and KDD010.

EH4 Survey highlights new drill targets beneath cover

#### TORRINGTON PROJECT

Exciting new drill targets generated from geophysics and rock chip geochemistry. Drill testing scheduled for October.

#### GIANTS DEN PROJECT

Rock chip sampling at the Giants Den Project returned values up to 2.75% tin and 85ppm indium.

#### BALDRY PROJECT

Three diamond core drill holes have been completed at the Baldry Project, testing beneath the historic Mt Aubrey Gold Mine. Assay results are pending.

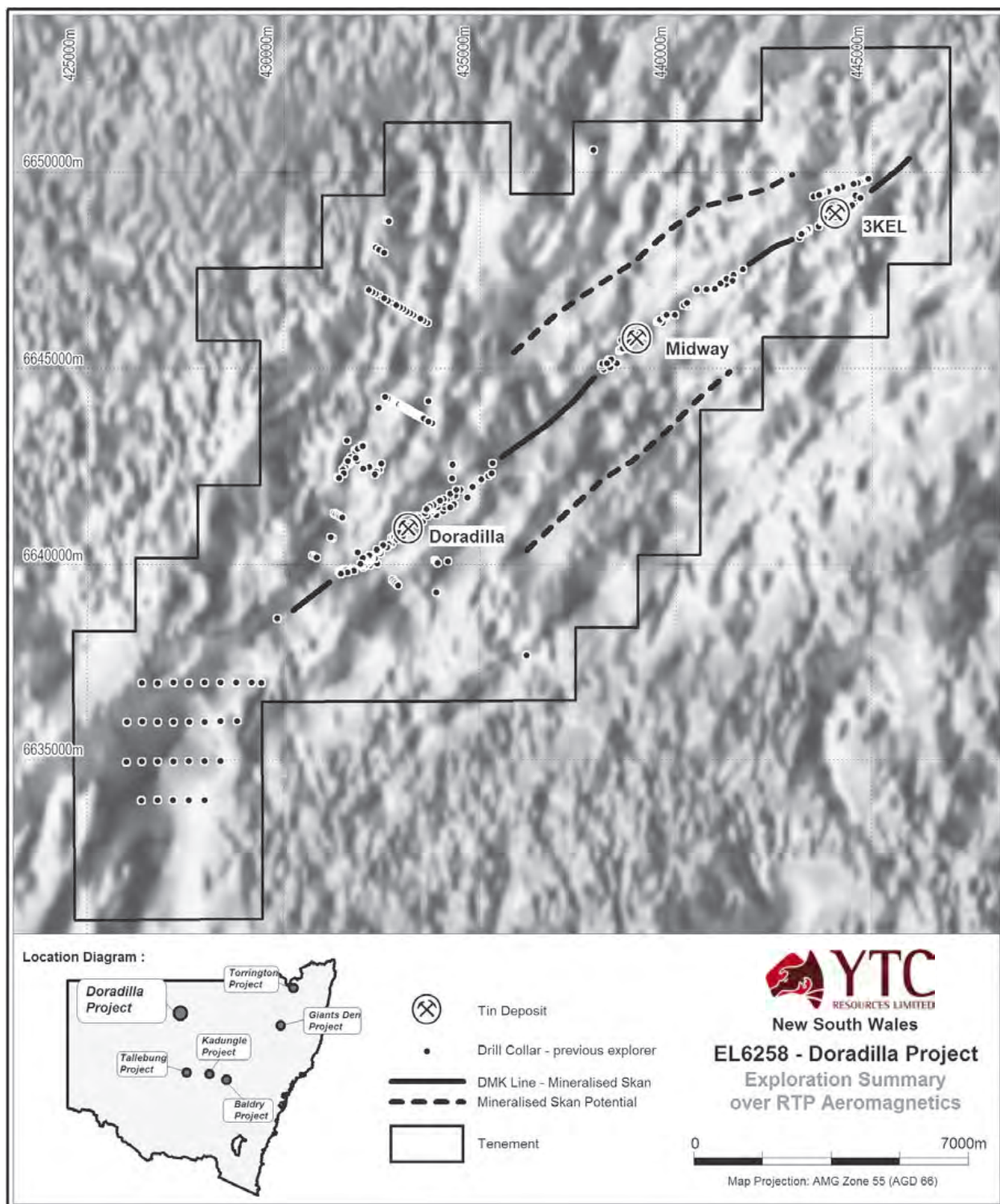


L to R: Richard Hill, Rimas Kairaitis, Stephen Woodham, Anthony Wehby, Jianming Xiao, Robin Chambers, Wenxiang Gao. Listing day.

## DORADILLA PROJECT - TIN, COPPER, ZINC, INDIUM, BISMUTH

The Doradilla Project represents a large and strategic tin project with excellent potential for associated copper, indium and zinc mineralisation.

The known mineralisation is recorded within a skarn horizon which has an extensive strike length of 16 km (the 'DMK Line').



Tin exploration at Doradilla ceased in 1990 due to depressed tin prices combined with unsatisfactory metallurgical recoveries in the primary tin-silicate zone. YTC's strategic partner, Yunnan Tin Company Group, successfully mine and process similar tin-silicate style tin mineralisation in their deposits in China.

Previous exploration has focused heavily on the tin content of the DMK Line, which comprises zones of oxide, supergene (tin 'laterite') and primary tin mineralisation. Only part of the DMK Line has been evaluated, and the potential exists for additional resources along the DMK Line. In addition, aeromagnetic features indicate the potential for other skarn horizons, parallel to the DMK line, which remain untested.

The DMK line has been selectively explored by previous companies in the period 1975-1990. The following Historical Estimates have been published on tin laterite resources at the 3KEL and Midway prospects:

Prospect	Company	Year	Tonnes	Sn* (%)	Comments	Source
Midway & 3KEL	Midway JV	1989	2,250,000	0.6	tin laterite 0.2% Sn cutoff	NSW DPI - DIGS GS1990/050
Midway & 3KEL	Midway JV	1989	600,000	1.1	tin laterite 0.5% Sn cutoff	NSW DPI - DIGS GS1990/050

\*These estimates are for tin only. No equivalent values for other metals are included.

In addition to tin, the Doradilla Project also represents a very strong exploration target for copper, zinc and indium. In particular, the supergene tin 'laterite' deposits currently identified at 3KEL & Midway have the potential to contain economic levels of copper and zinc mineralisation.

A considerable amount of previous drilling was assayed for tin only, with no systematic exploration carried out for any other metal.

*In June 2007 YTC secured an exclusive 12 month option period during which it will spend A\$200,000 to test the potential of the project. Upon completion of the initial exploration YTC has the right to earn 70% of the Doradilla Project from Templar Resources, a wholly owned subsidiary of Goldminco Corporation Ltd ('Goldminco' TSXV: GCP) by spending \$1.5m over 4 years.*

### Exploration Activities

YTC has completed an initial programme of 25 aircore holes testing the tin laterite mineralisation at the 3KEL Prospect.

The 3KEL deposit is positioned on the north-eastern end of a 16km long mineralised horizon known at the DMK line.

Results from the aircore drilling have confirmed strong, near surface tin, copper and zinc mineralisation. In addition, the YTC drilling assays have established for the first time substantial indium and bismuth mineralisation at 3KEL:

Best of these results included:

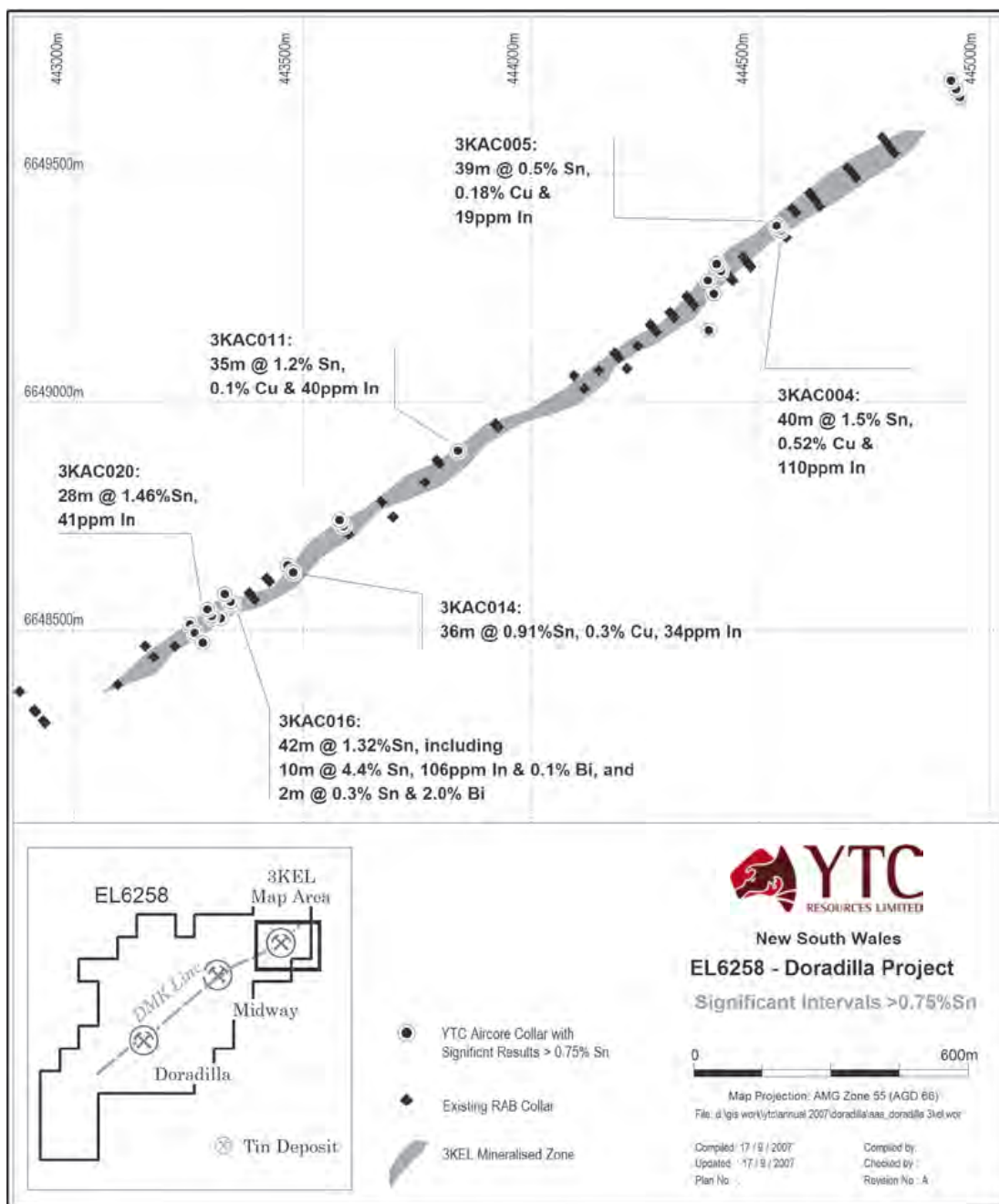
- 3KAC004: 40m @ 1.5% Sn, 0.52% Cu, 110ppm In & 0.35% Zn from 6m, including  
18m @ 3.04% Sn, 0.85% Cu, 230ppm In & 0.73% Zn from 18m
- 3KAC005: 39m @ 0.51% Sn, 0.18% Cu, & 19ppm In from 3m, including  
18m @ 0.98% Sn, 0.23% Cu & 21ppm In from 6m
- 3KAC011: 35m @ 1.2% Sn, 0.10% Cu, 40ppm In & 0.39% Zn, from 10m to EOH
- 3KAC014: 36m @ 0.91% Sn, 0.30% Cu, 34ppm In & 0.57% Zn, from 16m to EOH
- 3KAC016: 42m @ 1.32% Sn, 40ppm In, 0.23% Zn & 0.18% Bi from 2m, including  
10m @ 4.44% Sn and 106ppm In & 0.1% Bi from 4m, and  
2m @ 0.31% Sn & 2.0% Bi from 30m
- 3KAC020: 28m @ 1.46% Sn & 41ppm In from 0m, including  
12m @ 2.75% Sn & 69ppm In from 4m

## DORADILLA PROJECT (CONTINUED)

### Exploration Activities

YTC will now commence the following work programmes on the Doradilla Project:

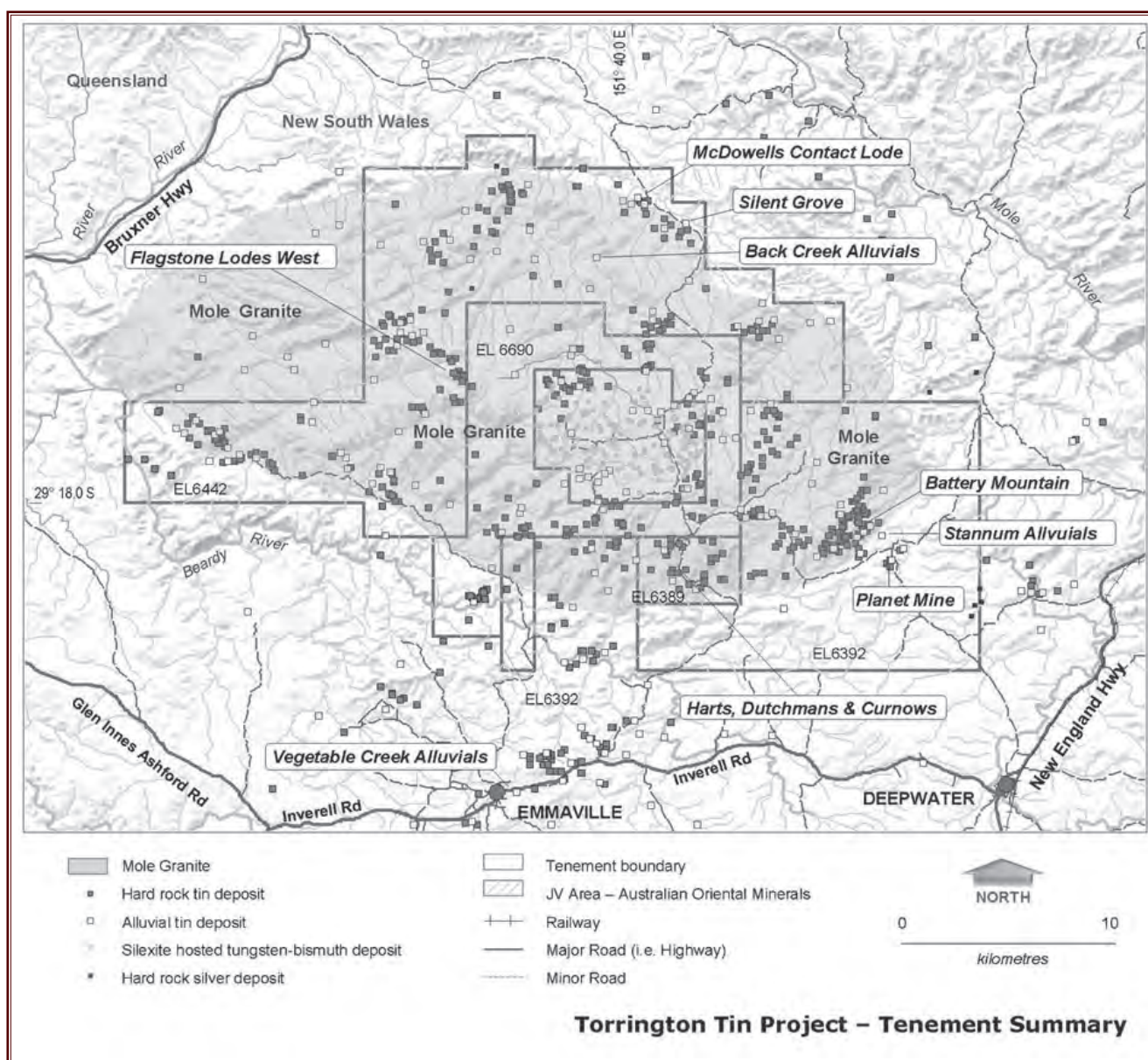
1. Metallurgical test work on the tin-laterite ores. To be conducted concurrently in Australia and at the Yunnan Group metallurgical laboratories in China.
2. Engage consultants to correlate the YTC drilling results against the historic drilling to allow for the conversion of the Historical Estimates to JORC compliant Resources.
3. Positive results from these parts 1 & 2 will initiate further resource definition drilling on the Midway and Doradilla deposits.



### TORRINGTON PROJECT - TIN, INDIUM, SILVER, LEAD, ZINC

The extensive Torrington Project tenements cover much of the historically important Torrington & Stannum Tin Fields, which have a recorded historic production in excess of 100,000 tons of tin concentrate. The Project area comprises some of the highest production-grade, hard rock, tin mines in NSW and hosts major deep-lead alluvial tin potential at Stannum.

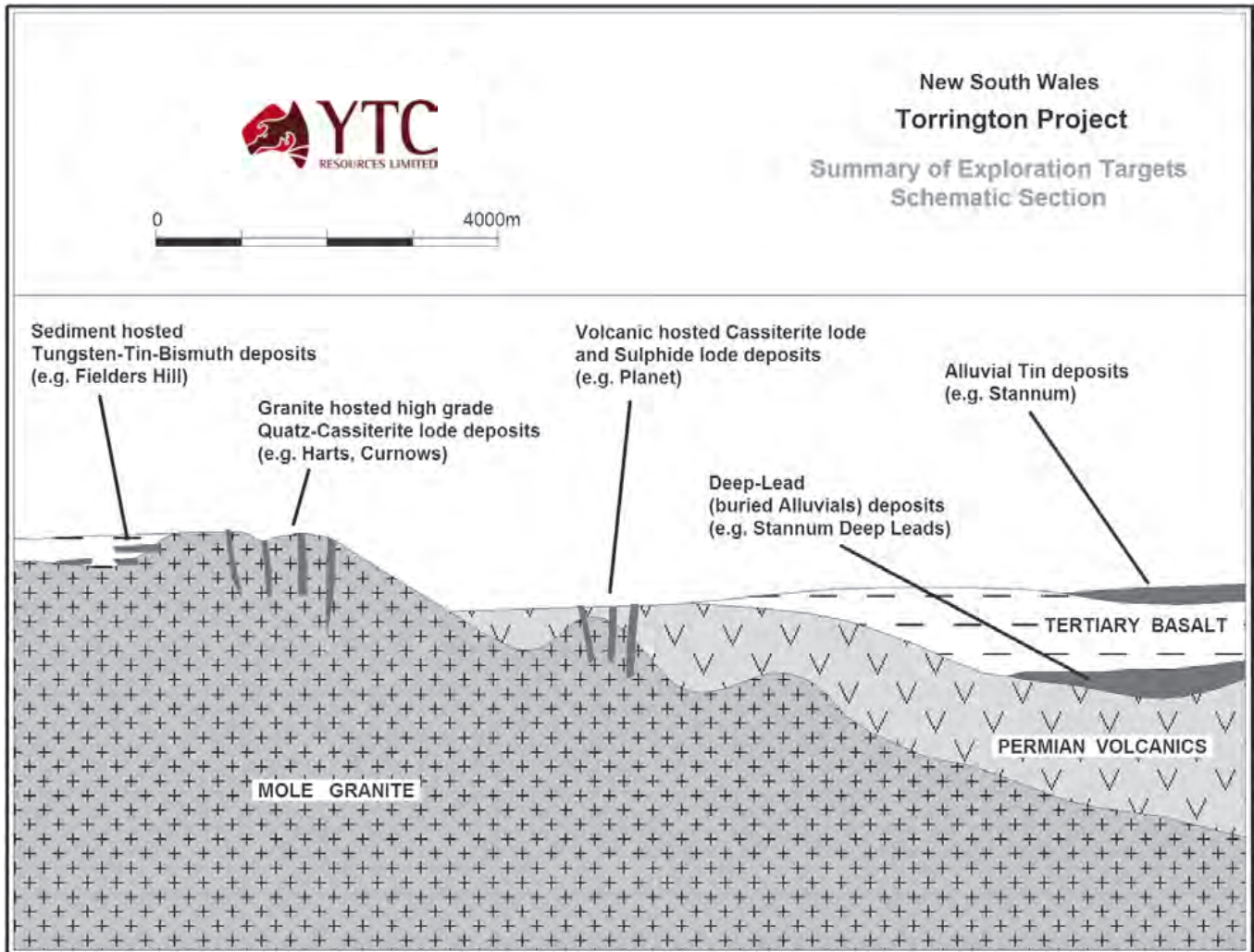
The tenements are located 45km north of Glen Innes in northern NSW and cover much of the highly mineralised Mole Granite, considered the intrusive source to all tin mineralisation in the district. The project area includes more than 250 recorded hard rock and alluvial tin mines.



Very little recent exploration has been carried out on this dense collection of historical workings and they remain effectively untested by modern exploration methods.

The exploration target at Torrington is high-grade, hard-rock, tin mineralisation around the historic Harts, Dutchmans, Curnows and Planet mines as well as large-scale, deep-lead, alluvial tin deposits at Stannum. Potential also exists for bulk tonnage sheeted vein tin deposits as demonstrated by the nearby Taronga deposit (46.8Mt @ 0.145% Sn).

## TORRINGTON PROJECT (CONTINUED)

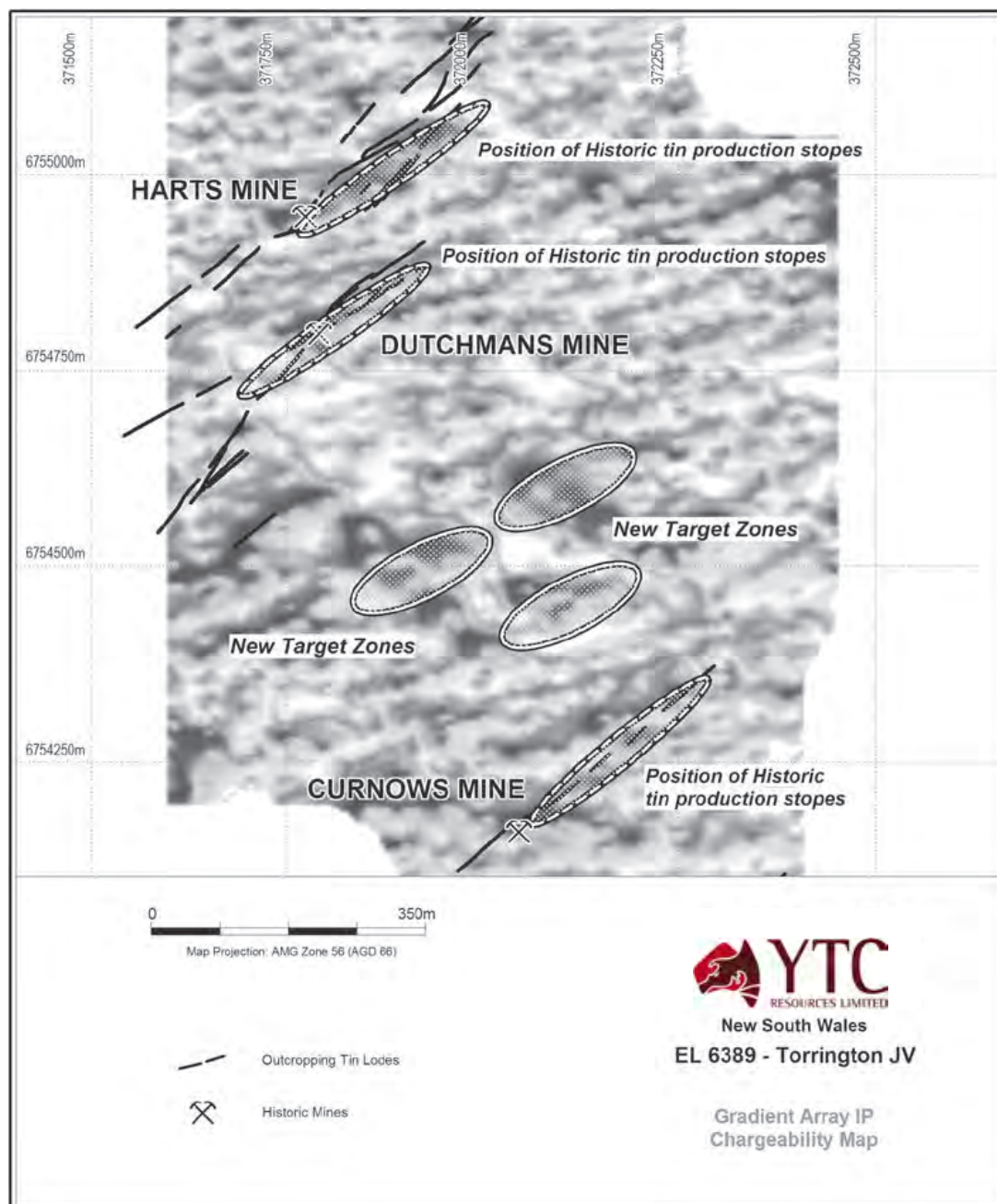


### Exploration Activities:

A detailed gradient-array IP survey has been completed over high priority target areas at Stannum and Harts, Dutchmans and Curnows.

Around Harts, Dutchmans and Curnows, the survey has successfully mapped existing veins and delineated new targets between the Curnows and Dutchmans veins. In addition, the survey has identified a number of new 'bung look-alike' targets which are blind to surface.

## Exploration Activities



At Stannum, a very strong chargeability and conductivity response has mapped mineralised rocks over a 400 x 600m area around the Planet Tin Mine. Only a single previous drill hole has been completed in this area, Hole PT1, (Pacific Copper, 1984) which returned:

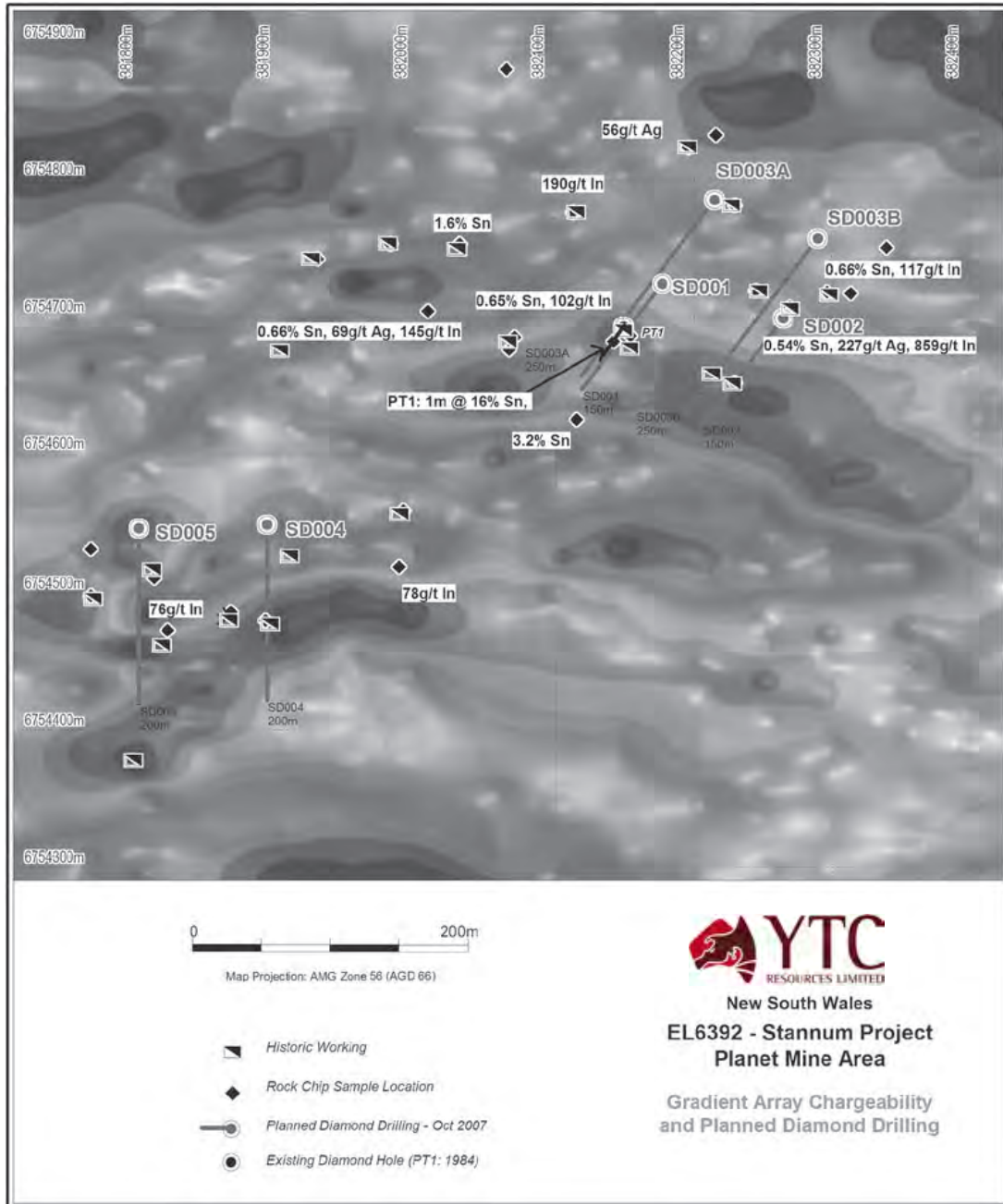
1m @ 16% Sn (from 90m) and,

23m @ 0.68% Zn from 11m

Rock chip results over the same area have generated exciting results up to 3.2% Sn, 859ppm Indium and +227g/t Ag.

## TORRINGTON PROJECT (CONTINUED)

### Exploration Activities



Diamond drill testing of the targets at Stannum & Harts, Dutchmans & Curnows will commence in early October.

## KADUNGLE PROJECT - COPPER, GOLD

The Kadungle Project tenements are situated 50 km north-west of Parkes in central NSW covering 273 square kilometres within broad-acre freehold pastoral properties and are well serviced by regional road and rail infrastructure.

Exploration of the Kadungle Project has focussed on the Mt Leadley and Mt Leadley South prospects, which crop out as two low hills of mineralised volcanics separated by about 900m. The two prospect areas record significant gold mineralisation in soil and rock chip geochemistry.

The Company's recent drilling beneath these anomalous outcrops has led to the identification of a major epithermal gold system within an extensive porphyry-related envelope of copper  $\pm$  molybdenum mineralisation.

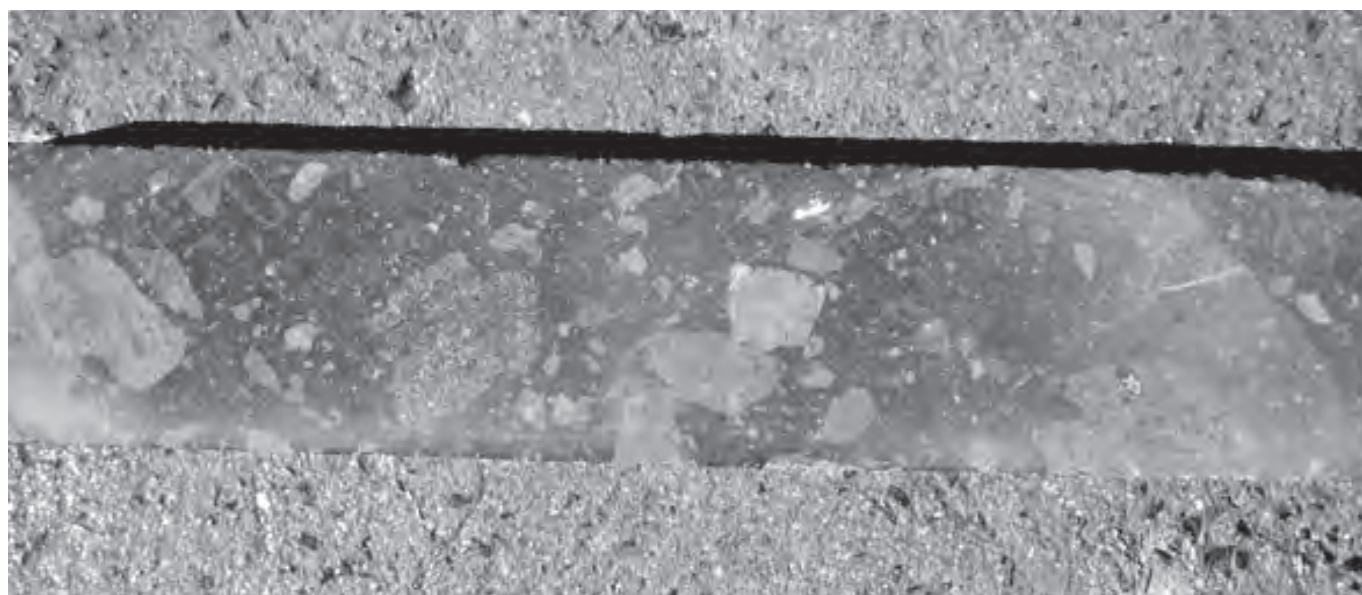
The exploration target at Kadungle is a shallow, high-grade gold  $\pm$  copper mineralisation with longer term exploration targeting a large, porphyry related gold-copper  $\pm$  molybdenum deposit.

### Exploration Activities

A total of 5 diamond core drill holes for 1355m have been completed at the Kadungle Project. All holes intersected encouraging alteration and mineralisation, with broad mineralised intervals observed in KDD006, KDD008 & KDD010. Significant intervals to date include:

KDD006: 156m @ 0.15g/t Au & 0.1% Cu from 6m.

KDD006 demonstrates a broad zone of porphyry related copper-gold mineralisation, with higher grade copper results largely controlled by a 100m wide breccia pipe. The breccia pipe is interpreted to have erupted from a mineralizing intrusion at depth.



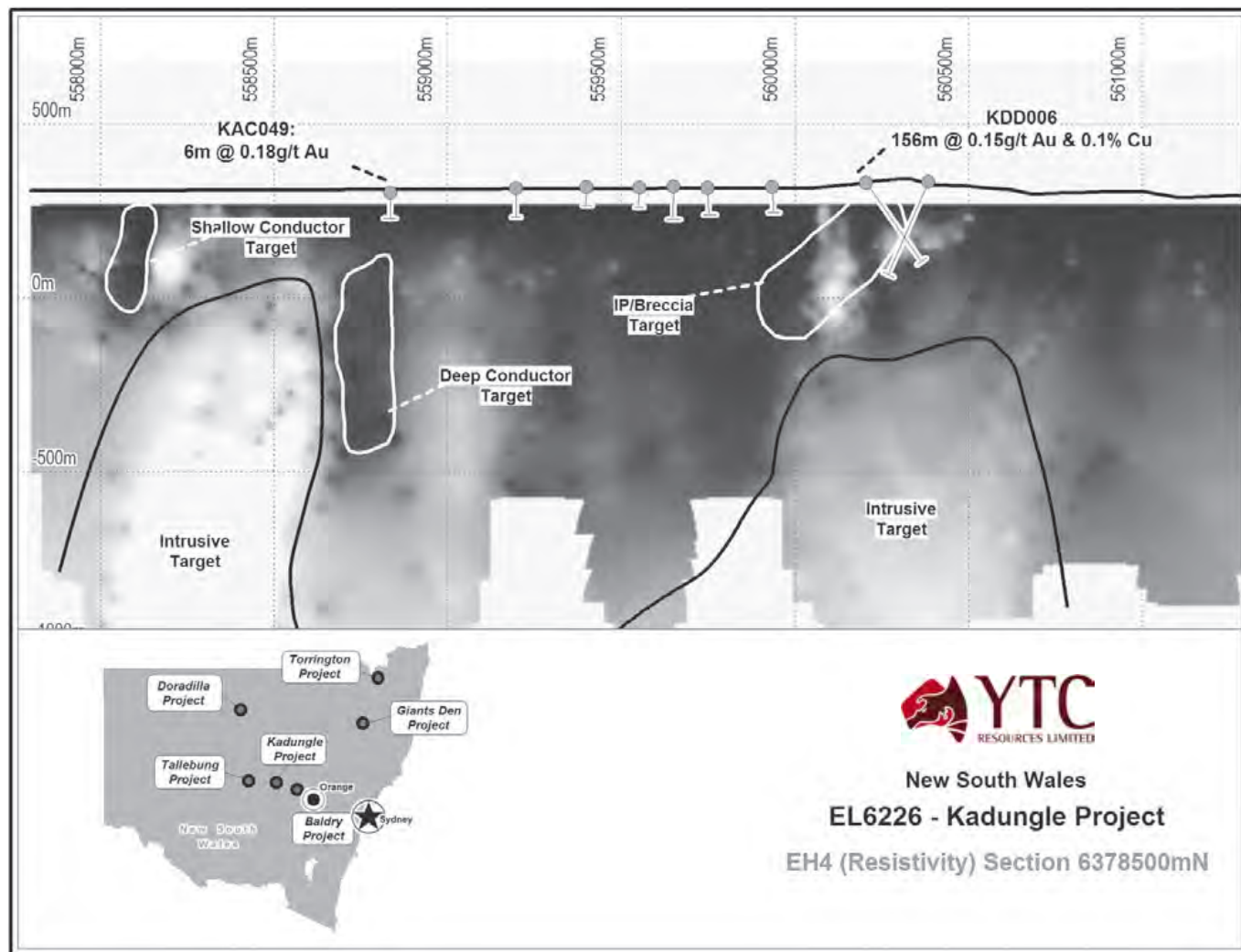
Results for the strongly mineralised holes KDD008 & KDD010 are still pending.

An extensive EH4 (resistivity) geophysical survey has recently been completed over parts of the Kadungle Project area. Full results are still being processed, however initial results strong new anomalies west of Mt Leadley Prospect, under shallow alluvial cover.

A short programme of aircore drilling (16 holes for 433m) has also been completed at the Kadungle Project. The westernmost holes in this programme detected strong gold anomalism vertically above the new EH4 anomalies.

## KADUNGLE PROJECT (CONTINUED)

### Exploration Activities



## BALDRY GOLD PROJECT - GOLD

Located 37km north-east of Parkes, the Baldry tenement covers 141 square kilometres within freehold pastoral lands easily accessed by sealed road.

The Baldry tenement is prospective for low-sulphidation epithermal gold deposits at the Blue Hills prospect and beneath the shallow Mt Aubrey mine which was mined by BHP Gold between 1990-1991. Low sulphidation gold deposits typically form bonanza-grade vein deposits, with Australian examples including the Vera-Nancy, (6.2Mt @ 13.0 g/t Au) and Cracow (1.75Mt @ 9.7g/t Au) deposits.

Gold mineralisation at the Mt Aubrey vein system remains open at depth, as the historical drilling done by BHP was only designed to define a shallow high grade oxide resource. Numerous high-grade gold intersections remain at the base of the pit, indicating depth potential to the vein system. There is a strong exploration precedent for drilling beneath shallow low-sulphidation veins to identify much larger resources at depth (eg: the discovery of the Vera-Nancy underground gold deposit beneath the shallow Vera vein, QLD).

### Exploration Activities

YTC has completed 3 diamond core holes beneath the Mt Aubrey Gold mine for a total of 916.6m.

The holes were designed to test the down dip extension of high grade epithermal quartz veining mined in the Mt Aubrey open pits. Each hole intersected broad zones of quartz-carbonate vein stockwork associated with epidote, sericite and bleaching alteration and minor sulphides. Assays from the drill core awaited.

Further planned exploration at the Baldry Project includes:

- Follow-up exploration on untested gold-in-soil anomaly, which lies within a favourable WNW aeromagnetic trend in the northern part of the tenement.
- Follow up of BHP Gold rock chip sampling with gold values to 6.6g/t Au.

## TALLEBUNG PROJECT - TIN, TUNGSTEN

The Tallebung tin field, located 70km west of Condoblin, NSW includes a series of historic alluvial and deep-lead tin deposits as well as high-grade tin-tungsten lode deposits which have a combined historic production of 3,350 tonnes of tin concentrate.

The hard rock potential of the lodes have been poorly explored, with only 24 shallow drill holes completed in the 1960's with encouraging results not followed up. These results include:

- 0.76m @ 1.9% Sn from 15.7m, and
- 2.1m @ 0.99% Sn & 0.14% WO<sub>3</sub> from 30m, and
- 1.42m @ 5.06% Sn & 0.12% WO<sub>3</sub> from 36m

The relative position of the lodes, in the zone immediately above a granite carapace, infers the potential for a large, bulk mineable 'porphyry' tin deposit at moderate depths. Porphyry tin deposits are considered to be under-explored in south-east Australia and can yield large volumes of tin mineralisation (eg: Ardlethan Mine historical production >31,000tonnes Sn).

### Exploration Activities

YTC has commenced the digitising of historical exploration data and inspected previous drill core at the NSW DPI core facility at Londonderry.

Planned exploration on the Tallebung Project includes:

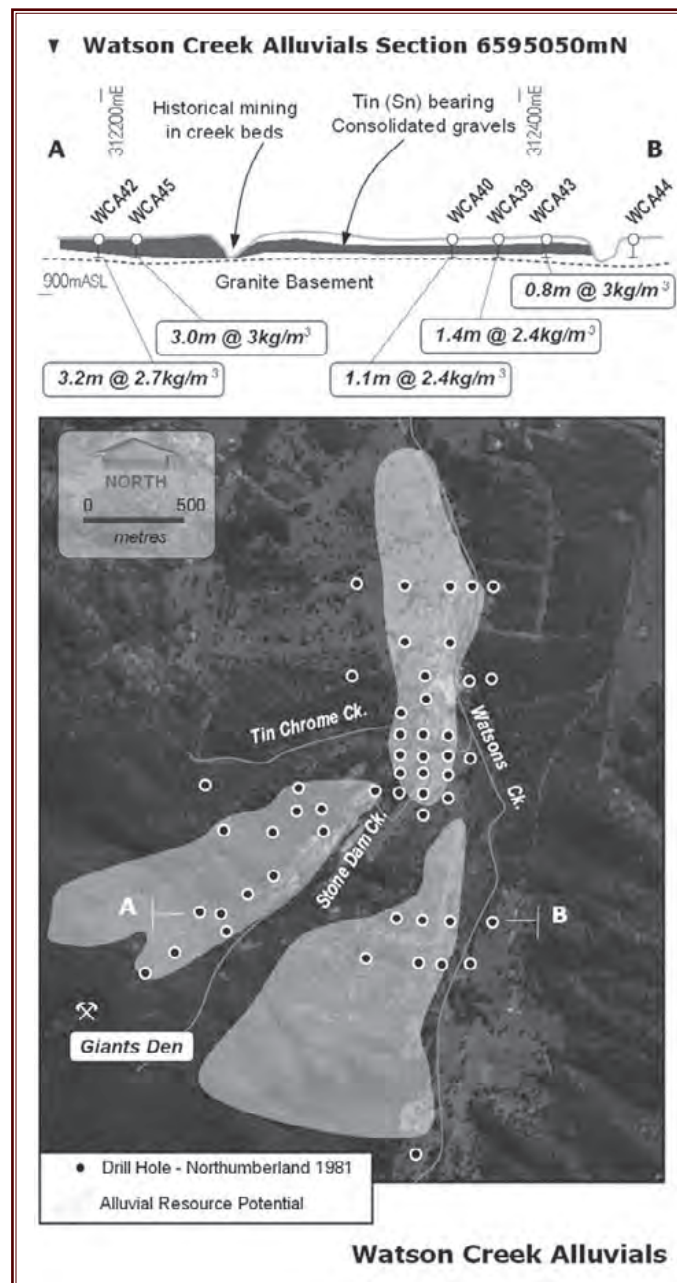
- Detailed geophysical surveys to target the position of high-grade tin-tungsten lodes and to model the depth to the underlying Granite.
- Systematic re-sampling of archival drill core to test unsampled, mineralised intervals.
- Deeper drilling of geophysical targets and below existing high-grade drill intercepts to test for large tonnage porphyry tin-tungsten mineralisation.

### GIANTS DEN PROJECT - TIN, COPPER, INDIUM, SILVER

The Giants Den project comprises a 41 square kilometre tenement situated near Bendemeer in northern NSW. The tenement covers historic alluvial tin mines at Watson's Creek and Fish Creek as well as the quartz-greisen poly-metallic hard rock workings at Giants Den.

The Giants Den mineralisation occurs as cassiterite and chalcopyrite in sheeted quartz-greisen veins, over an area of 400 metres x 600 metres. A number of veins have been exploited historically to depths of up to 30 metres. The polymetallic potential of this extensive mineralisation is indicated by significant recorded values of copper, silver, gold tungsten and indium.

The Watson's Creek alluvial tin deposit commences at the foot of Giants Den Hill and has been mined (pre-1960s) for at least 2km downstream with production of over 1600 tons of tin concentrate cassiterite concentrate recorded between 1884 and 1962.



In 1981 Northumberland Development Company undertook a series of auger holes to test for alluvial tin away from current active streambeds. It was found that variably cemented tin-bearing wash occurs as broad alluvial terraces under a thin cover of barren sandy clay. Wash thickness averages 2m grading between 2kg/m<sup>3</sup> and 3kg/m<sup>3</sup>.

#### Exploration Activities

Reconnaissance rock chip sampling across an area of 350 x 300m covering the mineralised lodes at Giants Den has returned strong results for both tin and indium:

- 9 of 25 samples returned values of >0.5% tin, with a maximum of 2.75% tin.
- 9 of 25 samples returned values of >20ppm (20g/t) indium, with a maximum of 85ppm (85 g/t) indium.

YTC has commenced a 'Right to Negotiate' process on the Giants Den prospect area to apply for land access under the provisions of the Native Title Act .

Planned exploration on the Giants Den Greisen and Watsons Creek alluvials includes:

- Completion of up to 3 (+200m) diamond core holes through the mineralisation to investigate the Giants Den polymetallic potential.
- Grid pattern drilling over the tin-bearing terraces at Watson's Creek to test tin content and distribution and potential extensions of tin mineralisation downstream with the goal of defining a resource.

#### Schedule of tenement interests

Tenement	Project Name	Location	Holder	Interest
EL6389	Torrington JV	NSW	Australia Oriental Minerals NL	YTC has earned 70% of 3 units of this tenement
EL6392	Stannum	NSW	Stannum Pty Ltd	100%
EL6449	Giants Den	NSW	Stannum Pty Ltd	100%
EL6442	Silent Grove	NSW	Stannum Pty Ltd	100%
EL6699	Tallebung	NSW	Stannum Pty Ltd	100%
EL6690	Torrington	NSW	Stannum Pty Ltd	100%
EL6673	Baldry	NSW	Defiance Resources Ltd	100%
EL6697	Kadungle North	NSW	Defiance Resources Ltd	100%
EL6226	Kadungle	NSW	Defiance Resources Ltd	100%
EL6258	Doradilla	NSW	Templar Resources, a wholly owned subsidiary of Goldminco Corporation Ltd	YTC holds an option to earn-in to this tenement

## DIRECTORS' REPORT

The following report is submitted in respect of the results of the YTC Resources Limited ("YTC" or the "Company") for the financial year ended 30 June 2007, together with the state of affairs of the Company as at that date.

### DIRECTORS

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 were in office for this entire period unless otherwise stated.

#### Mr. Jianming Xiao

*Appointed 27 March 2007*

Mr. Xiao is a senior economist with extensive experience in the exploration, mining, processing and marketing of non-ferrous metals in China and Southeast Asia. He was appointed as General Manager of Yunnan Tin Group Limited before being promoted to Chairman in 2001. Mr Xiao has also completed Senior Management training studies at the Beijing Graduate School of Management and the Australian Institute of Business Administration.

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

Yunnan Tin Co., Ltd	(Shenzhen Stock Exchange)	Director: 21 October 2006 - Present
Yunnan Tin Co., Ltd	(Shenzhen Stock Exchange)	Chairman: 18 November 1998 - 21 October 2006
Sino-Platinum Metals Co., Ltd	(Shanghai Stock Exchange)	Director: 30 June 2003 - 6 September 2005
Yunnan Chihong Zinc & Germanium Co., Ltd	(Shanghai Stock Exchange)	Director: 13 October 2006 - Present

#### Mr. Anthony Wehby

*Appointed on 14 September 2006*

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.

#### Mr. Stephen Woodham

Mr Woodham has over 15 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 2006 - Present
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#### Mr. Wenxiang Gao

*Appointed on 27 March 2007*

Mr 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 is currently studying for a doctoral degree at the Mining Academy of South Central University, China.

Mr Gao commenced work with Yunnan Tin Group in 1984, becoming the Assistant to the General Manager of Yunnan Tin Group and later the Vice General Manager from October, 1995 to September, 2001. In 2001 he was appointed Executive Deputy General Manager and a Director of Yunnan Tin Group.

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

Yunnan Tin Co., Ltd (Shenzhen Stock Exchange)	Director: 18 February 2006 - Present
Yunnan Tin Co., Ltd (Shenzhen Stock Exchange)	Vice-Chairman: 21 October 2006 - Present

**Mr. Robin Chambers**

*Appointed on 27 March 2007*

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 22 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 Hill has over 15 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 10 years, Mr Hill has worked as a geologist for several major Australian mining companies and most recently, as a founding director of two successful ASX-listed companies, Moly Mines Limited and Siberia Mining Corporation Limited (now Monarch Gold Mining Company Limited).

Mr Hill is a member of The Financial Services Institute of Australia (formerly the Securities Institute of Australia), the Geological Society of Australia and President of the University of Western Australia Geology Alumni. He has a B.Juris, LLB., B.Sc. (Geology) (First Class Honours) and ASIA.

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

Centaurus Resources Ltd (Australian Stock Exchange)	Appointed 11 October 2006 - Present
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**Former Directors:**

**Mr. Rimantas Kairaitis** - resigned on 27 March 2007 (currently CEO)

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.

He was a founding director of the successful mineral exploration company LFB Resources NL (now a subsidiary of Alkane Exploration Ltd). Since 1999 he has worked as a geological consultant. 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 2006.

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

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

**Mr. Ian Cooper** - resigned on 13 September 2006 (currently Senior Geologist Australia)

Mr Cooper has over 20 years experience in metalliferous mining and minerals exploration. A qualified Mining Engineer and Geologist, his industry experience ranges from work as a mechanised and airleg development miner in Broken Hill to mine planning, pillar reserves and ventilation engineer at Broken Hill and open pit and mine lease exploration geologist in Kalgoorlie where he was responsible for discovery of significant gold and nickel resources at the Mount Martin Mine.

## DIRECTORS (CONTINUED)

Mr Cooper has a wide range of experience in minerals exploration in New South Wales with particular exposure to gold, copper, lead, zinc, silver, tin and tungsten at locations such as Cobar, Mineral Hill, Forbes, Cowra, Wellington and Blayney. He also has extensive tin exploration experience in the Torrington district.

Mr Cooper's qualifications are Bachelor of Science (Hons), Bachelor of Engineering (Mining), Master of Science and he is a member of the Australian Institute of Mining and Metallurgy.

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

## 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		
Jianming Xiao*	20,000	500,000
Anthony Wehby	170,000	500,000
Stephen Woodham	3,820,804	500,000
Robin Chambers	150,003	500,000
Wenxiang Gao*	10,000	500,000
Richard Hill	1,057,984	500,000

\* Mr Xiao and Mr Gao are directors of Yunnan Tin Company Group Ltd which controls 13,515,975 shares.

## Company Secretary

*Mr Matthew Sikirich* - appointed 13 September 2006

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.

## 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 2007.

## CORPORATE STRUCTURE

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

YTC Resources has two 100% owned subsidiaries, Stannum Pty Ltd (incorporated 15 September 2006) and Defiance Resources Limited (incorporated 15 May 2006) which hold the Tin and Copper-Gold assets respectively.

## NATURE OF OPERATIONS, PRINCIPAL ACTIVITIES AND USE OF FUNDS

During the financial year, the principal activity was mineral exploration. At the date of this report the Company holds Tin and Copper-Gold projects in New South Wales.

During the financial year the Company used the funds available to it at the time of admission to ASX in accordance with its business objectives.

## RESULTS OF OPERATIONS

The net loss of the Company for the financial year after income tax was \$917,352 (2006: \$47,807).

## REVIEW OF OPERATIONS

On 8 May 2007 YTC Resources Ltd successfully listed on ASX and in the process raised \$3.5m before expenses. These funds were in addition to the \$2.67m invested by Yunnan Tin Company Group of China in March 2007.

Since listing, the Company's activities have been focused on the **Kadungle Project**. Exploration work has included the installation of water reticulation & access in preparation for drilling which commenced in mid June. The Company has completed the following drilling at Kadungle; 3 of a programmed 5 diamond drill holes and a short programme of aircore drilling (16 holes for 433m). The results of this work are currently being assayed.

At the **Torrington Project**, a trial of close-spaced gradient array IP geophysics has been completed over selected tin lodes on EL 6389 (Torrington JV). The success of this trial work will see the programme extended in the new financial year.

General exploration data including landowner databases, digital mapping files and state-wide geophysics have also been purchased for application across all Project areas.

Detailed historical data searches have been commenced on the **Doradilla** and **Tallebung Projects**.

A 'Right to Negotiate' process has been commenced on the **Giants Den Project** to apply for land access under the provisions of the Native Title Act.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Total equity increased to \$6,042,131, an increase of \$5,690,106 from 30 June 2006. The movement was mainly a result of the loss of \$917,352 for the period offset by additional capital of \$6,323,160 raised through the IPO to the public (\$3,500,000), the pre IPO share issue to Yunnan Tin Company Group Ltd (\$2,673,160) and the pre IPO share issue to the public (\$150,000).

On 18 June 2007 it was announced that an agreement to farm-in to the **Doradilla** project was entered with Goldminco Corporation Ltd (TSXV listed: GCP).

The Terms of the **Doradilla Farm-In** are as follows:

- YTC has an exclusive 12 month option period during which it will spend A\$200,000 to test the potential of the project.

Upon completion of this initial expenditure, YTC will have the right to;

- earn 70% of the **Doradilla Project** by spending a further \$1,300,000 on exploring the project within 4 years ("Earn In") or;
- withdraw from the agreement.

Upon successful Earn In, Goldminco will retain a 30% joint venture interest in the **Doradilla Project**.

## SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There were no significant after balance date events.

## 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 Company 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 Company has formal procedures in place to ensure regulations are adhered to. During the financial year there has been no significant breach of these regulations.

## SHARE OPTIONS

### (i) Unissued shares under option

As at the date of this report, there were 4,500,000 un-issued ordinary shares under options. All options are exercisable at \$0.25 per share at any time on or before 4 May 2012. All options have vested, with performance hurdles being met during the period.

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.

## REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for directors and executives of YTC Resources Limited.

### Details of Key Management Personnel

	Position	Appointed	Resigned
(i) Directors			
Mr. Jianming Xiao	Non-Executive Chairman	27-Mar-07	-
Mr. Anthony Wehby	Non-Executive Vice-Chairman	14-Sep-06	-
Mr. Stephen Woodham	Non-Executive Director	24-Mar-04	-
Mr. Robin Chambers	Non-Executive Director	27-Mar-07	-
Mr. Wenxiang Gao	Non-Executive Director	27-Mar-07	-
Mr. Richard Hill	Non-Executive Director	28-Apr-06	-
Mr. Rimas Kairaitis	Executive Director	24-Mar-04	27-Mar-07
Mr. Ian Cooper	Non-Executive Director	18-May-05	13-September-06
(ii) Executives			
Mr. Rimas Kairaitis	Chief Executive Officer	1-Apr-07	-
Mr. Matthew Sikirich	Company Secretary	13-Sep-06	-

### Remuneration Policy

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. The Company considers its financial or operational performance in determining the nature and amount of the emoluments. The expected outcome of this remuneration structure is:

- Retention and motivation of Directors and Executives
- Performance rewards to allow Directors and Executives to share the rewards of the success of the Company

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 Company and number of directors, the board has elected not to create a separate Remuneration Committee but has instead decided to undertake the function of the Committee as a full Board under the guidance of the formal charter.

Details of the nature and amount of each element of the emolument of each Director and Executive of the Company for the financial year are as follows:

	Consolidated 2007 \$	Company 2007 \$	Consolidated and Company 2006 \$
Short-term employee benefits	332,721	332,721	-
Post-employment benefits	4,425	4,425	-
Other long-term benefits	-	-	-
Termination benefits	-	-	-
Share based payments	628,758	628,758	-

	Short term				Post employment	Share based payment		
2007	Base Salary	Directors Fees	Consulting Fees	Annual Leave	Superannuation	Options	Total	Performance Related <sup>1</sup>
	\$	\$	\$	\$	\$		\$	%
DIRECTORS								
Mr. Jianming Xiao	-	4,473	-	-	-	69,862	74,335	94%
Mr. Anthony Wehby	-	4,473	15,000	-	403	69,862	89,738	78%
Mr. Stephen Woodham	-	4,473	40,840	-	403	69,862	115,578	60%
Mr. Robin Chambers	-	4,473	-	-	403	69,862	74,738	93%
Mr. Wenxiang Gao	-	4,473	-	-	-	69,862	74,335	94%
Mr. Richard Hill	-	4,473	86,060	-	403	69,862	160,798	43%
EXECUTIVES								
Mr. Rimas Kairaitis	31,250	-	39,600	2,404	2,813	139,724	215,791	65%
Mr. Matthew Sikirich	-	-	90,729	-	-	69,862	160,591	44%
	31,250	26,838	272,229	2,404	4,425	628,758	965,904	65%

<sup>1</sup> All of the options are considered performance based as the better the performance of the share price the greater the value of the options to the holder.

There were no other executive officers of the Company during the financial year. Consulting fees are quoted excluding GST.



## REMUNERATION REPORT (AUDITED) (CONTINUED)

### Compensation Options : Granted and Vested during the year (Consolidated)

30 June 2007	Granted	Terms & Conditions for each Grant						Vested	
	No	Grant Date	Fair Value per Option at Grant Date	Exercise Price per Option	Expiry Date	First Exercise Date**	Last Exercise Date	No	%
			\$	\$					
DIRECTORS									
Mr. Jianming Xiao	500,000	4-May-07	0.14	0.25	4-May-12	4-May-07	4-May-12	500,000	100%
Mr. Anthony Wehby	500,000	4-May-07	0.14	0.25	4-May-12	4-May-07	4-May-12	500,000	100%
Mr. Stephen Woodham	500,000	4-May-07	0.14	0.25	4-May-12	4-May-07	4-May-12	500,000	100%
Mr. Robin Chambers	500,000	4-May-07	0.14	0.25	4-May-12	4-May-07	4-May-12	500,000	100%
Mr. Wenxiang Gao	500,000	4-May-07	0.14	0.25	4-May-12	4-May-07	4-May-12	500,000	100%
Mr. Richard Hill	500,000	4-May-07	0.14	0.25	4-May-12	4-May-07	4-May-12	500,000	100%
EXECUTIVES									
Mr. Rimantas Kairaitis	1,000,000	4-May-07	0.14	0.25	4-May-12	4-May-07	4-May-12	1,000,000	100%
Mr. Matthew Sikirich	500,000	4-May-07	0.14	0.25	4-May-12	4-May-07	4-May-12	500,000	100%
	4,500,000							4,500,000	

\*\* subject to restrictions imposed by ASX.

Other than as disclosed above, there were no options or other share based payments granted as part of remuneration for the year ended 30 June 2007 or the year ended 30 June 2006.

There was no remuneration paid for the year ended 30 June 2006.

There were no other key management personnel that required disclosure. At 30 June 2007 the Company had two contract geologists.

There are 4,500,000 options on issue each with an exercise price of \$0.25 and an expiry 5 years from their issue on 4 May 2007. Half of the options vest if the value weighted average share price exceeds \$0.50 for 5 consecutive days. This requirement has been met. The options have been valued using the Black-Scholes option pricing model under the following assumptions.

Share price	25 cents
Volatility	70%
Risk free interest rate	6.15%
Expected life of Options	3.75 years

### Executive Directors and Executives

Directors' and Executives remuneration is outlined in consulting services agreements between the Company and the Directors' related entities. A summary of the key terms of the agreements are outlined below:

The Chief Executive Officer, Mr Rimantas Kairaitis, is employed under a consulting services agreement, which commenced on 1 April 2007 for a period of twelve months unless extended by both parties. 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 fees (based on the agreed consulting fee) or without notice in case of serious misconduct, at which time Mr Kairaitis would be entitled to that portion of consulting fees services arising up to the date of termination.

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.

### Non-Executive Directors

The Directors, Mr Xiao, Mr Gao, Mr Wehby, Mr Hill, Mr Woodham and Mr Chambers are paid a director's fee of \$30,000 p.a plus superannuation on a quarterly basis.

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 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.

### 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. There were no shares granted during the reporting period as compensation. All shares are quoted in post reconstruction terms. The reconstruction was on the basis of 9 shares for 1 share and was approved on 15 December 2006.

2007	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						
Mr. Jianming Xiao (a)	-	-	-	-	-	-
Mr. Anthony Wehby	-	-	-	170,000	-	170,000
Mr. Stephen Woodham	3,801,654	-	-	-	19,150	3,820,804
Mr. Robin Chambers	-	-	-	150,003	-	150,003
Mr. Wenxiang Gao (a)	-	-	-	-	-	-
Mr. Richard Hill	897,984	-	-	120,000	40,000	1,057,984
EXECUTIVES						
Mr. Rimas Kairaitis	3,167,244	-	-	40,000	13,800	3,221,044
Mr. Matthew Sikirich	-	-	-	279,997	-	279,997
	7,866,882	-	-	760,000	72,950	8,699,832

(a) Mr Xiao and Mr Gao held 100,000 shares in joint ownership at 30 June 2007 and are directors of Yunnan Tin Company Group Ltd which controls 13,515,975 shares. Mr Xiao and Mr Gao have subsequently transferred part of their holding to employees of Yunnan Tin Company Group Ltd and hold 20,000 and 10,000 shares respectively.

(b) Acquired by the issue of shares by the Company.

(c) Acquired by on-market purchases.

There were no other key management personnel to disclose for the year ended 30 June 2007.

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### Shareholdings and option holdings of Directors, Executives and Key Management Personnel (Continued)

#### (i) Share holdings

2006	Balance at the start of the year	Granted during the year as compensation	On exercise of share options	Other changes during the year	Balance at the end of the year
Mr. Rimas Kairaitis	4,500,000	-	-	(1,332,756)	3,167,244
Mr. Stephen Woodham	4,500,000	-	-	(1,256,085)	3,243,915
Mr. Richard Hill	-	-	-	785,979	785,979
Mr. Ian Cooper	900,000	-	-	106,668	1,006,668
	9,900,000	-	-	(1,696,194)	8,203,806

There were no other key management personnel to disclose for the year ended 30 June 2006.

#### (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.

2007	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					
Mr. Jianming Xiao	-	500,000	-	-	500,000
Mr. Anthony Wehby	-	500,000	-	-	500,000
Mr. Stephen Woodham	-	500,000	-	-	500,000
Mr. Robin Chambers	-	500,000	-	-	500,000
Mr. Wenxiang Gao	-	500,000	-	-	500,000
Mr. Richard Hill	-	500,000	-	-	500,000
EXECUTIVE	-	-	-	-	-
Mr. Rimas Kairaitis	-	1,000,000	-	-	1,000,000
Mr. Matthew Sikirich	-	500,000	-	-	500,000
	-	4,500,000	-	-	4,500,000

There were no other key management personnel to disclose for the year ended 30 June 2007.

#### 2006

There were no options issued during the year ended 30 June 2006 or on issue at that date.

#### Other transactions with key management personnel

- Mr Stephen Woodham is the owner of the premises leased by the Company at 2 Corporation Place, Orange NSW. The lease is for 3 years with an option to extend by a further 3 years. The gross rent per annum is \$57,750 (incl GST).
- Mr Woodham, Mr Wehby, Mr Hill and Mr Sikirich have been paid or are payable consulting fees as disclosed in the Remuneration Report. These consulting fees related to work on the IPO of the Company as well as executive management in areas such as corporate, legal, land management and company secretarial.
- The following loans by current and former Directors to the Company were repaid during the year; Mr Woodham \$24,915, Mr Kairaitis \$41,598 and Mr Cooper \$8,500.

## 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 were as follows:

Name	Number of Meetings Eligible to Attend	Number of Meetings Attended
Mr. Jianming Xiao	1	1
Mr. Anthony Wehby	6	6
Mr. Stephen Woodham	6	6
Mr. Robin Chambers	1	1
Mr. Wenxiang Gao	1	1
Mr. Richard Hill	6	6

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.

## EMPLOYEES

The Company had 3 employees 30 June 2007 (2006: None).

## 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 consolidated entity and related joint venture companies. The total amount of insurance premiums paid has not been disclosed due to confidentiality reasons.

## 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 58 of this report.

Ernst & Young prepared the Independent Accountant's Report, which was included in the Company's IPO prospectus dated 2 April 2007.

### AUDITOR'S REMUNERATION

During the year the following fees were paid or are payable for services provided by the auditor of the Company.

	2007	2006
	\$	\$
Independent Accountant's Report - IPO Prospectus	15,450	-
Audit or review of financial reports of the entity	20,000	-
Total remuneration	35,450	-

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



Mr Jianming Xiao  
Non-Executive Chairman  
7 September 2007

## CORPORATE GOVERNANCE STATEMENT

The Board of Directors of YTC Resources Limited (YTC Resources) 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 based on the Australian Stock Exchange Corporate Governance Council's (the Council's) "Principles of Good Corporate Governance and Best Practice Recommendations" (the Recommendations). In accordance with the Council's recommendations, the Corporate Governance Statement must now contain certain specific information and must disclose the extent to which the Company has followed the guidelines during the period. Where a recommendation has not been followed, that fact must be disclosed, together with the reasons for the departure. For further information on corporate governance policies adopted by the Company, refer to our website: [www.ytcresources.com](http://www.ytcresources.com)

### Structure of the Board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report are included in the Directors' Report. Directors of the Company are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with - or could reasonably be perceived to materially interfere with - the exercise of their unfettered and independent judgement.

The Board has accepted the following definition of an Independent Director as set out in the ASX's Principle of Good Governance:

"An Independent Director is a director who is not a member of management, is a non-executive director and who:

- is not a substantial shareholder (under the meaning of Corporations Act 2001) of the Company or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of the Company;
- has not within the last three years been employed in an executive capacity by the Company or another group member, or been a director after ceasing to hold any such employment;
- is not a principal of a professional adviser to the Company or another group member;
- is not a significant consultant, supplier or customer of the Company or another group member, or an officer of or otherwise associated, directly or indirectly, with a significant consultant, supplier or customer;
- has no significant contractual relationship with the Company or another group member other than as a director of the Company;
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company."

In accordance with the definition of independence above, Mr Anthony Wehby is considered the only Independent Director. Accordingly, a majority of the Board is not considered independent.

There are procedures in place, as agreed by the board, to enable Directors to seek independent professional advice on issues arising in the course of their duties at the Company's expense.

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

Name	Term in office
Mr. Jianming Xiao	3 months
Mr. Anthony Wehby	10 months
Mr. Stephen Woodham	39 months
Mr. Robin Chambers	3 months
Mr. Wenxiang Gao	3 months
Mr. Richard Hill	14 months

### Nomination Committee

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

### Audit and Risk Management Committee

The Board has formally adopted an Audit and Risk Management Committee Charter but given the present size of the Company, has not formed a separate Committee. Instead the function of the Committee will be 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 Company 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.

### Performance

The Board of YTC Resources conducts its performance review of itself on an ongoing basis throughout the year. The small size of the Company 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 Company.

### Remuneration

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 to the Company's financial and operational performance. The expected outcome of this remuneration structure is:

- Retention and motivation of Directors and Executives
- Performance rewards to allow Directors and Executives to share the rewards of the success of the Company

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

The Board is responsible for determining and reviewing compensation arrangements for themselves and the Managing Director. The Board has formally adopted a Remuneration Committee Charter however given the present size of the Company, has not formed a separate Committee. Instead the function will be undertaken by the full Board in accordance with the policies and procedures outlined in the Remuneration Committee Charter. At such time when the Company is of sufficient size a separate Remuneration Committee will be formed.

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 10 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 Company given the desire to grow.
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.
4.2/4.3	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.
8.1	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 Company 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 Company.
9.2	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.



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**INCOME STATEMENT - FOR THE YEAR ENDED 30 JUNE 2007**

	Notes	Consolidated 2007 \$	Company 2007 \$	Consolidated and Company 2006 \$
Revenues from continuing operations				
Interest revenue		63,935	63,935	201
Revenue and other income		63,935	63,935	201
Compliance costs		14,280	14,280	1,012
Consulting expenditure		58,140	58,140	24,557
Audit fees		15,000	15,000	0
Employee benefits expense		671,474	671,474	575
Office rental and outgoings		9,341	9,341	-
Promotion		18,898	18,898	422
Administration expenditure	3(b)	116,718	116,718	17,051
Travel expenses		74,034	74,034	4,049
Depreciation		3,129	3,129	342
Amortisation		273	273	-
Expenses		981,287	981,287	48,008
(Loss) before income tax		(917,352)	(917,352)	(47,807)
Income tax expense	4	-	-	-
(Loss) from continuing operations	14	(917,352)	(917,352)	(47,807)
(Loss) attributable to members of parent		(917,352)	(917,352)	(47,807)
Basic (loss) per share (cents per share)	18	(4.77)	(4.77)	(0.46)
Diluted (loss) per share (cents per share)	18	(4.77)	(4.77)	(0.46)

**BALANCE SHEET - AS AT 30 JUNE 2007**

	Notes	Consolidated 2007 \$	Company 2007 \$	Consolidated and Company 2006 \$
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	15(b)	5,285,607	5,285,607	21,057
Trade and other receivables	5	38,218	38,218	12,732
Total current assets		5,323,825	5,323,825	33,789
Non current assets				
Other financial assets	6	-	2	-
Other receivables	7	-	844,208	-
Property, plant and equipment	8	211,120	211,120	876
Deferred exploration and evaluation expenditure	9	844,210	-	527,013
Total non current assets		1,055,330	1,055,330	527,889
Total assets		6,379,155	6,379,155	561,678
<b>LIABILITIES</b>				
Current liabilities				
Trade and other payables	10	331,858	331,858	209,653
Provisions	11	5,166	5,166	-
Total current liabilities		337,024	337,024	209,653
Total liabilities		337,024	337,024	209,653
Net assets		6,042,131	6,042,131	352,025
<b>Equity</b>				
Contributed equity	12	6,390,477	6,390,477	411,777
Reserves	13	628,758	628,758	-
Accumulated losses	14	(977,104)	(977,104)	(59,752)
Total equity		6,042,131	6,042,131	352,025

**STATEMENT OF CHANGES IN EQUITY - FOR THE YEAR ENDED 30 JUNE 2007**

	Notes	Consolidated 2007 \$	Company 2007 \$	Consolidated and Company 2006 \$
Total equity at the beginning of the financial year		352,025	352,025	28,057
Loss for the year	14	(917,352)	(917,352)	(47,807)
Total income and expense for the year		(917,352)	(917,352)	(47,807)
Issue of shares during the year		6,323,160	6,323,160	371,775
Issue of options during the year to option reserve		628,758	628,758	-
Share issue costs	12(b)	(344,460)	(344,460)	-
Total equity at the end of the financial year		6,042,131	6,042,131	352,025

**CASH FLOW STATEMENT - FOR THE YEAR ENDED 30 JUNE 2007**

	Notes	Consolidated 2007 \$	Company 2007 \$	Consolidated and Company 2006 \$
Cash flows from operating activities				
Payments to suppliers and employees		(236,781)	(236,781)	(27,405)
Interest received		63,935	63,935	201
Net cash flows used in operating activities	15(a)	(172,846)	(172,846)	(27,204)
Cash flows from investing activities				
Purchase of property, plant and equipment		(141,461)	(141,461)	-
Exploration expenditure		(335,938)	-	(89,274)
Loan to subsidiaries for exploration		-	(335,938)	-
Net cash flows used in investing activities		(477,399)	(477,399)	(89,274)
Cash flows from financing activities				
Transaction costs of issue of shares		(339,352)	(339,352)	-
Borrowing (repaid)/drawn down		(69,013)	(69,013)	47,500
Proceeds from issue of shares		6,323,160	6,323,160	71,775
Net cash flows from financing activities		5,914,795	5,914,795	119,275
Net increase in cash and cash equivalents		5,264,550	5,264,550	2,798
Cash and cash equivalents at beginning of the year		21,057	21,057	18,259
Cash and cash equivalents at end of the year	15(b)	5,285,607	5,285,607	21,057

## NOTES TO THE FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

The financial report of YTC Resources Limited for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the directors on 24 August 2007. The resolution allowed for minor changes prior to the public release of the financial report.

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 two 100% owned subsidiaries, Stannum Pty Ltd (incorporated 15 September 2006) and Defiance Resources Limited (incorporated 15 May 2006) which hold the Tin and Copper-Gold assets respectively.

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

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### (a) Basis of Accounting

The financial report is a general-purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on a historical cost basis and is presented in Australian dollars.

The following table sets out AASB changes during the period.

AASB Amendment	Affected Standard (s)	Nature of change to accounting policy	Application date of standard	Application date for Group
2005-10	AASB 132 <i>Financial Instruments: Disclosure and Presentation</i> , AASB 101 <i>Presentation of Financial Statements</i> , AASB 114 <i>Segment Reporting</i> , AASB 117 <i>Leases</i> , AASB 133 <i>Earnings per Share</i> , AASB 139 <i>Financial Instruments: Recognition and Measurement</i> , AASB 1 <i>First-time adoption of AIFRS</i> , AASB 4 <i>Insurance Contracts</i> , AASB 1023 <i>General insurance Contracts</i> and AASB 1038 <i>Life Insurance Contracts</i>	No change to accounting policy required. Therefore no impact.	1 January 2007	1 July 2007
2007-1	AASB Interpretation 11 (AASB 2 <i>Share-based Payment</i> )	No change to accounting policy required. Therefore no impact.	1 March 2007	1 July 2007

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of Accounting (continued)

AASB Amendment	Affected Standard (s)	Nature of change to accounting policy	Application date of standard	Application date for Group
2007-3	AASB 8 <i>Operating Segments</i>	AASB 8 is a disclosure standard so will have no impact on the amounts included in the Group's financial statements. However the new standard may have an impact on the segment disclosures included in the Group's financial report.	1 January 2009	1 July 2009
2007-4	ED 151 and other amendments	No change to accounting policy required. Therefore no impact.	1 July 2007	1 July 2007
2007-6	AASB 123 <i>Borrowing Costs</i>	No change to accounting policy required. Therefore no impact.	1 January 2009	1 July 2009
2007-7	Amendments to AASB 1 <i>First-time adoption of AIFRS</i> , AASB 2 <i>Share-based Payment</i> , AASB 4 <i>Insurance Contracts</i> , AASB 5 <i>Non-Current Assets Held for Sale and Discontinued Operations</i> , AASB 107 <i>Cash Flow Statements</i> , AASB 128 <i>Investments in Associates</i>	No change to accounting policy required. Therefore no impact.	1 July 2007	1 July 2007
New Standard	AASB 7 <i>Financial Instruments: Disclosures</i>	No change to accounting policy required. Therefore no impact.	1 January 2007	1 July 2007
	AASB 8 <i>Operating Segments</i>	AASB 8 is a disclosure standard so will have no impact on the amounts included in the Group's financial statements. However the new standard may have an impact on the segment disclosures included in the Group's financial report.	1 January 2009	1 July 2009

(a) Basis of Accounting (continued)

AASB Amendment	Affected Standard (s)	Nature of change to accounting policy	Application date of standard	Application date for Group
	AASB 101 (revised October 2006) <i>Presentation of Financial Statements</i>	AASB 101 is a disclosure standard so will have no impact on the amounts included in the Group's financial statements. However the new standard may have an impact on the segment disclosures included in the Group's financial report.	1 January 2007	1 July 2007
	AASB 123 (revised June 2007) <i>Borrowing Costs</i>	No change to accounting policy required. Therefore no impact.	1 January 2009	1 July 2009
Interpretations	AASB Interpretation 10	The prohibition on reversing impairment in AASB 136 and AASB 139 to take precedence over the more general statement in AASB 134 that interim reporting is not expected to have any impact on the Group's financial report	1 November 2006	1 July 2007
	AASB Interpretation 11	No change to accounting policy required. Therefore no impact.	1 March 2007	1 July 2007

The following amendments and new Standards are not applicable to the Group and therefore have no impact:

2007-2	AASB Interpretation 12 (AASB 1 <i>First-time adoption of AIFRS</i> , AASB 117 <i>Leases</i> , AASB 118 <i>Revenue</i> , AASB 120 <i>Accounting for Government Grants and Disclosure of Government Assistance</i> , AASB 121 <i>The Effects of Changes in Foreign Exchange Rates</i> , AASB 127 <i>Consolidated and Separate Financial Statements</i> , AASB 131 <i>Interests in Joint Ventures</i> , AASB 139 <i>Financial Instruments Recognition and Measurement</i> .
	AASB Interpretation 129 (revised June 2007).
Interpretations	IFRIC Interpretation 13 - <i>Customer Loyalty Programmes</i> .
	IFRIC Interpretation 14 - <i>IAS 19 - The Asset Ceiling: Availability of Economic Benefits and Minimum Funding Requirements</i> .

#### (e) Property, 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.

#### (f) Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group 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.

#### (g) 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.

If facts and circumstances suggest that the carrying amount of any recognised exploration and evaluation assets may be impaired, the consolidated 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.

#### (h) Trade and other payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group 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.

#### (i) Loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards 'IFRS'.

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ended 30 June 2007.

### (c) Principles of consolidation

The consolidated financial information is that of the consolidated entity, comprising YTC Resources Limited and all entities that YTC Resources Limited controlled from time to time during the period and at the reporting date.

Information for subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control.

Subsidiary acquisitions are accounted for using the purchase method of accounting.

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

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

YTC Resources Limited has two 100% owned subsidiaries, Stannum Pty Ltd (incorporated 15 September 2006) and Defiance Resources Limited (incorporated 15 May 2006), which hold the Tin and Copper-Gold assets respectively. The financial statements show as the company and consolidated results at 30 June 2006 as they were materially the same.

### (d) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in 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.

### (e) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Plant and equipment - over 1 to 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (j) Provisions

Provisions are recognised when the consolidated entity 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 consolidated entity 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.

### (k) 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 Group 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.

### (l) Share-based payment transactions

The consolidated entity provides benefits to employees (including directors) of the consolidated entity 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.

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 Resources Limited ('market conditions').

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

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the consolidated entity, 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.

**(m) Income tax**

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.

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.

**(n) 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (o) Significant accounting judgements, estimates and assumptions

In applying the Group's accounting policies management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgement, estimates and assumptions made in the preparation of these financial statements are outlined below.

#### (i) Significant accounting judgements

##### *Impairment of non-financial assets*

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include the results of exploration drilling and changes in metal prices. If an impairment trigger exists the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions.

##### *Share-based payment instructions*

The Group 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 using the Black-Scholes option pricing model, with the assumptions detailed in the remuneration note. 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.

### (p) Provisions and employee leave benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is possible 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.

When the Group expects all or some of a provision to be reimbursed, for example under an insurance contract, 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.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

#### (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.

##### *Long service leave*

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

### (q) Contributed equity

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

#### *Loans from related parties*

Loans from related parties that are not subject to contract, are non-interest bearing, and have no specified repayment date are classified as contributed equity. The loans do not represent shares and do not have a right to dividend distributions.

## 3. REVENUE AND EXPENSES

	Consolidated 2007 \$	Company 2007 \$	Consolidated and Company 2006 \$
Revenue from continuing operations			
(a) Other income			
Interest	63,935	63,935	201
	63,935	63,935	201

### Expenses from continuing operations

Loss before income tax includes the following specific expenses:

#### (b) Administration expenditure

Accounting fees	24,892	24,892	4,225
Legal Fees	1,291	1,291	11,003
Bank fees	559	559	178
Computer expenses	15,631	15,631	-
Courier	109	109	-
Directors fees	26,836	26,836	-
Insurance	25,746	25,746	-
Printing and stationery	4,651	4,651	1,185
Postage	509	509	-
Subscriptions	1,805	1,805	-
Telephone	11,262	11,262	-
Other	3,427	3,427	460
Total administration expenditure	116,718	116,718	17,051

Employee benefits expense and directors fees include superannuation expense of

4,386	4,386	-
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#### 4. INCOME TAX

	Consolidated	Company	Consolidated and Company
	2007	2007	2006
	\$	\$	\$
The major components of income tax expense			
Income Statement			
Current income Tax			
Current income tax charge	-	-	-
Adjustments in respect to current income tax of previous years	-	-	-
Deferred income tax			
Relating to origination and reversal of temporary differences	-	-	-
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	Company	Consolidated and Company
	2007	2007	2006
	\$	\$	\$
Accounting loss before income tax	(917,352)	(917,352)	(47,807)
At the Company's statutory income tax rate	(275,206)	(275,206)	(14,342)
Share based payments	188,627	188,627	-
Income tax benefit not brought to account	86,579	86,579	14,342
Income tax reported in the income statement	-	-	-

#### 4. INCOME TAX (CONTINUED)

	Consolidated			
	Balance Sheet		Income Statement	
	2007	2006	2007	2006
	\$	\$	\$	\$
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
Deferred tax liabilities				
Deferred Exploration and evaluation expenditure	(229,263)	(146,104)	(83,159)	(142,815)
Property, Plant & Equipment	-	-	-	-
Deferred Tax Assets				
Provisions	1,550	-	1,550	-
Cost of capital raising	82,670	-	82,670	-
Carried forward losses	145,043	146,104	(1,061)	142,815
	-	-	-	-
Deferred tax income/(expense)			-	-

The Group has carried forward tax losses as at 30 June 2007 totaling \$1,176,282

	Company			
	Balance Sheet		Income Statement	
	2007	2006	2007	2006
	\$	\$	\$	\$
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
Deferred tax liabilities				
Deferred Exploration and evaluation expenditure	-	(146,104)	-	(142,815)
Property, Plant & Equipment	-	-	-	-
Deferred Tax Assets				
Provisions	1,550	-	1,550	-
Cost of capital raising	82,670	-	82,670	-
Carried forward losses recognised/(unable to be recognised)	(84,220)	146,104	(84,220)	142,815
	-	-	-	-
Deferred tax income/(expense)			-	-

The Company has carried forward tax losses as at 30 June 2007 totalling \$412,072

## 5. TRADE AND OTHER RECEIVABLES - CURRENT

	Consolidated	Company	Consolidated and Company
	2007	2007	2006
	\$	\$	\$
Trade receivables	1,368	1,368	-
GST receivable	36,850	36,850	2,492
Prepayments	-	-	10,240
	<u>38,218</u>	<u>38,218</u>	<u>12,732</u>

Trade debtors, prepayments and goods and services tax are non-interest bearing and generally receivable on 30 day terms.

## 6. OTHER FINANCIAL ASSETS - NON CURRENT

	Company	Consolidated and Company
	2007	2006
	\$	\$
Investment in controlled entities	<u>2</u>	<u>1</u>

The consolidated financial statements incorporate the assets, liabilities and results of Stannum Pty Ltd and Defiance Resources Limited in accordance with the accounting policy described in note 2 (c).

	Ownership	Country of Residence /Incorporation	Incorporated
Defiance Resources Limited	100%	Australia	15 May 2006
Stannum Pty Ltd	100%	Australia	15 Sept 2006

## 7. RECEIVABLES - NON CURRENT

	Company	Consolidated and Company
	2007	2006
	\$	\$
Amount owing by controlled entities:		
Stannum Pty Ltd	260,915	-
Defiance Resources Ltd	583,293	-
	<u>844,208</u>	<u>-</u>

Refer to note 20 for further details of inter-company loan movements.

## 8. PROPERTY, PLANT AND EQUIPMENT

	Consolidated	Company	Consolidated and Company
	2007	2007	2006
	\$	\$	\$
Property, plant and equipment at cost	214,890	214,890	1,244
Accumulated depreciation and amortisation	(3,770)	(3,770)	(368)
Total property, plant and equipment	211,120	211,120	876
Motor Vehicles			
At 1 July, net of accumulated depreciation and impairment	-	-	-
Additions	97,432	97,432	-
Depreciation expense	(1,743)	(1,743)	-
At 30 June, net of accumulated depreciation and impairment	95,689	95,689	-
Plant & Equipment			
At 1 July, net of accumulated depreciation and impairment	876	876	1,218
Additions	52,138	52,138	-
Depreciation expense	(1,385)	(1,385)	(342)
At 30 June, net of accumulated depreciation and impairment	51,629	51,629	876
Leasehold improvements			
At 1 July, net of accumulated amortisation and impairment	-	-	-
Additions	64,075	64,075	-
Amortisation expense	(273)	(273)	-
At 30 June, net of accumulated amortisation and impairment	63,802	63,802	-

## 9. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

Exploration and evaluation			
At cost	844,210	-	527,013
Accumulated impairment	-	-	-
Total exploration and evaluation	844,210	-	527,013
Year ended 30 June 2007			
At 1 July	527,013	527,013	29,745
Exploration expenditure during the year	317,197	18,682	497,268
Transferred to subsidiaries	-	(545,695)	-
At 30 June	844,210	-	527,013

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.

## 10. TRADE AND OTHER PAYABLES

	Consolidated	Company	Consolidated and Company
	2007	2007	2006
	\$	\$	\$
Trade payables	331,858	331,858	140,640
Loans from current and former Directors	-	-	69,013
	<u>331,858</u>	<u>331,858</u>	<u>209,653</u>

Refer to Note 20 Related Party Disclosures for further information on loans from Directors. Trade creditors, other creditors and goods and services tax are non-interest bearing and generally payable on 30 day terms.

## 11. PROVISIONS

	Consolidated	Company	Consolidated and Company
	2007	2007	2006
	\$	\$	\$
Annual Leave	5,166	5,166	-

## 12. CONTRIBUTED EQUITY

### (a) Issued and paid up capital

Ordinary shares fully paid	<u>6,390,477</u>	<u>6,390,477</u>	<u>411,777</u>
----------------------------	------------------	------------------	----------------

	Number of shares	\$
(b) Movements in ordinary shares on issue		
Balance at beginning of year	1,401,775	411,777
Issue of shares at \$1.50 per share on 20/10/06	100,000	150,000
Additional Shares issued as a result of a 9 for 1 share split	12,014,200	-
Issue of shares at 19.78 cents per share to Yunnan Tin Company Limited for working capital requirements - 27/3/07	13,515,975	2,673,160
Issue of shares at 25 cents per share pursuant to the Prospectus - 8/5/07	14,000,000	3,500,000
Transaction costs on share issue	-	(344,460)
	<u>41,031,950</u>	<u>6,390,477</u>

### (c) Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of a winding up of the Company, 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.

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the Company does not have authorised capital nor par value in respect of its issued shares.

### 13. RESERVES

	Consolidated	Company	Consolidated and Company
	2007	2007	2006
	\$	\$	\$
Option reserve	628,758	628,758	-
	628,758	628,758	-
<b>Movements</b>			
Options reserve			
Carrying amount at beginning of financial year	-	-	-
Options issued at \$0.25 on 4 May 2007	628,758	628,758	-
Carrying amount at the end of the financial year	628,758	628,758	-

This reserve is used to record the options issued to Directors and Executives on 4 May 2007 (refer to note 23).

The assumptions used in calculating the value of the options on issue are as follows:

Share Price	25 cents
Volatility	70%
Risk free interest rate	6.15%
Expected life of options	3.75 years

### 14. ACCUMULATED LOSSES

	Consolidated	Company	Consolidated and Company
	2007	2007	2006
	\$	\$	\$
Movements in accumulated losses were as follows:			
Balance at beginning of year	(59,752)	(59,752)	(11,945)
Net loss attributable to members of YTC Resources Limited	(917,352)	(917,352)	(47,807)
Balance at end of year	(977,104)	(977,104)	(59,752)

## 15. CASH FLOW STATEMENT

	Consolidated	Company	Consolidated and Company
	2007	2007	2006
	\$	\$	\$
<b>(a) Reconciliation of the net (loss) after tax to the net cash flows used in operating activities</b>			
Net loss after tax	(917,352)	(917,352)	(47,807)
Adjustments for:			
Issue of options	628,758	628,758	-
Depreciation	3,129	3,129	342
Amortisation	273	273	-
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	(21,644)	(21,644)	-
Increase/(Decrease) in trade and other creditors	133,990	133,990	20,261
Net cash flow used in operating activities	(172,846)	(172,846)	(27,204)
<b>(b) Reconciliation of cash</b>			
Cash balance comprises:			
Cash at bank	5,285,605	5,285,605	21,055
Petty cash	2	2	2
	5,285,607	5,285,607	21,057

## 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. The Group is also committed to completing the first stage of spending on the Doradilla project (\$200k).

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

	Consolidated	Company	Consolidated and Company
	2007	2007	2006
	\$	\$	\$
Within one year	738,000	-	373,000
After one year but not longer than 5 years	447,000	-	373,000
	<u>1,185,250</u>	<u>-</u>	<u>746,000</u>

### (b) Remuneration commitments

The Company is committed to paying at least three months of the CEO's remuneration in the event that either party decides to terminate the agreement

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

	Consolidated	Company	Consolidated and Company
	2007	2007	2006
	\$	\$	\$
Within one year	<u>31,251</u>	<u>31,251</u>	-

### (c) Lease commitments

The Company has a 3 year lease on its premises.

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

	Consolidated	Company	Consolidated and Company
	2007	2007	2006
	\$	\$	\$
Within one year	57,750	57,750	-
After one year but not longer than 5 years	115,500	115,500	-
	<u>173,250</u>	<u>173,250</u>	<u>-</u>

## 17. SUBSEQUENT EVENTS

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

## 18. LOSS PER SHARE

	Consolidated	Company	Consolidated and Company
	2007	2007	2006
	\$	\$	\$
Loss used in calculating basic and dilutive EPS	(917,352)	(917,352)	(47,807)
Weighted number of ordinary shares outstanding during the period used in the calculation of basic EPS	19,212,462	19,212,462	10,317,784
Weighted number of ordinary shares outstanding during the period used in the calculation of diluted EPS	19,212,462	19,212,462	10,317,784
Basic loss per share (cents per share)	(4.77)	(4.77)	(0.46)
Diluted loss per share (cents per share)	(4.77)	(4.77)	(0.46)

The number of potential ordinary shares, which do not have a dilutive effect are 4,500,000 (2006: Nil).

## 19. AUDITOR'S REMUNERATION

	Consolidated	Company	Consolidated and Company
	2007	2007	2006
	\$	\$	\$
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 entity and any other entity in the Consolidated group	20,000	20,000	-
Preparation of Independent Accountants Report in relation to the IPO prospectus issued by the entity	15,450	15,450	-
	35,450	35,450	-

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 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.

For all payments to Directors and executives please refer to the "Remuneration Report" contained in the "Directors Report". Effective 5 October 2006 the Company transferred at cost its gold and base metals prospective tenements to its 100% owned subsidiary Defiance Resources Ltd and its tin prospective tenements to its 100% owned subsidiary Stannum Pty Ltd. Since that transfer the Company has continued to fund 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	Company
	2007	2006
	\$	\$
Loans to subsidiaries		
Opening balance	(1)	-
Tenement transfer	477,792	-
Additional funding for exploration	366,418	-
Purchase of share in subsidiary on incorporation	(1)	(1)
	844,208	(1)

**20. RELATED PARTY AND INTER-COMPANY DISCLOSURES (CONTINUED)**

During the year the Company repaid loans made by current and former Directors; Mr Woodham \$24,915, Mr Kairaitis \$41,598 and Mr Cooper \$8,500. The loans were non-interest bearing.

	Consolidated	Company	Consolidated and Company
	2007	2007	2006
	\$	\$	\$
Loans from Directors			
Opening balance	69,013	69,013	21,513
Additional loans	6,000	6,000	52,500
Repayments	(75,013)	(75,013)	(5,000)
Closing balance	-	-	69,013

**21. SEGMENT INFORMATION**

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

**22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

Exposure to interest rate and credit risk arises in the normal course of the group's business. Cash deposits are subject to market interest rate movements. Credit risks are minimised by all cash deposits being held with registered banks. The group does not hold or issue derivative financial instruments. There are no formal risk management policies in place against commodity risk, currency risk or any other financial risk as we are not exposed adversely to such risks.

**(a) Interest rate risk**

The entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities both recognised and unrecognised at the balance date are as follows:

Consolidated and Company Financial Instruments	Floating interest rate		Floating interest rate maturing in 1 year or less		Non-interest bearing		Total		Weighted average effective interest rate	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	\$	\$	\$	\$	\$	\$	\$	\$	%	%
(i) Financial assets										
Cash assets	400,105	-	4,845,500	-	40,002	21,057	5,285,607	21,057	5.92%	0%
Trade & other receivables	-	-	-	-	38,218	2,492	38,218	2,492	-	-
Total financial assets	400,105	-	4,845,500	-	78,220	23,549	5,323,825	23,549		
(ii) Financial liabilities										
Trade and other payables	-	-	-	-	331,858	209,653	331,858	209,653	-	-
Total financial liabilities	-	-	-	-	331,858	209,653	331,858	209,653		

**(b) Fair values**

All 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.

## 22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Credit risk exposures

The entity's maximum exposures to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the balance sheet. The group trades only with recognised, credit worthy third parties.

## 23. SHARE BASED PAYMENT ARRANGEMENTS

There are 4,500,000 options on issue each with an exercise price of \$0.25 and an expiry 5 years from there issue on 4 May 2007. Half of the options vest if the value weighted average share price exceeds \$0.50 for 5 consecutive days. This requirement has been met. The options have been valued using the Black-Scholes option pricing model under the following assumptions.

Share price	25 cents
Volatility	70%
Risk free interest rate	6.15%
Expected life of Options	3.75 years

### *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 Resources and its subsidiaries. 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 executive officers and employees of YTC Resources and its subsidiaries. No options have been issued under this plan to the date of this report.

## 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 2007.

The balance of our franking account is Nil (2006: Nil).

## 26. KEY MANAGEMENT PERSONNEL

	Consolidated	Company	Consolidated and Company
	2007	2007	2006
	\$	\$	\$
Short-term employee benefits	332,721	332,721	-
Post-employment benefits	4,425	4,425	-
Other long-term benefits	-	-	-
Termination benefits	-	-	-
Share based payments	628,758	628,758	-

YTC Resources Ltd has applied the option under *Corporations Amendments Regulation 2006* to transfer key management personnel remuneration disclosures required by AASB 124 *Related Party Disclosures* paragraphs AUS 25.4 to AUS 25.7.2 to the Remuneration Report section of the Directors' report. These transferred disclosures have been audited.

**26. KEY MANAGEMENT PERSONNEL (CONTINUED)**

## 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. There were no shares granted during the reporting period as compensation. All shares are quoted in post reconstruction terms. The reconstruction was on the basis of 9 shares for 1 share and was approved on 15 December 2006.

2007	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
<b>DIRECTORS</b>						
Mr. Jianming Xiao (a)	-	-	-	-	-	-
Mr. Anthony Wehby	-	-	-	170,000	-	170,000
Mr. Stephen Woodham	3,801,654	-	-	-	19,150	3,820,804
Mr. Robin Chambers	-	-	-	150,003	-	150,003
Mr. Wenxiang Gao (a)	-	-	-	-	-	-
Mr. Richard Hill	897,984	-	-	120,000	40,000	1,057,984
<b>EXECUTIVES</b>						
Mr. Rimantas Kairaitis	3,167,244	-	-	40,000	13,800	3,221,044
Mr. Matthew Sikirich	-	-	-	279,997	-	279,997
	7,866,882	-	-	760,000	72,950	8,699,832

(a) Mr Xiao and Mr Gao held 100,000 shares in joint ownership at 30 June 2007 and are directors of Yunnan Tin Company Group Ltd which controls 13,515,975 shares. Mr Xiao and Mr Gao have subsequently transferred part of their holding to employees of Yunnan Tin Company Group Ltd and hold 20,000 and 10,000 shares respectively.

(b) Acquired by the issue of shares by the Company.

(c) Acquired by on-market purchases.

There were no other key management personnel to disclose for the year ended 30 June 2007.

2006	Balance at the start of the year	Granted during the year as compensation	On exercise of share options	Other changes during the year	Balance at the end of the year
Mr. Rimantas Kairaitis	4,500,000	-	-	(1,332,756)	3,167,244
Mr. Stephen Woodham	4,500,000	-	-	(698,346)	3,801,654
Mr. Richard Hill	-	-	-	897,984	897,984
Mr. Ian Cooper	900,000	-	-	106,668	1,006,668
	9,900,000	-	-	(1,696,194)	8,203,806

There were no other key management personnel to disclose for the year ended 30 June 2006.

## 26. KEY MANAGEMENT PERSONNEL (CONTINUED)

### Shareholdings and option holdings of Directors, Executives and Key Management Personnel (continued)

#### (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.

2007	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					
Mr. Jianming Xiao	-	500,000	-	-	500,000
Mr. Anthony Wehby	-	500,000	-	-	500,000
Mr. Stephen Woodham	-	500,000	-	-	500,000
Mr. Robin Chambers	-	500,000	-	-	500,000
Mr. Wenxiang Gao	-	500,000	-	-	500,000
Mr. Richard Hill	-	500,000	-	-	500,000
EXECUTIVE	-	-	-	-	-
Mr. Rimas Kairaitis	-	1,000,000	-	-	1,000,000
Mr. Matthew Sikirich	-	500,000	-	-	500,000
	-	4,500,000	-	-	4,500,000

There were no other key management personnel to disclose for the year ended 30 June 2007.

#### 2006

There were no options issued during the year ended 30 June 2006 or on issue at that date.

## ***DIRECTORS' DECLARATION***

### 1. In the opinion of the directors

(a) the financial statements and notes of the Company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Company and of the Consolidated Entity as at 30 June 2007 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 period ending 30 June 2007.

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

On behalf of the Board



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Jianming Xiao

Chairman

7 September 2007



■ The Ernst & Young Building  
11 Mounts Bay Road  
Perth WA 6000  
Australia

■ Tel 61 8 9429 2222  
Fax 61 8 9429 2436

GPO Box M939  
Perth WA 6843

### 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 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

A handwritten signature in black ink that reads "Ernst &amp; Young".

Ernst & Young

A handwritten signature in black ink that reads "V. Tidy".

V W Tidy  
Partner  
Perth  
6 September 2007



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

We have audited the accompanying financial report of YTC Resources Limited (the company), which comprises the balance sheet as at 30 June 2007, 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.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard 124 *Related Party Disclosures* ("remuneration disclosures"), under the heading "Remuneration Report" on pages 9 to 13 of the directors' report, as permitted by Corporations Regulation 2M.6.04.

#### *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 2(b), the directors also state that the financial report, comprising the consolidated/parent financial statements and notes, complies with International Financial Reporting Standards. The directors are also responsible for the remuneration disclosures contained in the directors' report.

#### *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 and that the remuneration disclosures comply with Accounting Standard AASB 124 *Related Party Disclosures*.

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. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

*Auditor's Opinion*

In our opinion:

1. the financial report of YTC Resources Limited is in accordance with:
  - (a) 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 2007 and of their performance for the year ended on that date;  
and
    - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations); and
  - (b) other mandatory financial reporting requirements in Australia.
2. the financial report complies with International Financial Reporting Standards as disclosed in Note 2(b).
3. the remuneration disclosures that are contained on pages 9 to 13 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures*.

A handwritten signature in black ink, appearing to read "Ernst &amp; Young".

Ernst & Young

A handwritten signature in black ink, appearing to read "V. W. Tidy".

V W Tidy  
Partner  
Perth  
Date: 6 September 2007

## SHAREHOLDER INFORMATION

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report.

This additional information was applicable as at 30 August 2007

### DISTRIBUTION OF SECURITY HOLDERS

Analysis of numbers of listed equity security holders by size of holding:

Category			Number of Shareholders	Number of Shares
1	-	1,000	51	40,153
1,001	-	5,000	159	505,259
5,001	-	10,000	182	1,696,525
10,001	-	100,000	259	8,740,304
100,001		and over	37	30,049,709
			688	41,031,950

There are 2 shareholders holding less than a marketable parcel of ordinary shares.

### STATEMENT OF TOP 20 SHAREHOLDERS

Name of Holder	Number of Shares Held	Percentage of Capital
Yunnan Tin Australia TDK Resources Pty Ltd	13,515,975	32.94
Locksley Holdings Pty Ltd	3,243,915	7.91
Smiff Pty Ltd	3,167,244	7.72
Silverpeak Nominees Pty Ltd	1,017,984	2.48
Humbug Multimedia Pty Ltd	1,007,937	2.46
Mr Ian Cooper	1,006,668	2.45
Mrs Annette Mary Papendieck	834,503	2.03
Mr Stephen and Mrs Elizabeth Woodham	557,739	1.36
Dgali Investments Pty Ltd	550,515	1.34
Broad Street Management Pty Ltd	310,003	0.76
Egg.au Pty Ltd	309,996	0.76
Mr Matthew Glenn Sikirich	279,997	0.68
Mr Brian Mccubbing	250,000	0.61
Sundance Pty Ltd	240,000	0.58
Tethyan Holdings Pty Ltd	240,000	0.58
Batavia Capital Pty Ltd	220,000	0.54
RBC Dexia Investor Services Australia Nominees Pty Limited	214,080	0.52
Mr Robin Scrimgeour	210,000	0.51
Mr Adrian Byass	201,987	0.49
Equity West Ltd	200,000	0.49
Total Top 20	27,578,543	67.21
Other Shareholders	13,453,407	32.79
Total Ordinary Shares on issue	41,031,950	100.00

## STATEMENT OF RESTRICTED SECURITIES

Restriction	Number
Listed Shares - 24 months from 8 May 2007	9,959,099
Listed Shares - 12 months from 20 October 2006	219,923
	<hr/> 10,179,022 <hr/>
Unlisted Options - 24 months from 8 May 2007	4,000,000
Unlisted Options - 12 months from 4 May 2007	500,000
	<hr/> 4,500,000 <hr/>

## SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of the Company are as follows:

Name	Number of equity securities
Yunnan Tin Aust TDK Resources Pty Ltd	13,515,975
Mr Stephen Woodham	3,820,804
Mr Rimantas Kairaitis	3,224,044

Yunnan Tin Aust TDK Resources Pty Ltd is a wholly owned subsidiary of Yunnan Tin Company Group Limited.

Mr Stephen Woodham holds his shares in Locksley Holdings Pty Ltd (3,263,065) and as a joint holder with his wife (557,739).

Mr Rimantas Kairaitis holds his shares in Smiff Pty Ltd.

## UNQUOTED SECURITIES

The Company has the following unlisted options on issue:

### Options over Ordinary Shares

#### Directors

Jianming Xiao	500,000
Anthony Wehby	500,000
Stephen Woodham	500,000
Robin Chambers	500,000
Wenxiang Gao	500,000
Richard Hill	500,000

#### Executives

Rimantas Kairaitis	1,000,000
Matthew Sikirich	500,000
Total	<hr/> 4,500,000 <hr/>

The options are exercisable on or before 5 years from 4 May 2007 at \$0.25 cents per share.

## VOTING RIGHTS

The voting rights attached to each class of equity security are as follows:

### Ordinary Shares

Each ordinary share is entitled to one vote when a poll is called otherwise each member present at a meeting or by proxy has one vote on a show of hands.

### Options

These securities have no voting rights.



# YTC RESOURCES LIMITED

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## ANNUAL REPORT 2007

