

SURVIVAL INSTINCT PROVES STRONG LEGACY

Fully-funded and with two projects powering up has YTC Resources poised to leave a lasting legacy in the Cobar Basin. **Alex Paull** reports

WHILE THE TOUGH market conditions are leaving no prisoners, thriving in such a volatile climate could be the making of some companies.

One company in such a position is New South Wales-based junior YTC Resources.

With two neighbouring projects in different stages of development within the illustrious Cobar Basin, YTC is ensuring that every post is a winner.

The company's Hera gold-lead-zinc-silver project is the most advanced of the Hera-Nymagee duo, and YTC is powering through development with an eye to production in the September quarter of 2014.

Just 4.5km to the north is the Nymagee copper project, which is in feasibility.

YTC managing director Rimantas Kairaitis told *RESOURCESTOCKS* the close proximity of the two projects would enhance its versatility, and Nymagee was a logical addition to Hera.

"Nymagee will leverage off existing process infrastructure that we're building at Hera," Kairaitis said.

"Some additions would be required, but there will be enormous synergies between the two projects when Nymagee is ready for production, because it will leverage off the Hera infrastructure, and will take us from what is effectively a gold mine with lead-zinc credits into a copper-gold project with lead-zinc credits."

YTC finds itself in an envious position both geologically and financially, but most of it was the company's own doing.

Kairaitis said that to be a junior group that had development funding in place for both those projects was a very privileged position to be in for the company.

"We're very fortunate to be in the position we're in, and what maybe is even more exciting, particularly for the shorter term investor, is that both projects are in the Cobar Basin of NSW," he said.

Kairaitis said the Cobar Basin deposit styles tended to have a very long life, were very high grade and grade improved with depth, meaning that while both projects were moving swiftly through development, the exploration story over both projects was far from over.

"In terms of high grade mineralisation, we expect both projects to grow at depth but along strike also, which is remarkable and we have really exciting exploration story to tell," Kairaitis said.

The potential for the projects to evolve prompted him to flag the possibility of the company moving into mid-tier status once production is online.

"I think for investors looking for exposure to a company that will almost be mid-tier status in a few short years, and then layer our exploration excitement on top of that, it's a very exciting story," Kairaitis said.

"We're obviously very focussed on hitting all our project development milestones with Hera, and to date we've been doing that."

The downturn in the capital market has refocused the requirement for project developments to stay on budget and on schedule, but YTC continues to move forward at a swift, steady pace.

"Staying on budget and on schedule in this environment is critical because it's a tough market, and the availability of any further funds is just not there, so you just have to get it right," Kairaitis said.

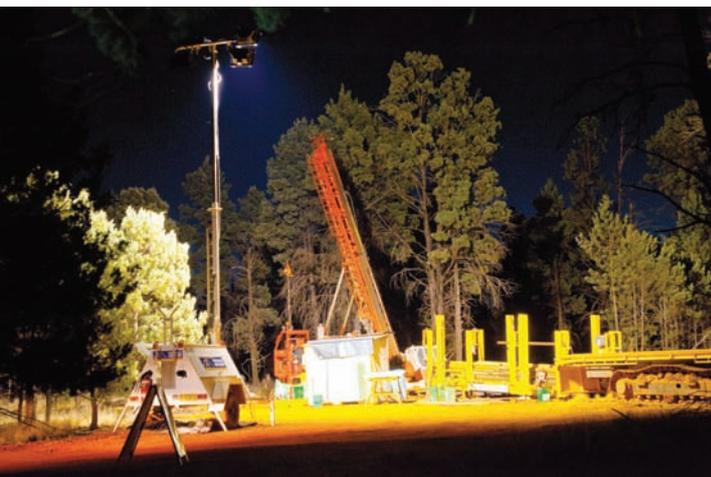
"With our business, there is an enormous focus on cost control and project milestones."

YTC's ability to source funding for project development validates the potential of its projects. This was further enhanced by the signing of a deal with neighbouring giant Glencore last year.

Kairaitis said one of the major components of the funding deal was the flexible structure, in the converting nature to some of the debt, where \$70 million of the funding could be converted into YTC shares, but only at YTC's election.

"That puts a lot of flexibility and control in the hands of a company, so we think that's nicely balanced against the base metal off take rights, which Glencore will take on both projects, so they will market all that base metal concentrate as a component of the funding," he said.

Night shift exploration drilling at the Hera decline.





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YTC RESOURCES

To have the two projects de-risked in a tough environment was a great fillip to Kairaitis and his team.

“The fact that the total funding package was \$158 million for a company with a current market cap of below \$50 million says a lot about the project,” he said.

“It’s de-risked and it validates the technical approach that we’re taking to the projects.”

Acquiring a major partner could also be added to an already burgeoning list of accomplishments YTC completed over the past 12 months and, as Kairaitis admitted, the story was nowhere near finished.

He predicted both Hera and Nymagee would continue evolving, as was the trend for “Cobar-style” deposits.

“At the moment, Hera is a high grade gold-lead-zinc-silver deposit and in the Cobar, the lead-zinc-silver rich deposits are a very good indicator at shallow depth, so we committed to get a lot deeper and we hope to see Hera mature into a copper system at depth,” Kairaitis said.

“Some of the exploration potential at Hera was well demonstrated over the course of 2012 where we found a high grade lead-zinc-silver lens off the northern end, and that will evolve into a resource addition in time.

“That’s starting to demonstrate the way that these systems evolve, and we have a seven-year mine life at Hera right now, but two of the three operating Cobar mines have a production history that goes back 130 years, so these are long, long-life projects and Hera and Nymagee will be no different in my view, they will continue to evolve.”

Exploration at Nymagee in June identified a promising conductor

target, and testing that target was a high priority.

“That particular conductor is just as strong as the main Nymagee ore body, and the way we’ve modelled Nymagee, we think we’re a great chance of finding a new major ore system off there, so we’re looking forward to testing that target,” Kairaitis said.

When Kairaitis last spoke to *RESOURCESTOCKS* in August 2012, he was hopeful that the two projects would prove to be company-makers.

Fast forward 12 months, and that hope is turning to expectation.

“Over the last year, the critical milestones have been getting through the permitting and the funding processes, which is difficult even in a good market,” Kairaitis said.

“So we’ve done that successfully, and the next step is to deliver projects, as the company’s success definitely rides on our ability to deliver these projects, so they are company-makers in that regard, and they’re more than that, in that both of them have the potential to become large systems at depth.”

Given how far YTC has come in the past 12 months, the next 12 months will prove to be the most pivotal in the company’s history, as Hera is flagged for production in the September quarter of 2014.

“On both projects, we’re focused on using our exploration knowledge to expand both of them and to demonstrate to our investors that we’ve got a fabulous and very large system here,” Kairaitis said.

“They are our key milestones: getting Hera through development, Nymagee feasibility and continuing to unfold the exploration story.” **RS**

A jumbo operating in the Hera decline.

YTC RESOURCES AT A GLANCE



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MARKET CAPITALISATION

\$A46 million (at press time)

QUOTED SHARES ON ISSUE

262.7 million

MAJOR SHAREHOLDERS

Yunnan Tin Holdings 11.7%
Glencore 9.9%
CYTMG (HK) 4.6%
Lion Selection 3.7%