TROY RESOURCES LIMITED

CONSOLIDATED FINANCIAL REPORT

FOR THE HALF-YEAR ENDED **31 DECEMBER 2018**

RESULTS FOR HALF-YEAR ENDED 31 DECEMBER 2018

Appendix 4D previous corresponding period comparative, at half-year ended 31 December 2018.

Revenue and net profit				**$'000**
Revenue from ordinary activities	Up	31%	to	57,082
Loss from ordinary activities after tax	Up	401%	to	(39,766)
Net loss attributable to members	Up	401%	to	(39,766)

Dividend information
No interim dividend has been declared or paid for the period to 31 December 2018.

Net tangible assets per security	**Dec 2018 per share**	**Jun 2018 per share**
Net tangible assets per security	$0.07	$0.13
Common shares on issue at balance date	461,426,713	459,543,474

Additional Appendix 4D disclosure requirements can be found in the Directors' Report and the 31 December 2018 half-year financial statements.

This report is based on the condensed consolidated half-year financial statements for the period to 31 December 2018 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 2018 Annual Report.

TROY RESOURCES LIMITED

ABN: 33 006 243 750

CONSOLIDATED FINANCIAL REPORT

For the half-year ended 31 December 2018

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 2018 ("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 AM	Non-Executive Director
Mr R Beazley	Non-Executive Director (appointed 3 October 2018)

REVIEW OF OPERATIONS

OPERATING REVIEW

Karouni Operations, Guyana	6 months to December 2017	September 2018 Quarter	December 2018 Quarter	6 months to December 2018
Open Pit Mining				
Total mined (t)	3,507,743	1,142,663	1,475,319	**2,617,846**
Ore Mined (t)	554,092	248,344	239,424	**487,768**
Mine Grade (g/t)	2.23	2.08	2.10	**2.08**
Mill Production				
Processed (t)	460,431	219,324	207,947	**427,271**
Head Grade Gold (g/t)	2.12	2.79	2.21	**2.51**
Recovery Gold (%)	92.4	96.6	96.4	**96.5**
Gold Produced (oz.)	28,994	18,991	14,227	**33,218**
Gold Sold (oz.)	28,156	13,417	17,712	**31,129**
Cash Cost (US$/oz.)	903	673	891	**780**
All in sustaining costs (US$/oz.)	1,107	824	1,141	**974**
Gold Price Realised (pre-hedging) (US$/oz.)	1,275	1,214	1,216	**1,215**

During the half year, a total of 2,617,846 tonnes of material were mined, including 487,768 tonnes of ore at an average grade of 2.08 g/t.

During the half year, 427,271 tonnes of ore were processed at an average grade of 2.51 g/t. Recovery for the period was 96.5%.

As at 31 December 2018, stockpiles of ROM and crushed ore encompassed 206,500 tonnes at an average grade of 1.45g/t for approx. 9,600 contained ounces.

During the half year, the Company's C1 operating costs were US$780/oz, down 14% as compared to US$903/oz in the previous corresponding half year (December 2017).

All-in-Sustaining-Costs ("AISC") for the period were US$974/oz, down 12% as compared to US$1,107/oz in the previous corresponding half year.

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

FINANCIAL RESULTS

	Half-year 31 Dec 2018 ($'000)	Half-year 31 Dec 2017 ($'000)	Change ($'000)	Change
Revenue	**57,082**	43,346	13,736	32%
Underlying EBITDA[1]	**(7,390)**	6,829	(14,219)	(208%)
Depreciation and Amortisation	**(14,302)**	(12,453)	(1,849)	(15%)
Underlying EBIT[2]	**6,921**	(5,624)	12,545	223%
Underlying Loss [3]	**(9,765)**	(6,379)	(3,386)	(53%)
Loss after tax	**(39,766)**	(7,947)	(31,819)	(400%)
Cash flow from operating activities	**6,953**	3,125	3,051	98%
Cash flow from investing activities	**(359)**	(2,064)	1,705	83%
Cash flow from financing activities	**(2,419)**	(6,317)	3,898	62%
Loss per share (basic and diluted)	**(8.6) cps**	(1.7) cps	(6.90 cps)	(406%)

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 $30,000,000 (2017: Nil).

Statement of profit or loss

The Group's revenue from operating activities for the half-year totalled $57,082,000 (2017: $43,346,000).

The Group expensed exploration expenditure of $1,481,000 (2017: $523,000).

Borrowing costs in relation to the Investec Facility totalled $1,641,000 (2017: $2,323,000).

During the half-year, the Group recognised a pre-tax impairment charge of $30,000,000 (2017: $Nil). Refer to Note 7 for further information on impairment testing.

An indication of impairment is based on many factors including the comparison of the Company's market capitalisation against net book value of assets. This was impacted during the half year by the fall in the market capitalisation of the Company, a pit wall failure and the fall in the US$:A$ exchange rate which increased the value of assets in A$ terms even though they declined in US$ terms.

The size of the impairment charge taken is also a combination of a number of factors but primarily by the pit wall failure in October 2018 which has caused an alteration to the mine plan and additional costs to be incurred, future price and exchange rate assumptions (which are from consensus forecasts) and various mining assumptions. The Company notes that the Ohio Creek Prospect is not included in the value calculation as it is at too early a stage to have a Mineral Resource and, as such, is not included at this time in any mine plan and as such cannot be included in the calculation of asset value or operational cash flows. Troy's accounting policy is to expense exploration costs incurred until a project has reached a stage where it can reasonably be assumed that an economic resource has been determined. Hence all costs related to Ohio Creek have been expensed to date.

Underlying EBITDA for the Group was a loss of $7,390,000 (2017: profit of $6,829,000).

Following the asset impairment review, the Company expensed its Deferred Tax Asset by $1,203,000.

Net loss after tax was $39,766,000 (2017:$7,947,000).

Statement of financial position

The reduction in non-current assets of $39,665,000 is primarily due to depreciation and amortisation for the half-year period and the impairment charge (refer Note 7).

The Company's original US$71,600,000 debt facility with Investec was reduced from US$11,192,000 to US$8,192,000 during the half-year following a repayment of US$3,000,000. In January 2019, the debt facility was reduced by a further US$3,000,000 to US$5,192,000. This amount is currently due for repayment on 31 March 2019.

Statement of cash flows

Cash flow from operating activities for the half-year increased by $3,828,000.

Investing cash outflows decreased by $1,705,000 to $359,000, 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, and proceeds from the issue of equity securities.

DEBT FACILITIES

The Group's net debt position at half-year end was $5,469,000, which includes amounts due under the Investec Facility net of non-restricted cash on hand. Refer Note 8 for further information on borrowings.

HEDGING

As at 31 December 2018, the Group had one hedge contract outstanding which was settled at the end of January 2019 with a payment to the Company.

DIVIDENDS

No interim dividend has been declared or paid during the half year to 31 December 2018.

BASIS OF PREPARATION

The attached half-year report for the half-year ended 31 December 2018 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.

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 2018 quarters, the 2018 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 7.

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 K K Nilsson
Managing Director and Chief Executive Officer

Perth, Western Australia
28 February 2019

Auditor's Independence Declaration

As lead auditor for the review of Troy Resources Limited for the half-year ended 31 December 2018, 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.

Ben Gargett
Partner
PricewaterhouseCoopers

Perth
28 February 2019

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR HALF-YEAR ENDED 31 DECEMBER 2018

	Notes	31 Dec 2018 ($'000)	31 Dec 2017 ($'000)
Revenue	3	**57,082**	43,346
Cost of sales	4	**(60,550)**	(47,227)
Gross Loss		**(3,468)**	(3,881)
Other income		**642**	1,224
Share of net profit of associate accounted for using the equity method		**-**	421
Exploration expenses		**(1,481)**	(523)
Administration expenses	4	**(1,689)**	(2,828)
Finance costs	4	**(1,641)**	(2,323)
Other expenses	4	**(926)**	(37)
Impairment loss	7	**(30,000)**	-
Loss before income tax		**(38,563)**	(7,947)
Income tax expense	2	**(1,203)**	-
Loss for the period		**(39,766)**	(7,947)
Other Comprehensive Income			
Items that may be reclassified subsequently to profit or loss			
Changes in value of hedge cash flow reserve net of deferred tax		**122**	(2,331)
Changes in fair value of available-for-sale assets net of tax		**(34)**	-
Exchange differences on translating foreign operations		**8,705**	(1,264)
Other comprehensive income for the period, net of tax		**8,793**	(3,595)
Total Comprehensive Income attributable to owners of Troy Resources Limited		**(30,973)**	(11,542)
Earnings per share (EPS) for loss attributable to the ordinary equity holders of the company:			
Basic EPS (cents)		**(8.6)**	(1.7)
Diluted EPS (cents)		**(8.6)**	(1.7)

Notes to the condensed consolidated financial statements are included on pages 12 to 21.

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2018

	Notes	**31 Dec 2018 ($'000)**	30 Jun 2018 ($'000)
CURRENT ASSETS			
Cash and cash equivalents		**5,689**	1,344
Trade and other receivables	5	**5,894**	3,282
Inventories	6	**21,258**	15,753
Hedge Asset		**255**	-
Available for sale financial assets		**117**	150
TOTAL CURRENT ASSETS		**33,213**	20,529
NON-CURRENT ASSETS			
Property, plant and equipment		**25,717**	44,644
Mining properties		**16,144**	36,542
Other receivables	5	**5,551**	4,768
Deferred tax assets		**645**	1,768
TOTAL NON-CURRENT ASSETS		**48,057**	87,722
TOTAL ASSETS		**81,270**	108,251
CURRENT LIABILITIES			
Trade and other payables		**34,780**	28,582
Hedge Liability		**-**	1,102
Provisions		**237**	697
Borrowings	8	**11,158**	14,192
Lease Liability		**1,112**	-
TOTAL CURRENT LIABILITIES		**47,287**	44,573
NON-CURRENT LIABILITIES			
Provisions		**4,092**	3,913
Lease Liability		**559**	-
TOTAL NON-CURRENT LIABILITIES		**4,651**	3,913
TOTAL LIABILITIES		**51,938**	48,486
NET ASSETS		**29,332**	59,765
EQUITY			
Issued capital	9	**354,137**	353,939
Reserves		**47,183**	38,048
Accumulated Losses		**(371,988)**	(332,222)
TOTAL EQUITY		**29,332**	59,765

Notes to the condensed consolidated financial statements are included on pages 12 to 21.

	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 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**
Balance at 1 July 2018 as originally presented	353,939	150	9,243	495	28,160	(332,222)	59,765
Loss for the half-year	-	-	-	-	-	(39,766)	(39,766)
Changes in fair value of hedging instrument net of deferred tax	-	-	-	122	-	-	122
Changes in fair value of available-for-sale assets net of tax	-	(34)	-	-	-	-	(34)
Exchange rate differences on translation of foreign operations	-	-	-	-	8,705	-	8,705
Total comprehensive expense for the half-year	**-**	**(34)**	**-**	**122**	**8,705**	**(39,766)**	**(30,973)**
Issue of fully paid shares to Investec	198	-	-	-	-	-	198
Issue of Options to Investec	-	-	342	-	-	-	342
Balance at 31 December 2018	**354,137**	**116**	**9,585**	**617**	**36,865**	**(371,988)**	**29,332**

Notes to the condensed consolidated financial statements are included on pages 12 to 21.

FOR HALF-YEAR ENDED 31 DECEMBER 2018

	2018 ($'000)	2017 ($'000)
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	**52,319**	44,706
Payments to suppliers and employees	**(40,666)**	(34,980)
Export tax and government royalties paid	**(5,096)**	(5,049)
Net commodity hedging receipts	**121**	(1,568)
Proceeds from sundry income	**275**	16
NET CASH PROVIDED BY OPERATING ACTIVITIES	**6,953**	3,125
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	**(309)**	(927)
Payments for mine and development properties	**(68)**	(1,139)
Proceeds from sale of investments	**17**	-
Interest received	**1**	2
NET CASH USED IN INVESTING ACTIVITIES	**(359)**	(2,064)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of borrowings	**(4,169)**	(5,210)
Payment of financing costs	**(636)**	(1,107)
Proceeds from the issue of equity securities	**2,386**	-
NET CASH USED IN FINANCING ACTIVITIES	**(2,419)**	(6,317)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**4,175**	(5,256)
Cash and cash equivalents at the beginning of the half-year	**1,344**	8,855
Effects of exchange rate changes on balances held in foreign currencies	**170**	(55)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**5,689**	3,544

Notes to the condensed consolidated financial statements are included on pages 12 to 21.

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 2018 annual financial report for the financial year ended 30 June 2018, 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 $39,766,000 (2017: loss of $7,947,000) for the period which includes non-cash depreciation and amortisation charges of $14,302,000 and an impairment write down of $30,000,000. The statement of financial position displays a net working capital deficiency of $14,074,000 as at the half-year end (30 June 2018: $24,044,000). Included within this amount is cash on hand and restricted cash of $5,689,000 (30 June 2018: $1,344,000).

The net working capital deficiency reflects the inclusion of the scheduled Investec loan principal repayments of $11,158,000 (30 June 2018: $14,192,000), which has already been reduced by $4,202,406 during January. The balance is currently due for repayment on 31 March 2019. In addition the Company has operational creditors of $35,133,000 (30 June 2018: $28,582,000) of which a significant amount exceeds normal commercial terms but are covered by agreements with the relevant creditors.

Operational issues impacted operations at Karouni in October 2018 when access to the Smarts 3 pit was interrupted following a pit wall failure. Smarts 3 contains the higher grade ore body. This has had an adverse impact on the Group's performance over the December 2018 quarter. This resulted in the treatment of lower grade ores in that quarter and will continue to impact production in the first half of the 2019 calendar year while remedial works are undertaken.

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 – Achieving positive operational cash flows.
- Re-optimising pit designs and mine plans - The Company is in the process of re-optimising pit designs and the mine plan to regain access to the Smarts 3 pit. This may lead to a change in mine life and production.
- Continued support of trade creditors - Management in Guyana keeps in regular contact with Troy Resources Guyana Inc.'s ("TRGI") trade creditors (including the Government of Guyana) and its plans for the repayment of outstanding amounts. Dialogue is continuing and support has been forthcoming from the creditors at this time.
- Support from the Company's financier, Investec – The Directors have previously, and are continuing to, work with Investec to restructure the debt facility and are confident that the Group will be able to either repay or restructure the facility by 31 March 2019.
- Capital raisings - The Directors have other potential funding options available to them, including the potential of capital raising to support the repayment of loans and reduction of trade creditors to a more reasonable level. The Company currently has an SPP offering open to shareholders and is seeking up to $7.5 million from that raising. The Company also has the ability to place shares under its approved placement capacity and/or undertake a right issue to shareholders should this be required.
- Exploration Drilling – Since October 2018, the Company has announced strong exploration results from drilling programs at the Ohio Creek prospect, which is located only approx. 10 kilometres from the Karouni processing plant. The Company is looking to continue drilling to outline a mineral resource and fast track the prospect to production.

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 applied, for the first time, *AASB 15 – Revenue from Contracts with Customers* and *AASB 9 – Financial Instruments.* As required by AASB 134, the nature and effect of these changes are disclosed below.

(i) AASB 15 Revenue from Contracts with Customers

The Group adopted *AASB 15 – Revenue from Contracts* with Customers from 1 July 2018. The core principal of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at the amount that reflects the consideration the Group expects to receive in exchange for those goods or services.

Revenue is allocated to each performance obligation and recognised when the performance obligation is satisfied, which could be over time or at a point in time.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Gold and Silver By-Product Sales

The Group earns revenue from the sale of gold bullion and silver by-product mined from its 100% owned Karouni operations. The Group has determined that revenue from these sales is recognised when the performance obligation is satisfied, and control has been transferred to the customer. This generally occurs when the gold bullion and silver by-product have been transferred from the refining company to the customer. Sales to customers are denominated in US Dollars and are recognised net of duties and other taxes.

The Group adopted the new accounting standard during the period and there was no material impact on adoption.

(ii) AASB 9 Financial Instruments

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group adopted the new accounting standard during the period and there was no material impact on adoption.

Refer to Note 3 of the annual financial report for year ended 30 June 2018 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 2018 ($'000)	31 Dec 2017 ($'000)	**31 Dec 2018 ($'000)**	31 Dec 2017 ($'000)
Producing operations:				
Guyana	**57,082**	43,346	**(3,468)**	(3,881)
Total operations	**57,082**	43,346	**(3,468)**	(3,881)
Exploration:				
Guyana			**(1,481)**	(523)
Total exploration			**(1,481)**	(523)
Impairment:				
Guyana Mining Properties			**(15,000)**	-
Property, Plant and Equipment			**(15,000)**	
Total impairment loss before income tax			**(30,000)**	-
Total segments	**57,082**	43,346	**(34,949)**	(4,404)
Other income			**642**	1,224
Share of net profit of associate accounted for using the equity method			**-**	421
Administration expenses			**(1,689)**	(2,828)
Other expenses			**(926)**	(37)
Finance costs			**(1,641)**	(2,323)
Loss before tax			**(38,563)**	(7,947)
Income tax expensed			**(1,203)**	-
Loss for the period			**(39,766)**	(7,947)

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:

	31 Dec 2018 ($'000)	30 Jun 2018 ($'000)
TOTAL ASSETS		
Operations		
Guyana	**77,890**	105,761
Total segment assets	**77,890**	105,761
Cash and cash equivalents[(i)]	**2,490**	337
Deferred tax assets[(ii)]	**645**	1,768
Receivables and other assets [(i)]	**245**	385
Total assets	**81,270**	**108,251**

[(i)] Unallocated assets include various assets, including cash held at a corporate level that has not been allocated to the underlying segment.
[(ii)] Unused tax losses have been written off during the half year.

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

	31 Dec 2018 ($'000)	30 Jun 2018 ($'000)
TOTAL LIABILITIES		
Operations		
Guyana	**37,517**	32,432
Total segment liabilities	**37,517**	32,432
Borrowings[(ii)]	**11,158**	14,192
Hedge Liability	**-**	1,102
Other liabilities[(ii)]	**3,263**	760
Total liabilities	**51,938**	48,486

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	
	2018 ($'000)	2017 ($'000)
Operating Revenue		
Gold sales	**55,761**	44,652
Silver sales	**102**	54
Hedging – gains/(losses) realised	**1,219**	(1,360)
	57,082	43,346

4. EXPENSES

	Half-year 2018 ($'000)	2017 ($'000)
(i) Cost of sales		
Depreciation of property, plant & equipment	**6,670**	6,548
Amortisation of mining properties	**7,632**	5,890
Government royalties	**5,381**	3,937
Mining expenses	**23,131**	17,680
Mill processing	**15,755**	10,155
Other	**1,981**	3,017
	60,550	47,227
(ii) Administration Expenses		
Head office salaries and on-costs	**245**	324
Head office corporate restructure costs	**-**	47
Directors fees and on-costs	**137**	386
Care and maintenance costs Brazil	**281**	416
Head office depreciation	**11**	15
Overseas office and administration	**-**	362
Other Head office administration (i)	**1,015**	1,278
	1,689	2,828

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

	Half-year 2018 ($'000)	2017 ($'000)
(iii) Other Expenses		
Loss on disposal of equipment	**926**	37
	926	37
(iv) Finance costs		
Borrowing costs	**1,641**	2,323
	1,641	2,323
(v) Impairment Loss (i)		
Property, Plant & Equipment	**15,000**	-
Mine property	**15,000**	-
Impairment loss net of income tax	**30,000**	-

(i) Refer to Note 7 for further information on the impairment testing.

5. TRADE AND OTHER RECEIVABLES

	Consolidated as at	
	31 Dec 2018 ($'000)	30 Jun 2018 ($'000)
Current		
Other receivables and prepayments	**5,610**	2,591
Environmental bonds	**284**	272
Deferred expenditure	**-**	419
	5,894	3,282
Non-Current		
Value added tax recoverable (Guyana)	**5,551**	4,768

6. INVENTORY

Bullion and doré on hand (at cost)	**-**	81
Gold in circuit (at cost)	**2,659**	1,913
Ore stockpiles and work in progress	**6,817**	4,237
Stores and raw materials	**11,782**	9,522
	21,258	15,753

7. IMPAIRMENT TESTING FOR NON-CURRENT ASSETS

Results of impairment testing - Karouni CGU

	31 Dec 2018 ($'000)	30 Jun 2018 ($'000)
Mine property	**15,000**	-
Property, plant and equipment	**15,000**	-
Impairment loss after income tax	**30,000**	-

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 indication of impairment is based on many factors including the comparison of the Company's market capitalisation against net book value of assets. The Company was impacted during the half year by the fall in the market capitalisation of the Company, the Smarts 3 pit wall failure and the fall in the US$:A$ exchange rate which increased the value of assets in A$ terms even though they declined in US$ terms.

An impairment assessment was conducted at balance date given that the market capitalisation of Troy at that time was below net asset value.

7. IMPAIRMENT TESTING FOR NON-CURRENT ASSETS (CONTINUED)

Following completion of this assessment an impairment charge has been recognised during the current period in relation to Karouni.

The size of the impairment charge taken is also a combination of a number of factors but primarily by the pit wall failure in October 2018 which has caused an alteration to the mine plan and additional costs to be incurred, exchange rate movements, future price and exchange rate assumptions (which are from consensus forecasts) and various mining assumptions. The Company notes that the Ohio Creek Prospect is not included in the value calculation as it is at too early a stage to have a Mineral Resource and, as such, is not included at this time in any mine plan and as such cannot be included in the calculation of asset value or operational cash flows. Troy's accounting policy is to expense exploration costs incurred until a project has reached a stage where it can reasonably be assumed that an economic resource has been determined. Hence all costs related to Ohio Creek have been expensed to date.

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 cost to dispose has 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 2018 half year end carrying value assessment:

	H2FY 19	FY 20	FY 21	FY 22	FY 23
Gold price (US$ per ounce)	1,258	1,298	1,311	1,306	1,306
Exchange Rate (USD:AUD)	0.740	0.745	0.750	0.750	0.750
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 2018.

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.

7. IMPAIRMENT TESTING FOR NON-CURRENT ASSETS (CONTINUED)

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.

	5% change in US$ gold price	Discount rate +/- 1.5%	Operating expenses +/- 5%
Impact on recoverable value	$12.3 million	$2.1 million	$10.6 million

It must be noted that each of these sensitivities assumes that the specific assumption moves in isolation, while all other assumptions are held constant. In reality, a change in one of the sensitivities is usually accompanied with a change in another assumption, which may have an offsetting impact. Action is also usually taken to respond to adverse changes in economic assumptions that may mitigate the impact of any such change.

Deferred Tax Adjustment

Following the impairment review and consequential write-down, the decision was also made to reduce the Deferred Tax Asset balance by $1,203,000 which relates to previously recognised tax losses in Guyana.

8. BORROWINGS

	Consolidated as at	
	31 Dec 2018 ($'000)	30 Jun 2018 ($'000)
Debt facility		
Investec Bank PLC – Syndicated debt facility	**11,613**	15,110
Capitalised borrowing costs	**(455)**	(918)
	11,158	14,192

The Group repaid a total of $4,168,676 (US$3,000,000) during the half-year (Dec 2017: A$5,210,000 (US$4,000,000)). The Group repaid an additional $4,202,406 (US$3,000,000) in early January 2019 to reduce the outstanding debt to $7,410,594 (US$5,192,000) which is currently due for repayment on 31 March 2019.

9. ISSUED CAPITAL

Fully paid ordinary issued capital	Consolidated Half-year ended 31 Dec 2018		Consolidated Full-year ended 30 Jun 2018	
	(‘000)	**($’000)**	(‘000)	($’000)
Balance at the beginning of the financial year	**459,544**	**353,939**	456,600	353,639
Issue of fully paid shares – capital raising (net of share issue expenses)	**-**	**-**	-	-
Issue of fully paid shares to Investec as part of debt restructure	**1,883**	**198**	2,944	300
	461,427	**354,137**	459,544	353,939

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

During late December 2018, the Company conducted a share placement which was completed on 3 January 2019. Proceeds from the placement received up to 31 December 2018 have been included in the cash balance as at 31 December 2018 as “Restricted Cash”. As shares were not allotted until 3 January they are not included in Issue Capital as at 31 December 2018.

10. CONTINGENT LIABILITIES

The Group has the following contingent liabilities:

(i) General bank guarantees to financial institutions totalling $282,000 (30 June 2018: $318,000), of which $282,000 (30 June 2018: $272,000) is cash backed.

(ii) Potential legal claims submitted by previous employees at the Company's Sertão and Andorinhas operations in Brazil of $878,000. Based on past settlement of claims, the current expectation is that only a portion of this may become payable and therefore $85,000 has been included in current provisions.

11. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There are no matters or circumstances that have arisen since 31 December 2018 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 12 to 20 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 2018 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 K K Nilsson
Managing Director and Chief Executive Officer

Perth, Western Australia
28 February 2019

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 balance sheet as at 31 December 2018, the condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, selected other explanatory notes and the directors' declaration for the Troy Resources Limited Group (the Group). The Group 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* including giving a true and fair view of the Group's financial position as at 31 December 2018 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.*

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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 Group's financial position as at 31 December 2018 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*.

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 after tax of $37.8 million during the half-year ended 31 December 2018 and, as of that date, the Group had a net working capital deficiency of $14.4 million. The working capital deficiency includes borrowings of $11.2 million, of which $7.4 million is due for repayment on 31 March 2019 following a repayment in January 2019. As a result the Group 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.

PricewaterhouseCoopers

PricewaterhouseCoopers

Ben Gargett

Ben Gargett — Perth

Partner — 28 February 2019