



TROY RESOURCES LIMITED

# QUARTERLY REPORT & APPENDIX 4C

COMPANY UPDATE AND QUARTERLY CASH FLOW REPORT FOR ENTITIES SUBJECT TO LISTING RULE 4.7B FOR THE THREE MONTHS ENDED 31 DECEMBER 2021

**31 January 2022**

## HIGHLIGHTS

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- Company recapitalisation announced on 5 January 2022.
- At the end of the December quarter, cash and equivalents (including gold inventories) totalled AUD\$0.7 million.
- The Karouni processing facility remains in care and maintenance.
- Pursuant to the Karouni Earn-in Agreement, Barrick Gold Corporation advises that, during the September quarter, it undertook a field mapping and rock-chip sampling program, as well as establishing field office facilities, building a team of geologists and field technicians, road building, etc
- Subsequent to the quarter, on 10 January 2022, the Company issued 42 million shares at \$0.022 per share pursuant to Tranche 1 of the recapitalisation, raising \$0.93 million before costs.



## OPERATIONS

### KAROUNI, GUYANA (Troy 100% through Troy Resources Guyana Inc.)

#### Care and Maintenance

As previously reported, operations were placed into a period of care and maintenance from August 2021 following the depletion of open pit ore reserves. The period of care and maintenance is expected to last until the commencement of the Smarts Underground project.

The Company is currently working through its pre-feasibility study as released to the ASX on 26 July 2021 "Maiden Smarts Underground Ore Reserve".

A comprehensive care and maintenance program is in place and includes a defined schedule of weekly and monthly checks on plant and mobile equipment to ensure the integrity and operability of the company's physical assets are maintained during this period. The main power station has been shutdown to reduce fuel costs, with power now being supplied by portable generators installed at primary locations (camp, mill admin, plant).

The camp continues to operate with a minimal population to support the care and maintenance program. Barrick Gold Corporation (Barrick) activities increased during the quarter with the addition of field staff and contractors. Troy continues to provide support to Barrick in terms of camp and office accommodations, light vehicle use and maintenance, medical and security which has allowed for sharing of many of the site operating costs.

Care and maintenance activities have included the review and sale of redundant mobile equipment, spares, and inventory items with a life span of less than one year such as explosives and mill reagents.

The sale of items has resulted in AUD\$0.284 million in sundry income during the quarter.

#### Health and Safety

As at 31 December 2021, the 12-month rolling Total Recordable Injury Frequency Rate (TRIFR) was 9.2 and the 12-month rolling Lost Time Incident Frequency Rate (LTIFR) was 1.3. The TRIFR increases slightly over the last quarter (due to one Medical Aid); however, the LTIFR decreased to below 2.0.

Manhours for the period averaged approximately 26,000 per month including TRGI staff, Barrick staff and contractors.

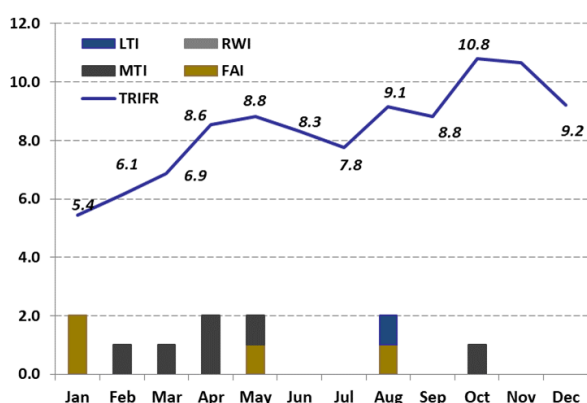


Table 1: TRIFR and LTIFR for 2021



During the quarter, there was one reportable incident (Medical Aid). A member of the exploration team experienced an allergic reaction to a bee sting at their exploration project. The medical team was dispatched and the person was transported to the Madia hospital for treatment. The individual returned to site and then travelled to Georgetown on their next scheduled rotation for further medical evaluation.

As of the start of the October 2021, care and maintenance has been fully implemented with only the routine maintenance checks in the plant and security and camp activities occurring. Reduced staffing and changes in how the site operates meant that individuals were required to take on new responsibilities, leading to the development of new safe work procedures and a continued emphasis on pre-task risk assessments. Even with the reduced manpower compliment, there was a continual focus by all staff on safety and achieving Zero-Harm in the workplace.

## Environment

With the stoppage of mining and processing activities and transition into the care and maintenance activities, the priority of the environmental staff was maintaining environmental compliance, implementing the revised monitoring requirements in the new permit, and reviewing the Asset Retirement Obligation (ARO) model as part of the 2021 year-end audit.

The EPA conducted the 2021 annual inspection in October. The main focus of the inspected were related to solid and hazardous waste management, water, noise and air monitoring and radiation monitoring. Additionally, the EPA performed the initial UG verification inspection to assess any additional impacts to the Karouni Project Area from underground mining.

The dry season biodiversity study was completed during the month of October. Significant observations of reptile/amphibian, bird, mammal, and fish species were made during the exercise indicating that, despite the previous mining operations, the impact to the natural wildlife is minimal.

Rainfall for the period was in line with seasonal average. Rainfall did not have a significant impact on the operations.

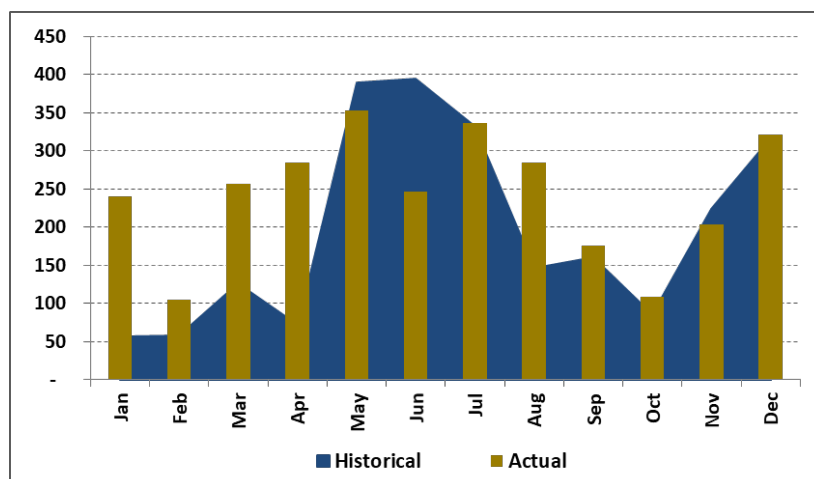


Table 2: Historic Average vs. 2021 Rain Fall

The site brought on some additional manpower during October to assist with the transfer of waste oil from drums to larger tote containers for more effective storage. While the work was able to improve the conditions at the hazardous waste storage yard, there is still a large inventory stored at site.

## HR and Community

The reduced workforce was maintained throughout the quarter to match operational requirements. As of 31 December 2021, the total TRGI workforce was 26 at site and 10 at the Georgetown office. A minimal manpower complement continues to provide security, maintenance, and camp support services. All non-essential contractors have been demobilized except for those required for catering, fuel management, bussing, and medical services.

The Site Medical Centre remained in operation during the quarter and continued to provide medical services to the local communities. Approximately 60 off-campers were seen during the quarter. Most of the off-camper visits were related to testing for Covid and other tropical diseases. There were issues with staffing of the medical centre during the quarter due to availability of medical professionals in Georgetown. This did not have a major impact on the operation as the staff were able to adequately respond. Going forward, it has been agreed to reduce the number of staff on site to two at any time (combination of Doctor, Nurse or Medic).

There were several occurrences of illegal mining activity during the quarter, primarily located at Smarts pit. When detected, security has contacted the individuals and advised them to vacate the area. Guyana Geology and Mines Commission (GGMC) was advised, and plans are in place to have a GGMC officer stationed at Karouni on a temporary basis.

## Coronavirus

During the quarter, three individuals tested positive for COVID-19, developing mild symptoms. In each of the cases, the patients were placed into quarantine, treated by the site medical staff and evacuated to Georgetown by road.

At the start of November 2021, the government imposed new restrictions requiring that all persons using domestic airlines will require two doses of an approved vaccine to travel (or have a PCR test within 72 hours of travel). As a result, all persons coming to site (by air or by road) are required to be fully vaccinated. With the implementation of this restriction, pre-flight antigen testing was discontinued. The site continued to follow government mandated protocols.

Overall, our COVID safety measures and risk management have been successful in preventing and/or limiting its affect, despite levels of COVID-19 infection in Guyana increasing during this period. To combat this trend, Troy continues to engage in active management of the COVID risk; preventative measures such as pre-flight screenings, wearing of masks and social distancing remain in effect and enforced for protection of employees, contractors and visitors.

## DEVELOPMENT

### SMARTS UNDERGROUND, GUYANA (Troy 100% through Troy Resources Guyana Inc.)

All pre-development work at the Smarts area was halted in September 2021 including dewatering of the pit.

Review of the geotechnical and mine design has been ongoing with opportunities for improvement in the stope designs and ventilation system identified.



## EXPLORATION

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### KAROUNI, GUYANA (Troy 100% through Troy Resources Guyana Inc.)

No exploration activities of substance were undertaken by Troy during the quarter.

On 8 November 2021, Barrick provided Troy with its “Report on Activities and Expenditure Third Quarter 2021” in respect of the Karouni Earn-in Agreement.

Barrick advises that initial prospecting, involving mapping and rock chip sampling in drainages cutting through the sand, is exposing complex and varied geology and parallel shear zones. A geological and geochemical screening program is in planning to test the Makapa-Kuribrong Shear Zone, which will comprise BLEG (Bulk Leach Extractable Gold) stream sediment sampling of drainages in areas where drainages penetrate the sand cover, and an aircore drilling program in areas of sand cover to test the bedrock potential.

Additional activities during the quarter comprised establishing field office facilities, building a team of geologists and field technicians, road-building / drill line clearing for access, and payment of all 2021 claim fees due from 1 July to 31 December 2021.

At the Potaro Prospect, field mapping and rock chip sampling program, designed to ground-truth the existing geologic map interpreted from aeromagnetic data, indicates that the project area contains more complex lithologies than interpreted, including metasediments, felsic volcanics, intermediate to mafic volcanics, and dioritic intrusions. Mapping south of the Bartica-Potaro road is largely complete and this area will be followed up on with a BLEG stream sediment sampling program.

Excavation of access roads and drill sites commenced in September.

At the Apanachi Prospect situated to the northwest of the project area, exploration activities in the consisted of geologic mapping and rock chip sampling; rock chip results are pending.

Aggregate expenditure by Barrick for the quarter was approximately US\$450,000.



## FINANCIAL INFORMATION

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At the end of the December quarter, the Company had total cash of \$0.70 million. Key movements in cash flow are detailed in the attached Appendix 4C.

### ***Exploration Expenditure***

Whilst no exploration activities were undertaken during the December quarter by the Company, the cash flow includes expenditure on staff costs.

### ***Capital Expenditure***

Expenditure incurred in relation to plant and equipment and sustaining capital at Karouni during the quarter was \$0.02 million.

### ***Voluntary Suspension***

During the quarter, the Company requested an extension to the trading halt to the earlier of the lodgement of a full form prospectus or 14 April 2022.

### ***Payments to Related Parties***

During the quarter, the Company paid executives, salaries of \$4,650 and non-executives \$12,000 for salaries. Amounts paid to non-executives were reduced as the Directors resolved to conserve available cash, until the recapitalisation of the Company is completed..

## CORPORATE

### Capital Structure

The Company's capital structure as at 31 December 2021 was as follows:

Issued Capital and Equity Structure as at 31 December 2021	
Ordinary Shares	812,810,631
Options (\$0.10 exercise price expiring 16 January 2022)	6,000,000
Options (\$0.10 exercise price expiring 16 January 2023)	6,000,000
Options (\$0.15 exercise price expiring 10 December 2023)	12,000,000
Options (\$0.055 exercise price expiring 1 June 2024)	8,300,000
Performance Rights expiring 30 June 2025	2,600,000
Performance Rights expiring 30 June 2026	1,400,000

### Recapitalisation

Subsequent to the quarter, on 5 January 2022, the Company announced that it had entered into a number of recapitalisation agreements to issue shares for cash and conversion of debt to equity.

The plan involves a series of transactions that, if approved by shareholders, will see the company issue a number of fully paid ordinary shares at a price of \$0.022 per share in exchange for the receipt of cash or the extinguishment of debt.

The transactions include:

- AIMS converting essentially all of its gold loan, in two stages, into approximately 627 million shares, in so doing, becoming Troy's largest shareholder.
- Exploservice Guyana Inc, the company's largest trade creditor, converting approximately 40% of its debt into approximately 209 million shares and includes a standstill on its remaining debt until April 2023.
- M&G plc, Troy's current largest shareholder, subscribing for approximately 122 million shares, raising approximately \$2.7 million.
- Ruffer LLP, Troy's current second largest shareholder, subscribing for approximately 68 million shares, raising approximately \$1.5 million.
- RiverFort Global Capital Ltd (RiverFort), a London-headquartered investment services firm, subscribing for approximately 23 million shares, raising approximately \$0.5 million.
- RiverFort providing the company with convertible note funding up to \$5 million.





The support of all these organisations is gratefully acknowledged.

In addition, the company is intending to offer all shareholders an opportunity to participate in a 1 for 1 rights issue at the same issue price as the placement.

The aforementioned transactions will see Troy raise approximately \$7.2 million in cash and retire approximately \$18.7 million of net debt.

On 10 January 2022, the Company issued 42 million shares at \$0.022 per share pursuant to Tranche 1 of the recapitalisation, raising \$0.93 million before costs.

*This announcement has been authorised for release by the Board of Directors.*

**ENDS**

### **Directors**

**Peter Stern**, Non-Executive Chairman

**Richard Beazley**, Interim CEO and Managing Director

**Andrew Barclay**, Non-Executive Director

For further information please contact:

**Richard Beazley**, Interim CEO and Managing Director

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**Peter Stern**, Non-Executive Chairman

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**Rebecca Broughton**, CFO and Company Secretary

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## Competent Person Statement

*The information contained in this report referring to Exploration Results at Smarts and Goldstar is extracted from the announcements entitled "Exploration Update, Karouni Project" released on 7 August 2020 and Bonanza Drill Intersections at Smarts Underground" released on 13 October 2020, "More High-Grade Gold Results at the Karouni Project" released on 13 November 2020, 'Exploration update, Karouni Project' released on 4 January 2021, "Further High-Grade Drilling Results at Karouni Gold Project" released on 18 March 2021, "Further Encouraging Exploration Results at Gem Creek" released on 9 July 2021 which are available to view on [www.troyres.com.au](http://www.troyres.com.au) or the ASX website under the company code TRY.*

*The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements relating to the drill results or geophysical review and that all material assumptions and technical parameters underpinning the drill results and geophysical review in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings as presented here have not been materially modified from the original market announcements.*

*The information in this report that relates to Exploration Results is based on information compiled by Richard Maddocks, a Competent Person who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Maddocks is employed as an independent consultant to the Company. Mr Maddocks has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Maddocks consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

TROY RESOURCES LIMITED

**ABN**

33 006 243 750

**Quarter ended ("current quarter")**

31 December 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	284	3,493
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(193)	(4,449)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(105)	(352)
(f) administration and corporate costs	(63)	(530)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other - Exploration	(121)	(1,028)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(198)</b>	<b>(2,865)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(15)	(230)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	(12)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	250
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(15)</b>	<b>8</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	187	1,795
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(4)	(40)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(14)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>183</b>	<b>1,741</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	705	1,776
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(198)	(2,865)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(15)	8

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	183	1,741
4.5	Effect of movement in exchange rates on cash held	25	40
4.6	<b>Cash and cash equivalents at end of period</b>	700	700

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	700	705
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	700	705

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(17)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	12,360	12,360
7.2	Credit standby arrangements	-	-
7.3	Other (please specify) – Finance Leases	331	331
7.4	<b>Total financing facilities</b>	<b>12,691</b>	<b>12,691</b>
7.5	<b>Unused financing facilities available at quarter end</b>		0
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p><b>Asian Investment Management Services Limited (AIMS) - Gold Loan</b></p> <p>In January 2020 the Company entered into a gold loan facility 5,200 ounces with AIMS, a Malaysian based investment fund (Facility). The Facility had an initial term of twelve months and is secured by a general security interest over the Company's assets. The Facility was fully drawn down with gross proceeds of US\$8.07 million (A\$11.7 million) received. On 17 May 2021, the Company and AIMS reached an agreement for a further extension of the maturity date until 16 June 2023. The effective interest rate is 16%.</p> <p>On 5 January 2022, the Company announced that it had entered into a number of recapitalisation agreements to issue to shares for cash and conversion of debt to equity. The plan involves a series of transactions that include AIMS converting essentially all of its gold loan, in two stages, into approximately 627 million shares, subject to shareholder approval.</p> <p><b>Finance Leases</b></p> <p>The Company's subsidiary in Guyana, South America has entered into a number of finance leases in prior years at carrying interest rates.</p>		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(201)
8.2	Cash and cash equivalents at quarter end (item 4.6)	700
8.3	Unused finance facilities available at quarter end (item 7.5)	0
8.4	Total available funding (item 8.2 + item 8.3)	700
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	1
	<p><i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i></p>	
8.6	<p>If item 8.5 is less than 2 quarters, please provide answers to the following questions:</p> <p>8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?</p> <p>Answer: No, the Karouni mine site entered into care &amp; maintenance in August 2021 and ceased operation, resulting in reduced ongoing costs.</p>	

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: On 5 January 2022, the Company announced that it had entered into a number of recapitalisation agreements to issue to shares for cash and conversion of debt to equity, subject to shareholder approval. The transactions would convert approximately \$18.7 million of current debt (trade payables) to equity and raise new funds of approximately \$7.2 million. The Company received gross proceeds of approximately \$926,000 from the issue of 42 million shares at an issue price of \$0.022 on 10 January 2022.

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes, subject to shareholders approving the recapitalisation transactions detailed on page 12 of the September Quarterly.

*Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.*

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2022



Authorised by: By the Company Secretary

(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.