



TROY RESOURCES LIMITED

ASX ANNOUNCEMENT

28 November 2019

CHAIRMAN'S ADDRESS AT THE 2019 ANNUAL GENERAL MEETING

Troy Resources Limited (**ASX: TRY**) (**Troy** or the **Company**) is pleased to release the Chairman's Address to be delivered at the 2019 Annual General Meeting.

Fellow shareholders, good morning and a warm welcome to the Troy Resources 2019 Annual General Meeting. On behalf of the Board, I would like to thank you all for attending.

Whatever our achievements or otherwise in the year ended 30 June 2019, they were overshadowed by the tragic death in the Hicks area at Karouni of Mr Ryan Taylor in early October.

Ryan was a much-loved father, brother and son, as well as a much-respected employee of Troy.

The Company is providing ongoing support to Ryan's family, initially by assisting with insurance claims and funeral expenses, as well as investigating the ability to assist his children going forward with their education.

Ryan's passing is a timely reminder that excellence in Occupational Health and Safety in a relatively dangerous work-place situation such as Karouni is paramount.

Although Troy has not been advised of any wrong-doing on its part, all relevant procedures have been reviewed and changes to systems have already been implemented as we strive for excellence in this area.

Troy's 2019 year was also very much characterised by ups and downs.

So often, just when we thought we had clear air ahead, something from left field would knock the wind out of our sales. Such is the resilience of, in particular, our Managing Director, Mr Nilsson, our Chief Financial Officer and Company Secretary, Gerry Kaczmarek, as well as our outstanding team in Guyana, we dust ourselves off and go again.

During the year, Troy produced 58,118 ounces of gold for revenue of approximately \$103.6 million at an All-in-Sustaining Cost of US\$1,095 per ounce.



Free cashflow enabled us to reduce the Investec loan to US\$1.792 million at 30 June. The outstanding amount was repaid by 30 September such that, for the first time since 2010, the Company was bank-debt-free. Insofar as the Company had debt of approximately US\$72 million in March 2015, this is a significant milestone.

With bank debt repaid, the focus switched to exploration with a view to addressing the Company's relatively short mine life.

To this end, in September 2018, we acquired a tenement package some 10 kilometres from the Karouni Mill by the name of Ohio Creek. Within a relatively short timeframe, the target had been shown to host significant gold-mineralisation, with variously high-grade relatively wide intersections occurring in the case of the main zone over a strike length of approximately 950 metres.

Such is the nuggetty nature of the mineralisation at Ohio Creek, however, that establishing an Ore Reserve might prove somewhat problematic. Pending the grant of the Mining Lease which is a flow on from completing the tenement transfer, we hope to soon commence trial mining of a high-grade pod from near surface which will reveal much more about the broader mineralisation potential.

We have also undertaken what, to date, has been a relatively modest exploration campaign at other more regional targets such as Gem Creek and Goldstar where anomalous gold has been identified previously, as well as first pass exploration effort at both Kaburi Hills and the highly promising Upper Itaki targets. Early work is highly encouraging.

More recently, we identified a new style of mineralisation along strike to the north-west of the Hicks 1 pit. Indeed, as we write, the main focus of drilling is on the north-west extension of Hicks 1 – referred to as the Hicks Extension – along a previously untested strike of a length of approximately 1.5 kilometres.

By 30 June, a Reserve of approximately 12,000 ounces had been interpreted at the Hicks Extension. Since then, ongoing work has resulted in the delineation of a further 7,000 ounces. The Company is highly confident that reserves will increase further as exploration on strike and at depth continues.

Shareholders will recall that, during the year, the Company undertook a cut-back at Smarts 3, the pit with the highest average gold grade mined by Troy thus far at Karouni. Ore to be made available as a result of the cut-back containing an anticipated 40,000 plus ounces of gold was expected to have sustained the Karouni mill until mid-2020, providing both much needed cashflow and time to identify other ore sources.

Unfortunately, no sooner had the work been completed and first cut-back ore produced that further pit wall stability issues were encountered. This was despite the fact that the various pit wall angles cut-back were shallower and hence more conservative than that advised to us pre-cut-back by our geotechnical consultants, Golder Associates.

Although evaluation of the Smarts 3 situation is continuing, and with Geotechnical experts expected back on site shortly, it is likely that further remedial work involving a material level of expenditure will be required before mining can resume. Further work will also depend on the time of year, bearing in mind the adverse impact of the wet-season on earth-moving activities at Smarts 3 this year.

On 10 October, immediately follow Ryan's death, and prior to the release of any formal findings in relation to the incident, the Company received a letter from a junior Minister within the Ministry of Social Protection of Guyana in which the Company was "...hereby directed that there be a cessation of all mining activities with immediate effect until further notice from this Ministry."



The Cease Work order, covering the whole of the Karouni operation, was inconsistent with normal protocols in such situations which is to cordon off the area of the incident pending an investigation, which the Company had already undertaken.

However, given that the Company did not know when, or if, approval would be given to resume mining and processing activities, the Company took the step of standing down all site employees other than those undertaking security duties, exploration activities and those preparing the processing plant for a full shut-down. Under Guyanese Law, a company is permitted to stand down the workforce without pay in circumstances such as this for up to six weeks.

Shares in the Company were immediately suspended from trading on the Australian Securities Exchange.

Thereafter, there have been a number of noteworthy occurrences:

- The Ministry of Social Protection rescinded its “Cease Work” order
- The Guyana Geology & Mines Commission (“GGMC”) has cleared Troy to resume operations.

Prima-facie, this means that operations at Karouni can now recommence.

However, before that occurs, various matters need to be addressed/ tasks need to be completed including:

- The Company needs to receive the long-awaited title permits to undertake mining activities at Ohio Creek from the GGMC because, without ore from Smarts 3, mill feed is going to be required from this new source as soon as activities recommence
- The Company requires a letter of exemption from VAT payments pursuant to the Minerals Agreement
- The Company needs to complete a viable mine plan and budget for the next 12 to 24 months of operations
- The Company needs to secure sufficient funding to enable the restart of operations

On 18 November, with the Company not in a position to resume operations, and with the expiry of the prescribed six-week stand-down period fast approaching, the Company took the decision to terminate approximately 200 employees. This step allowed the payment to those employees of one months’ salary in lieu of notice plus all accrued benefits and provisions, providing much needed funds for them in the lead up to Christmas.

When the decision is made to restart, the Company will look to preferentially offer employment to former employees who have all the requisite experience and training.

During the year, Troy raised approximately \$1.6 million from shareholders by way of a Share Purchase Plan and approximately \$10 million by way of two placements to institutional and sophisticated investors.

In so doing, we were delighted to secure M&G Investment Management Limited, one of the UK’s largest investors with approximately £275 billion in funds under management, as our largest shareholder with approximately 12.6% of the Company’s issued capital. Another UK institution, Ruffer



LLP, previously our largest shareholder, and now our second largest, also supported us by participating in both placements.

The re-commencement of operations is expected to occur once all the matters referred to above have been satisfactorily addressed.

Troy expects that trading in its shares will resume at that time.

Before closing, I would like to acknowledge Gerry Kaczmarek who is finishing up as Chief Financial Officer and Company Secretary on 31 December. As many shareholders will be aware, Gerry held the same position at Troy over the period from 1998 to 2008. In mid-2017, following the resignation of the then Chief Financial Officer and Company Secretary, as well as that of the then Managing Director and then Chairman, all of which followed the earlier significant pit wall collapse at Smarts 3, Gerry, at Ken and John's urgings, agreed to come back and help Troy out in what were exceedingly difficult financial circumstances.

The fact that Troy survived its 2017 financial crisis, paid off all the Investec debt and, subject to satisfactory resolution of the aforementioned outstanding matters, is set to continue on its business journey, is in no small part due to Gerry's extraordinary efforts.

On behalf of all Directors and employees, I thank Gerry for his enormous contribution and wise counsel. We wish him well in all his future endeavours.

I thank my fellow Directors, employees, those in both Guyana and Perth, our consultants and other stakeholders who have been with us on this journey.

Finally, I save the biggest thanks to you our shareholders for your ongoing support and incredible patience.

I am reminded of the Japanese Proverb – *"Fall seven times and stand up eight"*.

I can assure all shareholders that standing up in the face of occasional adversity is precisely what Troy intends to do.

Peter Stern
Non-Executive Chairman