



TROY RESOURCES LIMITED

CONSOLIDATED FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

RESULTS FOR HALF-YEAR ENDED 31 DECEMBER 2017

Appendix 4D, previous corresponding period, half-year ended 31 December 2016.

Revenue and net profit				\$'000
Revenue from ordinary activities	Down	(2%)	to	43,346
Loss from ordinary activities after tax	Down	(90%)	to	(7,947)
Net loss attributable to members	Down	(90%)	to	(7,947)

Dividend information

No interim dividend for the financial year 2018 has been declared.

Net tangible assets per security	Dec 2017 per share	Jun 2017 per share
Net tangible assets per security	\$0.12	\$0.14
Common shares on issue at balance date	459,543,474	456,599,905

Additional Appendix 4D disclosure requirements can be found in the Directors' Report and the 31 December 2017 half-year financial statements.

This report is based on the condensed consolidated half-year financial statements for the period to 31 December 2017 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 2017 Annual Report.



TROY RESOURCES LIMITED



TROY RESOURCES LIMITED

ABN: 33 006 243 750

CONSOLIDATED FINANCIAL REPORT

For the half-year ended 31 December 2017



The Directors of Troy Resources Limited submit herewith the financial report of Troy Resources Limited and its subsidiaries (the “Company” or “Troy” or “Group”) for the half-year ended 31 December 2017 (“half-year”). In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

DIRECTORS

The names of the Directors of the Company during and since the end of the half-year unless otherwise indicated are:

Mr P A Stern	Non-Executive Director and Chairman
Mr K K Nilsson	Chief Executive Officer and Managing Director
Mr J L C Jones	Non-Executive Director

REVIEW OF OPERATIONS

OPERATING REVIEW

Karouni Operations, Guyana	June 2017 Quarter	September 2017 Quarter	December 2017 Quarter	6 months to December 2017
Open Pit Mining				
Total mined (t)	1,495,685	1,988,435	1,519,308	3,507,743
Ore Mined (t)	183,405	276,915	277,177	554,092
Mine Grade (g/t)	2.15	1.72	2.74	2.23
Mill Production				
Processed (t)	196,765	238,646	222,785	460,431
Head Grade Gold (g/t)	2.54	1.84	2.42	2.12
Recovery Gold (%)	95.9	91.3	93.6	92.4
Gold Produced (oz.)	15,411	12,885	16,109	28,994
Gold Sold (oz.)	17,328	12,771	15,385	28,156
Cash Cost (US\$/oz.)	881	1,005	832	903
All in sustaining costs (US\$/oz.)	1,208	1,240	1,017	1,107
Gold Price Realised (pre-hedging) (US\$/oz.)	1,255	1,274	1,276	1,275

During the half year, a total of 3,507,743 tonnes of material were mined, including 554,092 tonnes of ore at an average grade of 2.23 g/t. Grade increased during the latter part of the period which reflected the accessing of higher grade ore from the Smarts 3 orebody.

During the half year, 460,431 tonnes of ore were processed at an average grade of 2.12 g/t. Recovery for the period was 92.4%.

As at 31 December 2017, stockpiles of ROM and crushed ore encompassed 115,646 tonnes at an average grade of 1.48g/t.

During the half year, the Company's C1 operating costs were US\$903/oz, down 7% as compared to US\$970/oz in the previous year (2016/17).

All-in-Sustaining-Costs (“AISC”) for the period were US\$1,107/oz, down 18% as compared to US\$1,345/oz in the previous year (2016/17).



The decrease in unit operating costs is primarily due to the increased production for the quarter and the benefit of the cost reduction campaign undertaken over the last 6 months.

FINANCIAL RESULTS

	Half-year 31 Dec 2017 (\$'000)	Half-year 31 Dec 2016 (\$'000)	Change (\$'000)	Change
Revenue	43,346	44,280	(934)	(2%)
Underlying EBITDA ¹	6,829	3,874	2,955	76%
Depreciation and Amortisation	(12,453)	(21,718)	9,265	43%
Underlying EBIT ²	(5,624)	(17,843)	12,219	68%
Underlying (Loss) / Profit ³	(6,379)	(19,401)	13,022	67%
(Loss) after tax	(7,947)	(76,690)	68,743	90%
Cash flow from operating activities	3,125	(1,962)	5,087	259%
Cash flow from investing activities	(2,064)	(3,282)	1,218	37%
Cash flow from financing activities	(6,317)	22,271	(28,588)	(128%)
(Loss) per share (basic and diluted)	(1.7) cps	(19.3) cps	(17.6) cps	91%

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) of \$Nil (2016: \$57,288,000) and realised hedging (losses)/ gains (net of tax).

Statement of profit or loss

The Group's revenue from operating activities for the half-year totalled \$43,346,000 (2016: \$44,280,000).

The Group expensed exploration expenditure of \$523,000 (2016: \$3,441,000).

Borrowing costs in relation to the Investec Facility totalled \$2,323,000 (2016:\$2,451,000).

During the half-year, the Group recognised a pre-tax impairment charge of \$Nil (2016: \$68,401,000) and after tax charge of \$Nil (2016: \$57,288,000). Refer to Note 9 for further information on impairment testing.

Underlying EBITDA¹ for the Group was \$6,829,000 (2016: \$3,874,000).

Net loss after tax was \$7,947,000 (2016:\$76,690,000 including the impairment charge).

Statement of financial position

Current assets at 31 December 2017 increased by \$239,000 mainly due to an increase in inventory offset by a reduction in cash held.

The reduction in non-current assets of \$10,779,000 is primarily due to depreciation and amortisation for the half-year period.

The Company's original US\$71,600,000 debt facility with Investec was reduced from US\$27,192,000 to US\$23,192,000 during the half-year following repayments of US\$4,000,000. In January 2018 the debt facility was reduced by a further US\$3,000,000 to US\$20,192,000.



Statement of cash flows

Cash flow from operating activities for the half-year increased by \$5,087,000, principally due to operational and administrative cost reductions.

Investing cash outflows decreased by \$1,218,000 to \$2,064,000, principally due to a reduction in property, plant and equipment and, mine and development property spend.

Cash flows from financing activities reflect repayments made under the Investec Facility.

DEBT FACILITIES

The Group's net debt position at half-year end was \$26,167,000, which includes amounts due under the Investec Facility, net of cash held. Refer Note 10 for further information on borrowings.

DIVIDENDS

No dividend has been declared or paid during the half year to 31 December 2017.

BASIS OF PREPARATION

The attached half-year report for the half-year ended 31 December 2017 contains an independent auditor's review report which includes an emphasis of matter paragraph in regards 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.

SUBSEQUENT EVENTS

For details of significant events subsequent to balance date please refer to Note 15 of this half-year financial report.

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 2017 quarters, the 2017 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 6.

ROUNDING OF AMOUNTS

The Company is of the kind referred to in ASIC Legislative Instrument 2016/191 and, in accordance with that instrument, amounts in the half-year financial report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of Directors made pursuant to s.306(3) of the *Corporations Act 2001*.

Mr P A Stern
Non-Executive Chairman

Perth, Western Australia
28 February 2018



Auditor's Independence Declaration

As lead auditor for the review of Troy Resources Limited for the half-year ended 31 December 2017, 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 'B. Gargett', written over a light blue horizontal line.

Ben Gargett
Partner
PricewaterhouseCoopers

Perth
28 February 2018

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR HALF-YEAR ENDED 31 DECEMBER 2017

	Notes	31 Dec 2017 (\$'000)	31 Dec 2016 (\$'000)
Revenue	3	43,346	44,280
Cost of sales	4	(47,227)	(56,733)
Gross Loss		(3,881)	(12,453)
Other income	3	1,224	575
Share of net profit of associate accounted for using the equity method	3	421	1,333
Exploration expenses	4	(523)	(3,441)
Administration expenses	4	(2,828)	(3,704)
Finance costs	4	(2,323)	(2,582)
Other expenses	4	(37)	(23)
Impairment loss	4	-	(68,401)
Loss before income tax		(7,947)	(88,696)
Income tax benefit	5	-	12,006
Loss for the period		(7,947)	(76,690)
Other Comprehensive Income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Changes in value of hedge cash flow reserve net of deferred tax		(2,331)	17,853
Changes in fair value of available-for-sale assets net of tax		-	170
Exchange differences on translating foreign operations		(1,264)	9,927
Other comprehensive income for the period, net of tax		(3,595)	27,950
Total Comprehensive Income attributable to owners of Troy Resources Limited		(11,542)	(48,740)
Earnings per share (EPS) for loss attributable to the ordinary equity holders of the company:			
Basic EPS (cents)		(1.7)	(19.3)
Diluted EPS (cents)		(1.7)	(19.3)

Notes to the condensed consolidated financial statements are included on pages 11 to 22.



AS AT 31 DECEMBER 2017

	Notes	31 Dec 2017 (\$'000)	30 Jun 2017 (\$'000)
CURRENT ASSETS			
Cash and cash equivalents		3,544	8,855
Trade and other receivables	6	4,180	4,214
Inventories	7	19,469	13,885
Available for sale financial assets		180	180
TOTAL CURRENT ASSETS		27,373	27,134
NON-CURRENT ASSETS			
Property, plant and equipment		47,355	53,321
Mining properties		45,004	51,325
Investments in associate		3,140	3,148
Other receivables	6	3,800	2,261
Deferred tax assets		1,689	1,712
TOTAL NON-CURRENT ASSETS		100,988	111,767
TOTAL ASSETS		128,361	138,901
CURRENT LIABILITIES			
Trade and other payables	12	36,040	31,592
Hedge Liability	8	6,007	4,274
Provisions		1,177	1,516
Borrowings	10	27,649	32,742
TOTAL CURRENT LIABILITIES		70,873	70,124
NON-CURRENT LIABILITIES			
Provisions		3,405	3,452
TOTAL NON-CURRENT LIABILITIES		3,405	3,452
TOTAL LIABILITIES		74,278	73,576
NET ASSETS		54,083	65,325
EQUITY			
Issued capital	11	353,939	353,639
Reserves		30,702	34,297
Accumulated Losses		(330,558)	(322,611)
TOTAL EQUITY		54,083	65,325

Notes to the condensed consolidated financial statements are included on pages 11 to 22.



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Attributable to owners of Troy Resources Limited						
	Issued capital (\$'000)	Available for sale reserve (\$'000)	Share based payment reserve (\$'000)	Hedging cash flow reserve (\$'000)	Foreign currency translation reserve (\$'000)	Accumulated losses (\$'000)	Total equity (\$'000)
Balance at 1 July 2016	314,836	-	8,878	(14,988)	19,059	(174,408)	153,377
Loss for the half-year	-	-	-	-	-	(76,690)	(76,690)
Changes in fair value of hedging instrument net of deferred tax	-	-	-	17,853	-	-	17,853
Changes in fair value of available-for-sale assets net of tax	-	170	-	-	-	-	170
Exchange rate differences on translation of foreign operations	-	-	-	-	9,927	-	9,927
Total comprehensive income for the half-year	-	170	-	17,853	9,927	(76,690)	(48,740)
Issue of fully paid shares - capital raising	40,688	-	-	-	-	-	40,688
Share issue costs	(2,274)	-	-	-	-	-	(2,274)
Share-based payments	-	-	9	-	-	-	9
Balance at 31 December 2016	353,250	170	8,887	2,865	28,986	(251,098)	143,060
Balance at 1 July 2017	353,639	180	9,243	(1,381)	26,255	(322,611)	65,325
Loss for the half-year	-	-	-	-	-	(7,947)	(7,947)
Changes in fair value of hedging instrument net of deferred tax	-	-	-	(2,331)	-	-	(2,331)
Exchange rate differences on translation of foreign operations	-	-	-	-	(1,264)	-	(1,264)
Total comprehensive expense for the half-year	-	-	-	(2,331)	(1,264)	(7,947)	(11,542)
Issue of fully paid shares to Investec	300	-	-	-	-	-	300
Balance at 31 December 2017	353,939	180	9,243	(3,712)	24,991	(330,558)	54,083

Notes to the condensed consolidated financial statements are included on pages 11 to 22.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR HALF-YEAR ENDED 31 DECEMBER 2017

	2017 (\$'000)	2016 (\$'000)
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	44,706	49,648
Payments to suppliers and employees	(34,980)	(45,211)
Export tax and government royalties paid	(5,049)	(2,907)
Net commodity hedging payments	(1,568)	(3,649)
Proceeds from sundry income	16	157
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	3,125	(1,962)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(927)	(1,897)
Payments for mine and development properties	(1,139)	(2,830)
Cash received on partial sale of Troy Resources Argentina Ltd	-	1,309
Interest received	2	136
NET CASH USED IN INVESTING ACTIVITIES	(2,064)	(3,282)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of borrowings	(5,210)	(13,516)
Payment of financing costs	(1,107)	(2,628)
Net proceeds from the issue of equity securities	-	38,415
NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES	(6,317)	22,271
NET DECREASE/INCREASE IN CASH AND CASH EQUIVALENTS	(5,256)	17,027
Cash and cash equivalents at the beginning of the half-year	8,855	3,436
Effects of exchange rate changes on balances held in foreign currencies	(55)	67
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3,544	20,530

Refer to Note 11 for information relating to non-cash financing activities.

Notes to the condensed consolidated financial statements are included on pages 11 to 22.



1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

(b) Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except certain financial instruments that are measured at fair values. Historical cost is generally based on the fair values of the consideration given in exchange for goods or services. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is of the kind referred to in ASIC Legislative Instrument 2016/191 and, in accordance with that instrument, amounts in the half-year financial report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2017 annual financial report for the financial year ended 30 June 2017, and the corresponding interim reporting period, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

(c) Comparative financial information

Comparative financial information has been reclassified to aid comparability with the current half-year, and more appropriately reflect the nature of the items concerned. None of the adjustments affect the loss before or after tax or net assets.

(d) Going concern assumption

The consolidated financial statements have been prepared 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.

The Group has recorded a net loss after tax of \$7,947,000 (2016: loss of \$76,690,000) for the period which includes non-cash depreciation and amortisation charges of \$12,453,000. The statement of financial position displays a net working capital deficiency of \$43,500,000 as at the half-year end (30 June 2017: \$42,990,000). Included within this is cash on hand of \$3,544,000 (30 June 2017: \$8,855,000).

The net working capital deficiency reflects the inclusion of the scheduled Investec loan principal repayments over the next 12 month period of \$27,649,000 (30 June 2017: \$32,742,000), which has already been reduced by \$3,805,666 during January, as well as operational creditors of \$36,040,000 (30 June 2017: \$31,592,000).

Operational issues continued to impact the operations at Karouni until late October when mining access to the higher grade ore body at Smarts Stage 3 was re-established following the pit wall failure in December 2016, which had an adverse impact on the Group's performance over that period.

In addition, there were issues with various sections of the mill which resulted in lower mill throughput in addition to the treatment of lower grade ores. These issues have also been resolved.

**1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(d) Going concern assumption (continued)**

The continuing viability of the Company and its ability to continue as a going concern and meet its debts and commitments as and when they fall due is dependent on the Company achieving one or more of the following:

- Operational cashflows - Positive operational cash flows are forecast to be achieved over the next 12 month period which exceeds net cash outflows including Investec debt repayments. Repayment of all overdue trade creditors will take longer to achieve. Actual performance over the period November 2017 to February 2018 has been cash flow positive and generally in line with expectations.
- Re-optimising pit designs and mine plans - The Company is in the process of re-optimising pit designs and the mine plan to incorporate the lower costs being achieved, recent grade control drilling information and current gold price. This may lead to a change in mine life and production.
- Exploration Drilling - The Company also announced on 8 February 2018 that it has continued to perform drilling at Spearpoint which is located close to the Karouni processing plant. Firming up of this resource and converting into mineable reserves would extend the mine life of Karouni further. The drilling at Spearpoint has been completed and results to date are in line with expectations. All assay results are expected by the end of February and to be collated during March. The next target for drilling is Larkin.
- Repayment of Investec debt - As at 31 December 2017 the company had debt repayments due within the next 12 months of \$27,649,000 (US\$23,192,000) of which \$3,805,666 (US\$3,000,000) was repaid in early January 2018. The current debt repayment schedule is outlined below:-

Date	Repayment US\$'000
31 March 2018	4,000
30 June 2018	5,000
30 September 2018	6,000
31 December 2018	5,192

- At 31 December 2017, the Company was in compliance with the Investec facility covenants.
- Continued support of trade creditors - Management in Guyana keeps in regular contact with Troy Resources Guyana Inc.'s ("TRGI") trade creditors and its plans for the repayment of outstanding amounts. Dialogue is continuing and support has been forthcoming from the creditors at this time.
- Capital raisings - The Directors have other potential funding options available to them, including the potential of capital raising, if required, to support the repayment of loans and reduction of trade creditors to a more reasonable level.
- Casposo Option Exercise - The first Casposo option exercise period, whereby the option holder (Austral Gold Limited) has the right to purchase an additional 10% in the project, is open between 31 December 2018 and 15 January 2019. The exercise price is set at a base of US\$1,500,000 but could increase depending on the silver price recorded during 2018.

**1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(d) Going concern assumption (continued)**

As a result of the above items, there is a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, 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 a combination of the above matters and, accordingly, have prepared the financial report on a going concern basis.

(e) Amendments to AASBs and new Interpretations that are mandatorily effective for the current reporting period

The Group has adopted the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year. However, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

Refer to Note 3 of the annual financial report for year ended 30 June 2017 for details on the implementation impact of Standards and Interpretations issued not yet effective.



2. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by reportable operating segment for the half-year under review:

	Segment revenue Half-year ended		Segment loss Half-year ended	
	31 Dec 2017 (\$'000)	31 Dec 2016 (\$'000)	31 Dec 2017 (\$'000)	31 Dec 2016 (\$'000)
Producing operations:				
Guyana	43,346	44,280	(3,881)	(12,453)
Total operations	43,346	44,280	(3,881)	(12,453)
Exploration:				
Guyana			(523)	(3,441)
Total exploration			(523)	(3,441)
Impairment:				
Guyana Mining Properties			-	(68,401)
Total impairment loss before income tax			-	(68,401)
Total segments	43,346	44,280	(4,404)	(84,295)
Other income			1,224	575
Share of net profit of associate accounted for using the equity method			421	1,333
Administration expenses			(2,828)	(3,704)
Other expenses			(37)	(23)
Finance costs			(2,323)	(2,582)
Loss before tax			(7,947)	(88,696)
Income tax benefit			-	12,006
Loss for the period			(7,947)	(76,690)

The revenue reported above represents revenue generated from external customers. There were no intersegment sales during the half-year.

Segment result represents the loss earned by each segment without the allocation of corporate administration costs including directors' salaries, other income, corporate finance costs, and tax expense.

This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.



2. SEGMENT INFORMATION (CONTINUED)

The following is an analysis of the Group's assets by reportable segment:

	Consolidated as at	
	31 Dec 2017	30 Jun 2017
	(\$'000)	(\$'000)
TOTAL ASSETS		
Operations		
Guyana	124,483	130,348
Total segment assets	124,483	130,348
Cash and cash equivalents ⁽ⁱ⁾	160	4,312
Receivables and other assets ⁽ⁱ⁾	3,718	4,241
Total assets	128,361	138,901

⁽ⁱ⁾ Unallocated assets include various assets, including cash held at a corporate level that has not been allocated to the underlying segment.

The following is an analysis of the Group's liabilities by reportable segment:

TOTAL LIABILITIES		
Operations		
Brazil – discontinued operation – closure liabilities	436	1,184
Guyana	38,760	34,490
Total segment liabilities	39,196	35,674
Borrowings ⁽ⁱⁱ⁾	27,649	32,742
Hedge Liability	6,007	4,274
Other liabilities ⁽ⁱⁱ⁾	1,426	886
Total liabilities	74,278	73,576

⁽ⁱⁱ⁾ Unallocated liabilities include tax liabilities, deferred consideration, corporate level entitlements and consolidated entity borrowings not specifically allocated to any one underlying segment.

3. REVENUE

	Half-year	
	2017	2016
	(\$'000)	(\$'000)
Operating Revenue		
Gold sales	44,652	49,648
Silver sales	54	-
Hedging - losses realised ⁽ⁱ⁾	(1,360)	(5,368)
	43,346	44,280

⁽ⁱ⁾ During the half-year, the Group realised \$1,360,000 in hedge losses. An additional \$2,331,000 in net losses was recycled from the cash flow hedge reserve in accordance with accounting standards. Gains and losses deferred in the hedge reserves will be recognised to the profit and loss statement over the life of the contracts originally hedged.



3. REVENUE (CONTINUED)

	Half-year	
	2017	2016
	(\$'000)	(\$'000)
Other Income		
Interest received	2	136
Net foreign exchange gains	1,196	5
Other	26	434
	1,224	575
Share of net profit of associate accounted for using the equity method	421	1,333

4. EXPENSES

(i) Cost of sales

Depreciation of property, plant & equipment	6,548	8,594
Amortisation of mining properties	5,890	13,094
Government royalties	3,937	4,478
Mining expenses	17,680	17,239
Mill processing	10,155	10,621
Other	3,017	2,707
	47,227	56,733

(ii) Exploration Expenditure

Exploration expenditure incurred	523	3,441
	523	3,441

(iii) Administration Expenses

Head office salaries and on-costs	324	1,076
Head office corporate restructure costs	47	101
Directors fees and on-costs	386	167
Care and maintenance costs Brazil	416	952
Head office depreciation	15	30
Overseas office and administration	362	329
Other Head office administration ⁽ⁱ⁾	1,278	1,049
	2,828	3,704

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

(iv) Other Expenses

Share based payments	-	8
Loss on disposal of equipment	37	15
	37	23

**4. EXPENSES (CONTINUED)**

	Half-year	
	2017	2016
	(\$'000)	(\$'000)
(v) Finance costs		
Borrowing costs	2,323	2,451
Other	-	131
	2,323	2,582
(vi) Impairment Loss ⁽ⁱ⁾		
Mine property	-	68,401
Impairment loss before income tax	-	68,401
Derecognition of deferred tax liability in relation to impaired assets	-	(11,113)
Impairment loss net of income tax	-	57,288

⁽ⁱ⁾ Refer to Note 9 for further information on the impairment testing.

5. TAXATION**Income Tax**

Income tax rates applicable for Corporations operating in Australia is 30% ¹.

	Half-year	
	2017	
	Tax expense / (benefit)	Effective tax rate
	(\$'000)	(%)
Decrease in deferred tax liability	-	-
	-	-

¹ The Group is exposed to other tax jurisdictions, notably, Guyana, Brazil and Argentina.

**6. TRADE AND OTHER RECEIVABLES**

	Consolidated as at	
	31 Dec 2017	30 Jun 2017
	(\$'000)	(\$'000)
Current		
Other debtors and prepayments	4,180	4,214
Non-Current		
Value added tax recoverable	3,800	2,261

7. INVENTORY

Bullion and doré on hand (at cost)	822	-
Gold in circuit (at cost)	2,828	872
Ore stockpiles and work in progress	5,098	501
Stores and raw materials	10,721	12,512
	19,469	13,885

8. FINANCIAL INSTRUMENTS

The fair value of the Group's financial assets and liabilities are determined on the following basis.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Subsequent to initial recognition at fair value, financial instruments are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Levels are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Where the Group holds certain shares in listed entities these shares are measured at fair value subsequent to initial recognition based on the closing quoted price of shares. All such investments are classified as available for sale (AFS). At 31 December 2017 the Group AFS investment was carried at value of \$180,000 (30 June 2017: \$180,000).

The AFS investments are classified as level 1 within the fair value hierarchy as per AASB 7 'Financial Instruments: Disclosures'.

**8. FINANCIAL INSTRUMENTS (CONTINUED)**

Financial Assets/(Liabilities)	Gold Forward contracts
Fair value as at 30 Jun 2017	(\$4,274,000)
Fair value as at 31 Dec 2017	(\$6,007,000)
Fair value hierarchy	Level 2
Valuation technique(s) and key input(s)	Mark to Market. Forward Price fair value of this cash flow hedge was estimated using observable spot gold inputs in combination with spot price parameters and mark to market valuations as provided by counter parties as at the reporting date. Key inputs used include commodity spot rates (gold), remaining contract term, forward curve of underlying metal (gold), base currency discount rate (US\$) and spot exchange rate (US\$/A\$).

For further details on Financial Instruments refer to Note 32 of the annual financial report for year ended 30 June 2017.

9. IMPAIRMENT TESTING FOR NON-CURRENT ASSETS**Results of impairment testing - Karouni CGU**

	31 Dec 2017	30 Jun 2017
	(\$'000)	(\$'000)
Mine property	-	88,401
Property, plant and equipment	-	20,000
	-	108,401
Derecognition of deferred tax liability in relation to impaired assets	-	(12,006)
Impairment loss after income tax	-	96,395

Property, Plant & Equipment and Mine and Development Properties

The Group has one cash generating unit (CGU) being Karouni.

Non-financial assets are reviewed at each reporting period to determine whether there is an indication of impairment. Where an indicator of impairment exists, a formal estimate of recoverable amount is made.

An impairment assessment was conducted at balance date given that the market capitalisation of Troy at that time was below net asset value and therefore considered an indicator of impairment. Following completion of this assessment no impairment charge has been recognised during the current period in relation to Karouni.

**9. IMPAIRMENT TESTING FOR NON-CURRENT ASSETS (CONTINUED)****Methodology**

The future recoverability of capitalised mining properties and property, plant and equipment is dependent on a number of key factors, which include: gold price, operating costs, discount rates used in determining the estimated discounted cashflow and the level of reserves and resources.

The costs to dispose have been estimated by management based on prevailing market conditions. Impairment is recognised when the carrying amount of the CGU exceeds its recoverable amount.

The Group has adopted fair value less cost of disposal, which is greater than the value in use, and used this as the recoverable amount for impairment testing purposes. Fair value is estimated based on discounted cashflows using market based commodity price assumptions, estimated quantities of recoverable minerals, production levels, operating costs, working capital position and future capital expenditure. These estimates are based on the Group's most recent life-of-mine plans.

Key assumptions

The table and commentary below summarises the key assumptions used in the 31 December 2017 half year end carrying value assessment:

	FY18	FY 19	FY 20	FY 21	FY 22
Gold price (US\$ per ounce)	1,273	1,297	1,302	1,302	1,318
Discount rate per annum (USD, post-tax, Real)	8.5%	8.5%	8.5%	8.5%	8.5%

Commodity prices and exchange rates

The commodity price is estimated with reference to external market consensus forecasts prevailing at the end of the half-year. The US\$ cashflows are then converted at the A\$/US\$ exchange rate on 31 December 2017.

Discount rate

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

Operating and capital costs

Life-of-mine operating and capital cost assumptions are based on the Group's latest plans. These assumptions reflect the recent operational difficulties experienced at Karouni and take into account a better understanding of the operating conditions experienced throughout the period.

Mineral Reserves and Mineral Resources

The life-of-mine plan for the CGU includes Mineral Reserves and those Mineral Resources where there is an expectation that they will convert to Mineral Reserves.

Sensitivity analysis

Any variation in the key assumptions going forward may impact the recoverable value of the CGU. If the variation in an assumption has a negative impact on the recoverable value, it could indicate a requirement for impairment.



10. BORROWINGS

	Consolidated as at	
	31 Dec 2017	30 Jun 2017
	(\$'000)	(\$'000)
Debt facility		
Investec Bank PLC – Syndicated debt facility	29,711	35,378
Capitalised borrowing costs	(2,062)	(2,636)
	27,649	32,742
 Current	 27,649	 32,742
	27,649	32,742

The Group repaid a total of \$5,210,000 (US\$4,000,000) during the half-year (Dec 2016: A\$13,516,000 (US\$10,000,000)). Refer to Note 1(d) for further information on the repayment schedule.

11. ISSUED CAPITAL

	Consolidated Half-year ended		Consolidated Full-year ended	
	31 Dec 2017		30 Jun 2017	
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Fully paid ordinary issued capital				
Balance at the beginning of the financial year	456,600	353,639	340,799	314,836
Issue of fully paid shares – capital raising (net of share issue expenses)	-	-	113,023	38,414
Issue of fully paid shares to Investec as part of debt restructure	2,944	300	2,778	389
	459,544	353,939	456,600	353,639

The shares issued to Investec as part of the debt restructure were a non-cash financing transaction.

**12. TRADE AND OTHER PAYABLES**

	Consolidated as at	
	31 Dec 2017	30 Jun 2017
	(\$'000)	(\$'000)
CURRENT		
Troy Resources Limited	1,387	657
Troy Resources Guyana Inc.	31,291	26,855
Other overseas entities	3,362	4,080
	36,040	31,592

13. CONTINGENT LIABILITIES

The Group has the following contingent liabilities:

- (i) General bank guarantees to financial institutions totalling \$306,000 (30 June 2017: \$380,000), of which \$260,000 (30 June 2017: \$333,000) is cash backed.
- (ii) Potential legal claims submitted by previous employees at the Company's Sertão and Andorinhas operations in Brazil of \$1,327,000. Based on past settlement of claims, the current expectation is that only a portion of this may become payable and therefore \$286,000 has been included in current provisions.

14. KEY MANAGEMENT PERSONAL

Remuneration arrangements of key management personnel are disclosed in the annual financial report.

15. SUBSEQUENT EVENTS

There are no matters or circumstances that have arisen since 31 December 2017 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 7 to 22 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 2017 and of its performance for the half-year ended on that date.
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors of Troy Resources Limited

Mr P A Stern
Non-Executive Chairman

Perth, Western Australia
28 February 2018



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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Troy Resources Limited (the Company), which comprises the condensed consolidated statement of financial position as at 31 December 2017, 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, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Troy Resources Limited. The consolidated entity comprises the Company and the entities it controlled during that half-year.

Directors' responsibility 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 is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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* and going concern (ET to obtain correct wording) including giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and 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*. As the auditor of Troy Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757

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Conclusion

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

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and going concern (ET to obtain correct wording).

Material uncertainty related to going concern

We draw attention to Note 1 (d) in the financial report, which indicates that the Group incurred a net loss of \$7.9 million during the half -year ended 31 December 2017 and, as of that date, the Group's current liabilities exceeded its current assets by \$43.5 million. As a result the company is dependent on receiving the continuing financial support of its shareholders, creditors and lenders. These conditions, along with other matters set forth in Note 1 (d), 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.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in black ink that appears to read 'Ben Gargett'.

Ben Gargett
Partner

Perth
28 February 2018