



TROY RESOURCES LIMITED

CONSOLIDATED FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

APPENDIX 4D

RESULTS FOR HALF-YEAR ENDED 31 DECEMBER 2021

Note: Revenue and net profit comparisons are to the half-year ended 31 December 2020.

Revenue and net profit		Percentage change		Amount \$'000
Revenue from ordinary activities	Down	88%	to	3,209
Loss from ordinary activities after tax	Down	31%	to	(12,183)
Net loss attributable to members	Down	31%	to	(12,183)

Dividend information

No interim dividend has been declared or paid for the period to 31 December 2021.

Net tangible assets per security	December 2021	June 2021
Net tangible (liabilities)/assets per security	(\$0.036)	(\$0.022)
Common shares on issue at balance date	812,810,631	796,597,022

Additional Appendix 4D disclosure requirements can be found in the Directors' Report and the 31 December 2021 half-year financial statements.

This report is based on the condensed consolidated half-year financial statements for the period to 31 December 2021 which have been reviewed by PricewaterhouseCoopers and are not subject to dispute or qualification. The Independent Auditors' Review Report is included herein.

This is a half-yearly report and is to be read in conjunction with the 30 June 2021 Annual Report.

Authorised for issue by the Board of Directors.



TROY RESOURCES LIMITED

ABN: 33 006 243 750

CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

For the half-year ended 31 December 2021

**DIRECTORS**

Peter Stern (Non-Executive Chairman)
Richard Beazley (Interim Chief Executive Officer &
Managing Director)
Andrew Barclay (Non-Executive Director)

COMPANY SECRETARY

Rebecca Broughton

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BANKERS

National Australia Bank Limited

AUDITORS

PricewaterhouseCoopers

LEGAL REPRESENTATIVE

Thomson Geer

STOCK EXCHANGE

Australian Securities Exchange
Fully Paid: TRY

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The Directors of Troy Resources Limited (the Company or Troy) present their report together with the financial report of Troy and its subsidiaries (Group) for the half-year ended 31 December 2021 (half-year). In order to comply with the provisions of the *Corporations Act 2001*, the Directors' report as follows:

DIRECTORS

The Directors of the Company during and since the end of the half-year are:

Peter A Stern	Non-Executive Director and Chairman
Ken K Nilsson	Chief Executive Officer and Managing Director (deceased 19 September 2021)
Richard J Beazley	Interim Chief Executive Officer and Managing Director
Andrew C Barclay	Non-Executive Director

REVIEW OF OPERATIONS

OPERATING REVIEW

Karouni Operations, Guyana	6 months to December 2020	September 2021 Quarter ⁽¹⁾	December 2021 Quarter	6 months to December 2021 ⁽¹⁾
Open Pit Mining				
Total mined (t)	3,373,710	40,645	-	40,645
Ore Mined (t)	275,899	5,079	-	5,079
Mine Grade (g/t)	1.12	1.02	-	1.02
Mill Production				
Processed (t)	384,256	14,844	-	14,844
Head Grade Gold (g/t)	0.92	1.83	-	1.83
Recovery Gold (%)	93.2	95.1	-	95.1
Gold Produced (oz)	10,529	659	-	659
Gold Sold (oz)	10,368	1,319	-	1,319
Cash Cost (US\$/oz)	2,110	2,913	-	2,913
All-in-Sustaining-Costs (US\$/oz)	2,460	3,615	-	3,615
Gold Price Realised (US\$/oz)	1,890	1,799	-	1,799

¹ The Karouni processing facility was placed in care and maintenance in August 2021. The cash and AISC for the quarter are based upon July 2021 production figures only.

During July 2021, material mined came from the Goldstar and Smarts pit. Mining was expected to continue during August and September at Goldstar with processing of the remaining low grade stockpiles. However, in late June, it was established that both the grade and tonnage of the low grade stockpiles were less than previously estimated and, as a result, the decision was made to suspend mining and commence a period of care and maintenance.

A comprehensive care and maintenance program is in place which 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 such as the camp, mill and administration office.

Tonnes milled during the period were sourced from material mined from Goldstar, as well as the processing of the low grade stockpiles. The mill ceased processing ore in July 2021. Cleaning out of the carbon-in-leach circuit, ball mill, thickener and elution circuits occurred over the period July to September 2021. In September 2021, Troy began to liquidate some of its short shelf-life reagent inventory.



SMARTS UNDERGROUND DEVELOPMENT

During the period to 31 December 2021, the Company completed a Pre-Feasibility Study (PFS) on the Smarts Underground, culminating in the announcement of the 'Maiden Smarts Underground Ore Reserve' on the ASX on 26 July 2021.

This PFS concluded that the Smarts Underground deposit was economically viable based on the parameters incorporated in the evaluation.

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

EXPLORATION

Gem Creek

Exploration activities focussed on the Gem Creek prospect with both reverse circulation (RC) and diamond drilling. Forty nine RC holes were completed for a total of 3,978 metres and an additional three diamond drill holes for a total of 595.5 metres. The drilling was completed in the central block, where gold mineralisation was previously reported within a strong silica altered andesite with disseminated pyrite and stockwork like quartz veins with visible gold. The altered andesite is located between fresh MgO basalt in the footwall and carbonaceous shales in the hanging wall. The completed RC and diamond drilling intersected more of the altered andesite with strong silica alteration, stockwork veining and fine disseminated pyrite.

Barrick Joint Venture

On 1 July 2021, the Company announced that it had entered into an Earn-In Agreement with Barrick Gold Corporation (Barrick) concerning various tenements including the Potaro and Kuribrong targets.

Barrick has advised 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 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.

At the Potaro prospect, field mapping and a 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 with a Bulk Leach Extractable Gold stream sediment sampling program.

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

CORPORATE

On 1 July 2021, the Company announced that in connection with the Barrick Earn-In Agreement, Barrick had also subscribed for 39,033,254 fully paid ordinary shares at a price of US\$0.0308 per share (\$0.041 per share), raising approximately US\$1.2 million.

On 18 August 2021, the Company issued 16,213,609 fully paid ordinary shares to a creditor of the Company's wholly owned subsidiary, Troy Resources Guyana Inc., to extinguish \$681,477 in trade payable debt.

On 21 September 2021, the Company announced the passing of Mr Ken Nilsson, the Company's CEO and Managing Director. Mr Richard Beazley was appointed interim CEO and Managing Director whilst the Company completes the partial recapitalisation.

Company Recapitalisation

In late August 2021, the Company entered into voluntary suspension from the Australian Securities Exchange, whilst it considered its financial position in relation to the Karouni processing facility entering into a care and maintenance period.

On both 5 January 2022 and 1 February 2022, the Company announced that it had entered into a series of agreements that will, if approved by shareholders, achieve a recapitalisation of the Company.

The transactions include the conversion of approximately \$20.9 million in current debt to equity and the raising of \$7.2 million in funds.



Refer to the announcements made on the Australian Securities Exchange on both 5 January 2022 and 1 February 2022.

FINANCIAL RESULTS

	Half-year 31 Dec 2021 (\$'000)	Half-year 31 Dec 2020 (\$'000)	Change (\$'000)	Change
Revenue	3,209	27,185	(23,976)	-88%
Underlying EBITDA¹	(9,894)	(8,667)	(1,227)	14%
Depreciation and Amortisation	(1,126)	(7,926)	6,800	86%
Underlying EBIT²	(10,255)	(16,504)	6,249	38%
Underlying Loss³	(12,183)	(17,656)	5,473	31%
Loss after tax	(12,183)	(17,656)	5,473	31%
Cash flow from operating activities	(2,545)	(11,543)	8,998	-78%
Cash flow from investing activities	(117)	(2,102)	1,985	94%
Cash flow from financing activities	1,525	14,458	(12,933)	89%
Loss per share (basic and diluted)	(1.5) cps	(5.3) cps	3.8 cps	72%

¹ Underlying EBITDA is a non-IFRS measure and is unaudited. It has been calculated as Earnings before interest, income taxes, depreciation and amortisation and non-cash impairment charges.

² Underlying EBIT is a non-IFRS measure and is unaudited. It has been calculated as Earnings before interest, income taxes and non-cash impairment charges.

³ Underlying profit/loss after tax is a non-IFRS measure and is unaudited. It has been calculated by adding back non-cash impairment charges (net of tax) which were Nil in the current period (2020: \$13,365,000).

DIVIDENDS

No interim dividend has been declared or paid during the half year to 31 December 2021.

BASIS OF PREPARATION

The attached report for the half-year ended 31 December 2021 contains an independent auditor's review report which includes an emphasis of matter paragraph in regard to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

For further information, refer to Note 1(d) of the financial statements together with the auditor's review report.

ROUNDING OF AMOUNTS

Unless otherwise stated, the amounts contained in this half-year financial report have been rounded to the nearest thousand dollars, so permitted pursuant to ASIC Legislative Instrument 2016/191.

SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

On both 5 January 2022 and 1 February 2022, the Company announced it had entered into a series of agreements that will, if approved by shareholders, achieve a recapitalisation of the Company.

The transactions include the conversion of approximately \$20.9 million in current debt to equity and the raising of \$7.2 million in funds.

Refer to the announcements made on the Australian Securities Exchange on both 5 January 2022 and 1 February 2022.

On 23 March 2022, the Company announced that it had issued fourteen million performance rights under the Employee Incentive Plan to existing employees.

There has not been any other matter or circumstance arising since 31 December 2021 that has significantly affected the Group's operations, results or state of affairs, or may do so in future years.



ADDITIONAL INFORMATION

Additional information on the Company's activities is available on its web site at www.troyres.com.au. Information available includes the detailed quarterly activities reports for the September and December 2021 quarters, the 2021 Annual Report, Corporate Governance policies and other Company information and publications.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

Signed in accordance with a resolution of Directors.

Mr Richard Beazley
Interim CEO and Managing Director

Perth, Western Australia
11 April 2022



Auditor's Independence Declaration

As lead auditor for the review of Troy Resources Limited for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Troy Resources Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read "Douglas Craig".

Douglas Craig
Partner
PricewaterhouseCoopers

Perth
11 April 2022



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Notes	31 December 2021 \$'000	31 December 2020 \$'000
Revenue	3	3,209	27,185
Cost of sales	4	(5,098)	(40,141)
Gross loss		(1,889)	(12,956)
Other income		1,291	1,156
Exploration expenses		(1,337)	(2,541)
Administration expenses	4	(1,047)	(1,093)
Finance costs	4	(1,163)	(1,064)
Care and maintenance expenses	4	(5,120)	(117)
Other expenses	4	(2,203)	(1,508)
Fair value (loss)/gain on financial liability		(715)	467
Loss before income tax		(12,183)	(17,656)
Income tax expense		-	-
Loss for the period		(12,183)	(17,656)
Other comprehensive income/(loss)			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		(254)	(1,457)
Other comprehensive loss for the period, net of tax		(254)	(1,457)
Total comprehensive loss attributable to owners of Troy Resources Limited		(12,437)	(19,113)
Earnings per share (EPS) for loss attributable to the ordinary equity holders of the company			
Basic EPS (cents)		(1.5)	(5.3)
Diluted EPS (cents)		(1.5)	(5.3)

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes to the condensed consolidated financial statements.



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	31 December 2021 \$'000	30 June 2021 \$'000
CURRENT ASSETS			
Cash and cash equivalents		672	1,776
Trade and other receivables	5	5,903	7,872
Assets held for sale	8	84	-
Inventories	6	3,197	6,857
TOTAL CURRENT ASSETS		9,856	16,505
NON-CURRENT ASSETS			
Mining properties	7	6,606	6,305
Property, plant and equipment	8	4,417	5,867
Exploration and evaluation assets		268	259
Other receivables	5	278	268
TOTAL NON-CURRENT ASSETS		11,569	12,699
TOTAL ASSETS		21,425	29,204
CURRENT LIABILITIES			
Trade and other payables		29,069	27,122
Provisions		503	885
Financial liabilities	9	13,978	-
Lease liability		307	295
TOTAL CURRENT LIABILITIES		43,857	28,302
NON-CURRENT LIABILITIES			
Provisions		6,497	6,220
Financial liabilities	9	-	11,784
Lease liability		30	29
TOTAL NON-CURRENT LIABILITIES		6,527	18,033
TOTAL LIABILITIES		50,384	46,335
NET LIABILITIES		(28,959)	(17,131)
EQUITY			
Issued capital	10	384,985	384,460
Reserves		43,114	43,284
Accumulated losses		(457,058)	(444,875)
TOTAL EQUITY		(28,959)	(17,131)

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Attributable to owners of Troy Resources Limited				
	Issued Capital \$'000	Share- based Payments Reserve \$'000	Foreign Currency Translation Reserve \$'000	Accumulated Losses \$'000	Total Equity \$'000
Balance at 1 July 2020	369,185	229	44,164	(412,056)	1,522
Loss for the half-year	-	-	-	(17,656)	(17,656)
Exchange rate differences on translation of foreign operations	-	-	(1,457)	-	(1,457)
Total comprehensive expense for the half-year	-	-	(1,457)	(17,656)	(19,113)
Issue of fully paid shares	15,000	-	-	-	15,000
Share issue costs	(1,384)	408	-	-	(976)
Issue of options	60	-	-	-	60
Issue of options to AIMS	-	222	-	-	222
Share-based payments	-	28	-	-	28
Balance at 31 December 2020	382,861	887	42,707	(429,712)	(3,257)
Balance at 1 July 2021	384,460	1,148	42,136	(444,875)	(17,131)
Loss for the half-year	-	-	-	(12,183)	(12,183)
Exchange rate differences on translation of foreign operations	-	-	(254)	-	(254)
Total comprehensive expense for the half-year	-	-	(254)	(12,183)	(12,437)
Issue of fully paid shares for cash	-	-	-	-	-
Share issue costs ⁽¹⁾	(157)	-	-	-	(157)
Issue of fully paid shares non cash	682	-	-	-	682
Issue of options	-	-	-	-	-
Share-based payments	-	84	-	-	84
Balance at 31 December 2021	384,985	1,232	41,882	(457,058)	(28,959)

⁽¹⁾ Share issue costs also include costs incurred during the period with the proposed recapitalisation of the Company announced 5 January and 1 February 2022.

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes to the condensed consolidated financial statements.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	31 December 2021 \$'000	31 December 2020 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	3,209	27,190
Payments to suppliers and employees	(6,571)	(37,164)
Government royalties paid	-	(2,287)
Government grant received	-	50
Royalty termination payment	250	-
Proceeds from sundry income	567	668
Net cash outflow from operating activities	(2,545)	(11,543)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(106)	(383)
Payments for mine and development properties	(12)	(1,625)
Payments for exploration and evaluation assets	-	(99)
Interest received	1	5
Net cash outflow from investing activities	(117)	(2,102)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	-	1,713
Repayments of borrowings	-	(362)
Repayment of short term loan funding	-	(901)
Payments of lease liabilities	(14)	(33)
Net proceeds from the issue of equity securities	1,539	14,041
Net cash inflow from financing activities	1,525	14,458
Net (decrease)/increase in cash and cash equivalents	(1,137)	813
Cash and cash equivalents at the beginning of the half-year	1,776	4,910
Effects of exchange rate changes on balances held in foreign currencies	33	(88)
Cash and cash equivalents at the end of the period	672	5,635

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes to the condensed consolidated financial statements.



1. SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

Troy Resources Limited (Company or Group) is a for profit public company listed on the Australian Securities Exchange, incorporated and operating in Australia with subsidiary or associate companies in Guyana, Brazil and Canada. The principal activities of the Group during the year were gold production and exploration.

The condensed consolidated interim financial report was authorised for issue by the Directors at a meeting held on 11 April 2022.

(b) Basis of preparation

The condensed consolidated interim financial report for the half-year ended 31 December 2021 is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. All amounts are presented in Australian dollars, unless otherwise noted.

The condensed consolidated interim financial report does not include all of the information and disclosures required in the annual financial report and should be read in conjunction with the Group's annual financial report for the year ended 30 June 2021. This report should also be read in conjunction with the ASX announcements issued by the Company since 31 December 2021.

The Company is a company of the kind referred to in ASIC Legislative Instrument 2016/191 and, in accordance with that Class Order, amounts in the half-year financial report are rounded to the nearest thousand dollars, unless otherwise indicated.

The accounting policies adopted in the preparation of the condensed consolidated interim financial report are consistent with those applied by the Group in its consolidated annual financial report for the year ended 30 June 2021, except for the adoption of new standards effective as of 1 July 2021, as disclosed below.

(c) Changes in accounting policies

All relevant new and amended Accounting Standards and Interpretations which became applicable on 1 July 2021 have been adopted by the Group.

The adoption of these amendments did not have any material impact on the current period, prior period and is not likely to affect future periods.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(d) Going concern assumption

For the six months ended 31 December 2021, the Group recorded an after tax loss of \$12,183,000 and operating cash outflows of \$2,545,000. As at 31 December 2021, the Group had a net asset deficiency of \$28,959,000 and a net current asset deficiency of \$34,001,000.

The Group also had cash outflows from investing activities of \$117,000 and cash inflows from financing activities of \$1,525,000.

During December 2021 and January 2022, the Company entered into a series of agreements that will, if approved by shareholders, achieve a recapitalisation of the Company and, in due course, allow for its shares to recommence trading on the ASX. As detailed in the ASX announcements made by the Company on 5 January 2022 and 1 February 2022, the recapitalisation will involve a series of transactions including debt to equity conversions, private share placements, a convertible loan note and a rights issue to existing shareholders. If approved by shareholders, these transactions would convert approximately \$20.7 million of current debt to equity and raise a minimum of \$7.2 million. The meeting of shareholders to approve these transactions is scheduled to be held on or around 27 May 2022.

As part of Tranche One of the restructure plan, the Company issued 42,096,485 shares on 11 January 2022 utilising the Company's existing placement capacity under Listing Rule 7.1 at an issue price of \$0.022 raising \$926,000 before costs. These shares are subject to voluntary escrow until the Company lodges a cleansing prospectus.



1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Going concern assumption (continued)

The continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as they fall due are dependent upon a number of factors, including:

- Shareholders approving, at a General Meeting to be held on or around 27 May 2022, the following elements of the recapitalisation plan:
 - the issue of 175,485,550 Tranche Two ordinary shares to participating investors at an issue price of \$0.022 to raise \$3,861,000 before costs,
 - the conversion of approximately 50% of the outstanding Asian Investment Management Services Ltd (AIMS) gold loan facility debt (representing an aggregate amount of approximately \$6.9 million) into approximately 313 million ordinary shares in the capital of the Company at an issue price of \$0.022 per share,
 - the conversion of approximately \$7.1 million of amounts owed to creditors of the Group into approximately 323 million ordinary shares in the capital of the Company at an issue price of \$0.022 per share,
 - the issue of 16,727,273 ordinary shares to an adviser to the Company for fees in relation to services provided over the recapitalisation,
 - the issue of a Convertible Note to RiverFort Global Capital to raise A\$2,000,000 before costs, with a further A\$3,000,000 available, and
 - the issue of 45,454,545 options to RiverFort Global Capital at an exercise price of A\$0.0286 and expiring 3 years from the date of issue.
- Meeting the conditions placed on the Company by the ASX for recommencement of trading in securities of the Company,
- The Company successfully undertaking a rights issue on the basis of one new share for every one share held to allow shareholders to participate in the capital raising at the same issue price as the recapitalisation transactions of \$0.022 per share,
- Satisfaction of conditions precedent in the agreement with RiverFort Global Capital Ltd allowing the Company to drawdown on the convertible note facility of up to \$5.0 million,
- Satisfaction of conditions precedent in the agreement with AIMS allowing the Company to convert the balance of the gold loan facility (other than \$100 which will remain as debt), approximately \$6.9 million, into equity by participating for its entitlement under the rights issue with the subscription price for the shares set off against the outstanding balance of the gold loan (approximately \$6.9 million) into approximately 313 million shares at an issue price of \$0.022 per share,
- Continuing support of the Group's creditors, specifically related to the Karouni project. Trade and other payables have increased over the period from 30 June to 31 December 2021 by 7.2% from \$27,122,000 to \$29,069,000 with a significant amount exceeding normal commercial terms. The Company has already negotiated with the Group's largest creditor to convert \$7,109,000 of its total trade payable debt of \$10,854,000 to equity. This transaction is subject to shareholder approval noted above. The Company is continuing its discussions with its outstanding creditor base and has been considering all options, such as asset swaps and other cash saving initiatives, to settle these debts,



1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Going concern assumption (continued)

- Continuing concurrence of the Group's ex-employees who are owed US\$730,000 severance entitlements as a result of the reduction in operations at the Group's Karouni project. These employees have been made redundant by the Group over the period September 2021 to January 2022, with severance entitlements due approximately six weeks after the lay-off date. It is anticipated that these severance payments will be paid from Tranche 2 of the recapitalisation plan,
- Completion of a feasibility study on the Smarts Underground project. Currently all work has been completed to pre-feasibility level; however, for the Company to make its decision to proceed (excluding financing discussed below), the current work needs to be elevated to feasibility study level. It is anticipated that these works will be completed within the next six to nine months from the date of this report,
- Following the completion of a feasibility study, the Company entering into a financing facility to fund the development of the Smarts Underground,
- The Company achieving a reduction in care and maintenance expenditure at its Karouni processing facility, and
- The successful completion of the sale of Reinarda Mineração Ltda (RML) for gross proceeds of US\$4.0 million. RML is a non-core foreign subsidiary of the Company, which holds mineral rights. The mineral rights were acquired in 2006 through the acquisition of Agincourt Resources Limited, which held the Andorinhas Gold Project. The Company is currently negotiating the sale contract with the interested party, whom is not related to the Company.

In addition to the above, the longer term viability of the Group and its ability to continue as a going concern and meet its debts and commitments as they fall due are dependent upon the Group:

- Successfully developing and operating the Smarts Underground mine to fund future operations,
- Being able to extend the current projected three-year mine life of the Smarts Underground,
- Being able to successfully convert further mineral resources into ore reserves at the Group's Karouni project. The Group currently has 7,050,000 tonnes at 1.7 grams/tonne for a total of 373,900 ounces outside of the Smarts Underground mineral resource, and
- Continuing brownfields and greenfields exploration activities at the Group's tenure in Guyana to find additional ore sources.

The Directors consider that the Group will likely be able to achieve the above items and, where required, secure additional funding, due to its demonstrated track record of successfully raising equity.

As a result of these matters, there is a material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. However, the Directors believe that the Company will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

This financial report does not include adjustments relating to the recoverability of recorded asset amounts, or the amounts and classification of liabilities that might be necessary should the Troy Group not continue as a going concern.



2. SEGMENT INFORMATION

Reportable segments are determined based on the information reported to the interim CEO and Managing Director for the purpose of resource allocation and assessment of segment performance and are based on geographical countries and split between operations and exploration activities. The Group currently has one identifiable segment, being the gold production and exploration activities in Guyana, South America.

The following is an analysis of the Group's revenue and results by reportable operating segment, there were no intersegment sales during the half-years ended 31 December 2021 and 2020, with all revenue recognised at a point in time, not over time.

Segment performance half-year ended	Segment Revenue Half-year ended		Segment Profit/(Loss) Half-year ended	
	Dec 2021 \$'000	Dec 2020 \$'000	Dec 2021 \$'000	Dec 2020 \$'000
Operations				
Guyana	3,209	27,185	(1,889)	(12,956)
Total operations	3,209	27,185	(1,889)	(12,956)
Total other income			896	668
Expenses - Guyana				
Exploration			(1,337)	(2,541)
Care and maintenance			(5,005)	-
Other expenses			(1,080)	(1,416)
Total expenses			(7,422)	(3,957)
Impairment				
Guyana mine properties			-	-
Total segments	3,209	27,185	(8,415)	(16,245)
Other income			395	488
Fair value (loss)/gain on financial liability			(715)	467
Corporate administration and other expenses			(2,285)	(1,302)
Finance costs			(1,163)	(1,064)
Loss before tax			(12,183)	(17,656)
Income tax expense			-	-
Loss for the period			(12,183)	(17,656)

The revenue figures reported above represent that generated from external customers.

Segment loss represents the loss earned by each segment without the allocation of central administration costs, directors' salaries, interest income, expenses in relation to corporate facilities and tax expense.

The following is an analysis of the consolidated entity's assets and liabilities by reportable segment:

Segment position	Guyana \$'000	Other ⁽ⁱ⁾ \$'000	Total \$'000
As at 31 December 2021			
Segment assets	21,091	334	21,425
Segment liabilities	35,219	15,165	50,384
As at 30 June 2021			
Segment assets	26,121	3,083	29,204
Segment liabilities	33,941	12,394	46,335

⁽ⁱ⁾ Other relates to unallocated assets including cash held at a corporate level that has not been allocated to the underlying segment. Unallocated liabilities include borrowings, rehabilitation and employee leave provisions not specifically allocated to any one underlying segment.



3. REVENUE AND OTHER INCOME

	Half-year ended	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
Operating Revenue		
Gold sales	3,196	27,154
Silver sales	13	31
	3,209	27,185
Other Income		
Interest income	1	5
Royalty termination receipt	250	-
Insurance proceeds	-	490
Australian Government COVID-19 grant	-	50
Net foreign exchange gains	144	433
Other	896	178
	1,291	1,156

4. EXPENSES

	Half-year ended	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
(i) Cost of sales		
Mining and milling expenses	4,178	26,408
Government royalties	343	2,618
Amortisation of mining properties	-	3,632
Depreciation of property, plant and equipment	171	4,129
Depreciation of right to use assets	34	129
Other	372	3,225
	5,098	40,141
(ii) Administration expenses		
Head office salaries and on-costs	189	299
Non-Executive Directors fees and on-costs	130	152
Other head office administration ⁽ⁱ⁾	728	642
	1,047	1,093
(iii) Care and maintenance expenses		
Care and maintenance costs Brazil	115	117
Care and maintenance costs Guyana	4,105	-
Depreciation reallocated to care and maintenance costs Guyana	900	-
	5,120	117

⁽ⁱ⁾ Includes listing fees, shareholder costs, audit fees, taxation consultants, office rent, insurance, travel, corporate depreciation and other head office administration expenditure.

**4. EXPENSES (CONTINUED)**

	Half-year ended	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
(iv) Other expenses		
Loss on sale of assets	656	-
Inventory write down to net realisable value	424	-
Share-based payments - Directors	84	28
Share-based payments – Creditors	682	60
Foreign exchange loss on gold loan facility	357	-
VAT written off as unrecoverable	-	1,416
Foreign administration costs	-	4
	2,203	1,508
(v) Finance costs		
Borrowing costs	1,121	1,027
Interest on lease liabilities	43	37
	1,163	1,064

5. TRADE AND OTHER RECEIVABLES

	Consolidated as at	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
Current		
Trade receivables	-	-
Value added tax recoverable (Guyana)	4,494	4,870
Other receivables and prepayments	1,409	3,002
	5,903	7,872
Non-current		
Environmental bonds	278	268

6. INVENTORY

	Consolidated as at	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
At cost or net realisable value:		
Bullion and dore on hand	-	741
Gold in circuit	-	1,109
Ore stockpiles	-	99
Stores	3,197	4,908
	3,197	6,857

Inventories are stated at the lower of cost or net realisable value. Write downs to net realisable value during the period totalled \$424,000 (2021:Nil).

**7. MINE PROPERTIES**

	Consolidated as at	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
Balance at start of the period	6,305	16,018
Expenditure incurred during the period	12	3,318
Rehabilitation provision adjustment	-	142
Amortisation expensed during the period	-	(11,550)
Currency translation differences	289	(1,623)
Balance at end of period	6,606	6,305

Karouni CGU, Guyana

The Group has one cash generating unit (CGU) being the Karouni processing plant and surrounding mining properties in Guyana. All of the Group's mine properties and the majority of the property plant and equipment belong to the Karouni CGU.

Impairment indicators were identified for the Karouni CGU as at 31 December 2021, with the existing pits being exhausted and the operations entering into a care and maintenance period which commenced in August 2021.

Methodology and assumptions applied at 31 December 2021

Due to the presence of the impairment indicators described above, the Group has tested whether the CGU has suffered an impairment loss at 31 December 2021. The recoverable amount of the CGU was determined based on fair value less cost of disposal calculations which require the use of assumptions. The calculations use cash flow projections based on ore reserves and estimated production from the Smarts underground mine along with resource multiples applied to the CGUs of other undeveloped mineral resources.

Management considers this to be a Level 3 fair value assessment.

Smarts underground production

The fair value is estimated based on discounted cash flows using market based commodity price assumptions, estimated quantities of recoverable minerals, production levels, operating costs, working capital position and future capital expenditure.

Auralia Mining Consulting Pty Ltd (Auralia) was contracted to undertake an updated underground mine design and schedule at Karouni and to report a reserve. They also completed an economic analysis based upon a combination of existing data provided by Troy and a database of Australian underground mining costs.

The cost inputs used to investigate the underground potential at the Smarts Underground Project were based on a contractor pricing estimate for the development of a decline in Guyana provided to Troy. These costs had some exclusions (namely fuel and explosives) that were estimated via first principles and added to the development costs.

Production costs were not provided by the contractor for Guyanese operations, so these were determined by comparing development costs with Australian costs in Auralia's database and applying a factor to calculate Guyanese production costs.

The key assumptions in assessing the recoverable value of the Smarts Underground mine property at 31 December 2021, were the gold price, the Maiden Smarts Underground Ore Reserve Statement announced in July 2021, average costs for 2021 and estimated future underground costs. The costs to dispose have been estimated by management based on prevailing market conditions.

**7. MINE PROPERTIES (CONTINUED)****Key assumptions**

The table and additional commentary below summarises the key assumptions used in the 31 December 2021 assessment.

31 December	CY 22 ⁽¹⁾	CY23 ⁽¹⁾	CY 24 ⁽¹⁾	CY 25 ⁽¹⁾	CY 26 ⁽¹⁾
Gold price (US\$ per ounce)	1,696	1,602	1,523	1,523	1,523

⁽¹⁾ Calendar years

Commodity prices and exchange rates

The commodity price is estimated with reference to external market consensus forecasts prevailing at the end of the financial year. The US\$ recoverable amount is then converted at the A\$/US\$ exchange rate of 0.73.

Ore reserves

Ore reserves were announced in July 2021. Additionally, the Group anticipates that further work may increase the conversion ratio of Mineral Resource to Ore Reserve ounces. The Company has determined that approximately 20,000 to 25,000 ounces may be converted through additional mine method planning on sourcing and backfilling stopes with engineered concrete to allow for maximum ore recovery. These ounces have been built into the financial model at the back end of the project at the lower estimate.

The Ore Reserve follows the previous release of a Mineral Resources of 3 million tonnes @ 3.0g/t Au for 287,600 ounces on 21 September 2020.

The geotechnical assessment is still in the process of being finalised. However, the initial report has encouraged the undertaking of further work on the pre-feasibility study to examine the prospect of sourcing and placing backfill into completed stopes to maximise ore recovery. The use of this engineered backfill secondary stoping is expected to increase the extraction ratio substantially. Further mine planning and modelling is required to update the Ore Reserve ounces. This work is currently being undertaken.

In addition, and as noted above, the current Ore Reserve estimate is 1,000,000 tonnes @ 2.6g/t for 89,400 ounces, which is included in the Mineral Resource estimate of 3m tonnes @ 3.0g/t for 287,000 oz. This represents a conversion rate of 31%. It is anticipated as detailed in the Maiden Ore Reserves Announcement on 26 July 2021 that further Mineral Resource ounces will be able to be converted to Ore Reserve ounces.

Mineral resource estimates

The Group considered the conversion of other resources at Smarts, Hicks and Hicks Deep, which have a calculated implied value of US\$6.13 per ounce, supported by comparable transactions, provided by the Group's consultants.

Discount rate

In determining the fair value of the CGU, the future cashflows are discounted at 14% using rates based on the Group's estimated before-tax weighted average cost of capital, with an additional premium applied having regards to the geographic location of the CGU.



7. MINE PROPERTIES (CONTINUED)

Costs

Life of mine operating and capital costs assumptions are based upon the group's latest plans. The Group has assumed care and maintenance costs will continue to be incurred through the calendar year 2022, whilst the Group continues with the underground planning, with mining due to commence in 2023.

This assessment of the CGU does not result in any impairment as at 31 December 2021 (2021: Nil).

Sensitivity analysis

Any variation in the key assumptions going forward may impact the recoverable value of the CGU. The below table outlines the impact on recoverable value if the following changes were applied to key assumptions (in isolation) used by Company in the 30 June 2021 impairment assessment:

	5% decrease in US\$ gold price	Discount rate +/- 1.5%	Operating expenses +/- 5%	5% decrease in reserve estimate
Impact on recoverable value	-A\$4.3 million	-/+A\$0.8 million	-/+A\$5.0 million	-A\$4.3 million



8. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Buildings right of use assets	Plant and equipment	Plant and equipment right of use assets	Motor vehicles	Total
Consolidated balance as at	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At cost:						
Balance at 30 June 2020	7,834	228	109,315	1,088	2,109	120,574
Additions	91	110	688	452	-	1,341
Disposals	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Currency translation differences	(652)	(11)	(9,029)	(91)	(173)	(9,956)
Balance at 30 June 2021	7,273	327	100,974	1,449	1,936	111,959
Balance at 1 July 2021	7,273	327	100,974	1,449	1,936	111,959
Additions	-	-	56	-	-	56
Disposals	-	-	(6,188)	(206)	-	(6,394)
Transfer to assets to be sold ⁽¹⁾	-	-	(149)	(158)	(22)	(329)
Transfers	-	-	(154)	-	154	-
Currency translation differences	245	8	3,329	46	65	3,693
Balance at 31 December 2021	7,518	335	97,868	1,131	2,133	108,985
Accumulated depreciation and impairment:						
Balance at 30 June 2020	(6,525)	(86)	(101,616)	(207)	(1,737)	(110,171)
Depreciation expense	(765)	(115)	(3,843)	(237)	(206)	(5,166)
Disposals	-	-	-	-	-	-
Currency translation differences	566	6	8,501	24	148	9,245
Balance at 30 June 2021	(6,724)	(195)	(96,958)	(420)	(1,795)	(106,092)
Balance at 1 July 2021	(6,724)	(195)	(96,958)	(420)	(1,795)	(106,092)
Depreciation expense	(81)	(68)	(767)	(144)	(66)	(1,126)
Disposals	-	-	5,792	121	-	5,913
Transfer to assets to be sold ⁽¹⁾	-	-	131	95	19	245
Currency translation differences	(227)	(4)	(3,203)	(14)	(60)	(3,508)
Balance at 31 December 2021	(7,032)	(267)	(95,005)	(362)	(1,902)	(104,568)
Net book value:						
As at 30 June 2021	549	132	4,016	1,029	141	5,867
As at 31 December 2021	486	68	2,863	769	231	4,417

⁽¹⁾ As at 31 December 2021, \$84,000 of plant and equipment was reclassified as assets held for resale. These assets have been transferred to current assets, as firm offers for sale for these assets had been accepted by the Company.

**9. FINANCIAL LIABILITIES**

	Consolidated as at	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
Current borrowings		
Gold loan facility		
Host debt – amortised costs	12,234	-
Embedded commodity derivative	1,744	-
Capitalised borrowing costs	-	-
Total gold loan facility financial liabilities	13,978	-
Non- current borrowings		
Gold loan facility		
Host debt – amortised costs	-	10,439
Embedded commodity derivative	-	1,455
Capitalised borrowing costs	-	(110)
Total gold loan facility financial liabilities	-	11,784

Financial liability – Asian Investment Management Services Limited gold loan

In January 2020, the Company entered into a gold loan facility of 5,200 ounces with Asian Investment Management Services Limited (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. The Company issued six million unlisted options with an exercise price of \$0.10 and an expiry date of 16 January 2022 to AIMS for the provision of the Facility.

On 19 October 2020, the Company announced that it had been agreed by the parties to extend the term of the Facility for a further twelve months. The Company issued to AIMS six million unlisted options with an exercise price of \$0.10 and an expiry date of 16 January 2023 as compensation for the extension of the Facility. On 17 May 2021, the Company and AIMS reached an agreement for a further extension of the maturity date to 16 June 2023. No fees were payable for the further extension of the Facility.

The settlement amount of the Facility is dependent upon forward commodity prices and, accordingly, an embedded derivative has been identified. Whilst the host debt is subsequently recognised at amortised cost, the embedded derivative relating to the gold commodity price has been recorded at fair value through the profit and loss.

The original effective interest rate of the host debt was 16% which was derived by the expected cash outflows incorporating the estimated movement in the forward gold price at inception. The fair value of the embedded derivative has been determined with reference to forward commodity prices.

On 1 October 2021, the Company failed to pay the September 2021 quarterly interest payment owing to AIMS making the Facility payable on demand. Therefore, the Facility has been classified as a current liability and interest is being accrued using the default interest rate stipulated in the Facility agreement.



9. FINANCIAL LIABILITIES (CONTINUED)

Financial liability – Asian Investment Management Services Limited gold loan (continued)

During December 2021, the Company entered into a number of agreements that will, if approved by shareholders, achieve a recapitalisation of the Company and, in due course, allow for its shares to recommence trading on the ASX. As detailed in the ASX announcements made by the Company on both 5 January 2022 and 1 February 2022, the recapitalisation will involve a series of transactions including debt to equity conversions, private share placements, a convertible loan note and a rights issue to existing shareholders.

Included in the recapitalisation plan is the agreement to convert approximately 50% of the outstanding AIMS gold loan facility debt (representing an aggregate amount of approximately \$6.9 million) into approximately 313 million ordinary shares in the capital of the Company at an issue price of \$0.022 per share, subject to shareholder approval.

In addition to the debt to equity swap and subject to the satisfaction of conditions precedent in the agreement with AIMS, the Company and AIMS have agreed to convert the remaining balance of the Facility (other than \$100 which will remain as debt), approximately \$6.9 million, into equity by participating for its entitlement under the rights issue with the subscription price for the shares set off against the outstanding balance of the gold loan (approximately \$6.9 million) into approximately 313 million shares at an issue price of \$0.022 per share.

There is a Forbearance clause included in the agreement signed with AIMS, as part of the recapitalisation plan, whereby no action will be taken by AIMS unless the conditions precedent have not been met by 31 July 2022.



10. ISSUED CAPITAL

	Consolidated Half-year ended 31 Dec 2021		Consolidated Full year ended 30 Jun 2021	
	Number of Shares '000	Issued Capital \$'000	Number of Shares '000	Issued Capital \$'000
Fully paid ordinary issued capital				
On issue 1 July – fully paid	796,597	384,460	632,064	369,185
Issue of share capital				
Shares issued for cash	-	-	164,033	16,602
Shares issued for non-cash ⁽¹⁾	16,214	682	500	60
Share issue costs ⁽²⁾	-	(157)	-	(1,387)
	812,811	384,985	796,597	384,460

	Consolidated Half-year ended 31 Dec 2021 Number of options '000	Consolidated Full year ended 30 Jun 2021 Number of options '000
Unlisted options		
On issue 1 July	32,300	6,000
Issue of options to financier	-	18,000
Issue of options to employees	-	8,300
	32,300	32,300

Additional information on the issue of ordinary shares and unlisted options:

- (1) On 23 August 2021, the Company issued 16,213,609 new ordinary shares to Exploservice Guyana Inc, a creditor of a subsidiary, to partly extinguish a debt owing, at an issue price of \$0.042.
- (2) During December 2021 and January 2022, the Company entered into a series of agreements that will, if approved by shareholders, achieve a recapitalisation of the Company and, in due course, allow for its shares to recommence trading on the ASX. As detailed in the ASX announcements made by the Company on both 5 January 2022 and 1 February 2022, the recapitalisation will involve a series of transactions including debt to equity conversions, private share placements, a convertible loan note and a rights issue to existing shareholders. If approved by shareholders, these transactions would convert approximately \$20.7 million of current debt to equity and raise a minimum of \$7.2 million. The meeting of shareholders to approve these transactions is scheduled to be held on or around 27 May 2022. The share issue costs include the costs incurred up to 31 December 2021 in relation to the planned recapitalisation.



11. SHARE-BASED PAYMENTS

The Company has an Employee Incentive Plan (EIP) that was approved by shareholders at the 10 December 2020 Annual General Meeting. This EIP is designed to provide long-term incentives for Directors, employees, consultants or contractors of Troy Resources Limited or any member of the Group. Shareholder approval is required before any Director or related party of the Company can participate in the EIP and be granted shares, options or performance rights.

No performance rights or options have been granted in the six months ended 31 December 2021.

12. CONTINGENT LIABILITIES

The Group has the following contingent liabilities:

(i) Bank guarantees from financial institutions totalling \$304,000 (30 June 2021: \$296,000), of which \$304,000 (30 June 2021: \$296,000) is cash backed.

(ii) The Brazilian Federal Revenue Services (FRS) has issued an income tax assessment against Reinarda Mineração Ltda (RML) in relation to the tax filings for 2015. RML had filed the requested tax return on the electronic system, and paid the related tax; however, the FRS assessed RML based upon an estimate of profits calculated on invoices issued rather than the actual accounting profit. Amounts considered income tax debts by the FRS are subject to penalties and interest and as at 30 June 2021, the total considered owing by the FRS is R\$4,205,000, (AUD \$1,127,000). Whilst RML has the documentation to support the calculation of its 2015 income tax, the FRS does not wish to examine this. Accordingly, RML has undertaken legal action to have the additional taxes levied by the FRS cancelled. As at 6 November 2020, RML is waiting on a High Court decision, which to date has not been processed.

(iii) Potential legal claims submitted by previous employees at the Company's Sertão and Andorinhas operations in Brazil of \$29,800 (30 June 2021: \$32,000). Based on past settlement of claims, the current expectation is that only a portion of this will become payable and, therefore, the amount of \$27,000 (30 June 2021: \$30,000) has been included in current provisions.

13. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

On both 5 January 2022 and 1 February 2022, the Company announced it had entered into a series of agreements that will, if approved by shareholders, achieve a recapitalisation of the Company.

The transactions include the conversion of approximately \$20.7 million in current debt to equity and the raising of \$7.2 million in funds.

Refer to the announcements made on the Australian Securities Exchange on both 5 January 2022 and 1 February 2022.

On 23 March 2022, the Company announced that it had issued fourteen million performance rights under the Employee Incentive Plan to existing employees.

There are no other matters or circumstances that have arisen since 31 December 2021 that have significantly affected or may significantly affect:

- (i) The consolidated entity's operations in future financial periods; or
- (ii) The results of those operations in future financial period; or
- (iii) The consolidated entity's state of affairs in future financial periods.



In the directors' opinion

a) the financial statement and notes set out on pages 6 to 23 are in accordance with the *Corporations Act 2001*, including:

- (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
- (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date.

b) as described in the going concern assumption (Note 1(d)), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors of Troy Resources Limited

Mr Richard Beazley
Interim CEO and Managing Director

Perth, Western Australia
11 April 2021



Independent auditor's review report to the members of Troy Resources Limited

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Troy Resources Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the Condensed consolidated statement of financial position as at 31 December 2021, the Condensed consolidated statement of changes in equity, Condensed consolidated statement of cash flows and Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Troy Resources Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty relating to going concern

We draw attention to Note 1 in the half-year financial report, which indicates that the Group incurred a net loss after tax of \$12.2 million and operating cash outflows of \$2.5 million during the period ended 31 December 2021 and, as of that date, the Group's current liabilities exceeded its current assets by \$34 million and its total liabilities exceeded its total assets by \$29 million. The Group's ability to continue as a going concern is dependent on the matters set out in Note 1, including the shareholders approving various elements of the Company's restructure plan, the success of the restructure plan, as well as receiving the continuing support of its financiers, creditors and ex-employees. These conditions, along with other matters set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.



Responsibilities of the directors for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Douglas Craig'.

Douglas Craig
Partner

Perth
11 April 2022