TROY RESOURCES LIMITED

CONSOLIDATED FINANCIAL REPORT

FOR THE HALF-YEAR ENDED **31 DECEMBER 2019**

APPENDIX 4D

RESULTS FOR HALF-YEAR ENDED 31 DECEMBER 2019

Note: comparisons are to the half-year ended 31 December 2018.

Revenue and net profit		Percentage change		Amount $'000
Revenue from ordinary activities	Down	53%	to	26,765
Loss from ordinary activities after tax	Down	51%	to	(19,338)
Net loss attributable to members	Down	51%	to	(19,338)

Dividend information
No interim dividend has been declared or paid for the period to 31 December 2019.

Net tangible assets per security	Dec 2019	Jun 2019
Net tangible assets per security	$0.04	$0.07
Common shares on issue at balance date	632,063,768	592,063,768

Additional Appendix 4D disclosure requirements can be found in the Directors' Report and the 31 December 2019 half-year financial statements.

This report is based on the condensed consolidated half-year financial statements for the period to 31 December 2019 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 2019 Annual Report.

Authorised for issue by the Board of Directors.

TROY RESOURCES LIMITED

ABN: 33 006 243 750

CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

For the half-year ended 31 December 2019

DIRECTORS

Peter A Stern (Non-Executive Chairman)
Ken K Nilsson (CEO & Managing Director)
John L C Jones AM (Non-Executive Director)
Richard J Beazley (Non-Executive Director)

COMPANY SECRETARY

Raymond Parry

REGISTERED OFFICE

Troy Resources Limited
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SHARE REGISTRY

Computershare Investor Services Pty Limited
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Telephone: (61 8) 9323 2000
Facsimile: (61 8) 9323 2033
Investor inquiries within Australia: 1300 850 505
Investor inquiries outside Australia (61 3) 9415 5000

BANKERS

National Australia Bank Limited

AUDITORS

PricewaterhouseCoopers

LEGAL REPRESENTATIVE

DLA Piper

STOCK EXCHANGE

Australian Securities Exchange
Fully Paid: TRY

CONTENTS

The Directors of Troy Resources Limited present their report together with the financial report of Troy Resources Limited (the Company or Troy) and its subsidiaries (Group) for the half-year ended 31 December 2019 (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:

Peter A Stern	Non-Executive Director and Chairman
Ken K Nilsson	Chief Executive Officer and Managing Director
John L C Jones AM	Non-Executive Director
Richard J Beazley	Non-Executive Director

REVIEW OF OPERATIONS

OPERATING REVIEW

Karouni Operations, Guyana	6 months to December 2018	September 2019 Quarter	December 2019 Quarter	6 months to December 2019
Open Pit Mining				
Total mined (t)	2,617,846	1,514,289	241,160	**1,755,449**
Ore Mined (t)	487,768	90,066	8,777	**98,843**
Mine Grade (g/t)	2.08	1.98	2.23	**2.00**
Mill Production				
Processed (t)	427,271	206,942	26,313	**233,255**
Head Grade Gold (g/t)	2.51	1.60	0.85	**1.52**
Recovery Gold (%)	96.5	95.2	95.4	**95.2**
Gold Produced (oz.)	33,218	10,042	683	**10,725**
Gold Sold (oz.)	31,129	8,783	3,575	**12,358**
Cash Cost (US$/oz.)	780	742		
All in sustaining costs (US$/oz.)	974	1,374		
Gold Price Realised	1,215	1,465	1,494	**1,480**

As previously announced, due to a fatal accident on site, mining and processing was suspended at Karouni on 10 October 2019, following an order from the Guyana Ministry of Labour. Mining was restarted in early January 2020, and processing recommenced in late January 2020.

Cash Costs and All-in-Sustaining-Costs have not been reported in the December quarter, given that the mine and mill were closed for the majority of the period.

During the half year, a total of 1,755,449 tonnes of material were mined, including 98,843 tonnes of ore at an average grade of 2.00 g/t.

During the half year, 233,255 tonnes of ore were processed at an average grade of 1.52 g/t. Recovery for the period was 95.2%.

As at 31 December 2019, the stockpiles of ROM and crushed ore were 7,583 tonnes at 1.35 g/t Au. The stockpile of mineralized waste was 263,638 tonnes at 0.57 g/t Au.

All-in-Sustaining-Costs reported for the period were US$1,374/oz, up 41% as compared to US$974/oz in the previous corresponding half year, as the September quarter included US$393/oz in respect of the Smarts 3 cutback.

FINANCIAL RESULTS

	Half-year 31 Dec 2019 ($'000)	Half-year 31 Dec 2018 ($'000)	Change ($'000)	Change
Revenue	**26,765**	57,082	(30,317)	(53%)
Underlying EBITDA[1]	**(2,193)**	7,380	(9,573)	(130%)
Depreciation and Amortisation	**(10,662)**	(14,302)	3,640	25%
Underlying EBIT[2]	**(12,855)**	(6,922)	(5,933)	(86%)
Underlying Loss[3]	**(13,365)**	(9,766)	(3,599)	(37%)
Loss after tax	**(19,338)**	(39,766)	20,428	51%
Cash flow from operating activities	**2,673**	6,953	(4,280)	(62%)
Cash flow from investing activities	**(5,866)**	(359)	(5,507)	(1,534%)
Cash flow from financing activities	**863**	(2,419)	3,282	136%
Loss per share (basic and diluted)	**(6.5) cps**	(8.6) cps	2.9 cps	25%

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

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

3 Underlying profit/loss after tax is a non-IFRS measure and is unaudited. It has been calculated by adding back non-cash impairment charges (net of tax) which were $5,973,000 in the current period (2018: $30,000,000).

Statement of profit or loss

The Group's revenue from operating activities for the half-year totalled $26,765,000 (2018: $57,082,000).

The Group expensed exploration expenditure of $3,310,000 (2018: $1,481,000).

Borrowing costs in relation to the Investec Facility totalled $508,000 (2018: $1,641,000).

During the half-year, the Group recognised care and maintenance costs in relation to the Karouni mine site of $3,892,000 (2018: Nil) following the closure of the mine site due to the fatality in October 2019.

Underlying EBITDA for the Group was a loss of $2,193,000 (2018: profit of $7,380,000).

Net loss after tax was $19,338,000 including $5,973,000 impairment charge (2018: $39,766,000, which included $30,000,000 impairment charge).

Statement of financial position

The reduction in total assets of $17,233,000 is primarily due to depreciation and amortisation for the half-year period, the decrease of bullion and ore stockpiles, an impairment charge against mine properties, as well as the increase in the provision for unrecoverable VAT in Guyana.

The Investec Bank plc loan was repaid during the half-year. Borrowings as at 31 December 2019 relate to a premium funding facility for insurance premiums for Troy Resources Limited and subsidiaries initiated in December 2019 totalled $1,534,000, with a corresponding increase in prepayments.

Statement of cash flows

Cash flow from operating activities for the half-year decreased by $4,280,000 reflecting the care and maintenance costs incurred after closure of the Karouni mine site during the December quarter of the six months to 31 December 2019.

Investing cash outflows increased by $5,507,000 to $5,866,000, principally due to the expenditure incurred on Smarts 3 stripping asset, offset by the $290,000 received from Austral Gold Limited following the sale of Casposo Argentina Ltd.

Cash flows from financing activities reflect the final repayment made under the Investec Facility of $2,653,000 (2018: repayments of $4,169,000), and the net proceeds from the issue of equity securities of $3,757,000 (2018: $2,386,000).

INVESTEC DEBT FACILITY

The Company repaid the final loan repayment of US$1,792,000 remaining under the debt facility with Investec Bank plc in September 2019.

HEDGING

As at 31 December 2019, the Group continues to remain hedge free.

DIVIDENDS

No interim dividend has been declared or paid during the half year to 31 December 2019.

BASIS OF PREPARATION

The attached half-year report for the half-year ended 31 December 2019 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.

ROUNDING OF AMOUNTS

The amounts contained in this half-year financial report have been rounded to the nearest thousand dollars under the option available to the Company under the ASIC Legislative Instrument 2016/191, unless otherwise stated.

SIGNIFICANT EVENTS OCCURING AFTER THE REPORTING PERIOD

On 16 January 2020 the Company received net proceeds of US$8,070,000 following the full drawdown of the 5,200 ounce gold loan facility provided by Asian Investment Management Services Ltd, a Malaysian based investment fund. The facility has a twelve month term.

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 2019 quarters, the 2019 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 4.

Signed in accordance with a resolution of Directors.

Mr Ken Nilsson
Managing Director and Chief Executive Officer

Perth, Western Australia
28 February 2020

Auditor's Independence Declaration

As lead auditor for the review of Troy Resources Limited for the half-year ended 31 December 2019, 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.

Douglas Craig
Partner
PricewaterhouseCoopers

Perth
28 February 2020

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	Notes	31 December 2019 $'000	31 December 2018 $'000
Revenue	3	**26,765**	57,082
Cost of sales	4	**(30,140)**	(60,550)
Gross Loss		**(3,375)**	(3,468)
Other income		**782**	642
Exploration expenses		**(3,310)**	(1,481)
Administration expenses	4	**(1,160)**	(1,408)
Finance costs	4	**(510)**	(1,641)
Care and maintenance expenses	4	**(4,079)**	(281)
Other expenses	4	**(1,713)**	(926)
Impairment loss	4	**(5,973)**	(30,000)
Loss before income tax		**(19,338)**	(38,563)
Income tax expense		**-**	(1,203)
Loss for the period		**(19,338)**	(39,766)
Other Comprehensive Income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**308**	**8,705**
Changes in financial assets at fair value through other comprehensive income net of tax		**-**	(34)
Changes in value of hedge cash flow reserve net of deferred tax		**-**	122
Other comprehensive income for the period, net of tax		**308**	8,793
Total Comprehensive Income attributable to owners of Troy Resources Limited		**(19,030)**	(30,973)
Earnings per share for loss attributable to the ordinary equity holders of the company			
Basic EPS (cents)		**(6.5)**	(8.6)
Diluted EPS (cents)		**(6.5)**	(8.6)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	31 December 2019 $'000	30 June 2019 $'000
CURRENT ASSETS			
Cash and cash equivalents		**5,512**	7,843
Trade and other receivables	5	**1,848**	1,542
Inventories	6	**6,966**	9,818
TOTAL CURRENT ASSETS		**14,326**	19,203
NON-CURRENT ASSETS			
Mining properties	7	**21,147**	24,476
Property, plant and equipment	8	**16,009**	22,749
Other receivables	5	**5,134**	7,421
TOTAL NON-CURRENT ASSETS		**42,290**	54,646
TOTAL ASSETS		**56,616**	73,849
CURRENT LIABILITIES			
Trade and other payables		**25,189**	25,829
Provisions		**798**	1,183
Borrowings	9	**1,534**	2,105
Lease Liability		**664**	1,009
TOTAL CURRENT LIABILITIES		**28,185**	30,126
NON-CURRENT LIABILITIES			
Provisions		**4,762**	4,749
Lease Liability		**38**	50
TOTAL NON-CURRENT LIABILITIES		**4,800**	4,799
TOTAL LIABILITIES		**32,985**	34,925
NET ASSETS		**23,631**	38,924
EQUITY			
Issued capital	10	**369,205**	365,468
Reserves		**41,927**	42,267
Accumulated Losses		**(387,501)**	(368,811)
TOTAL EQUITY		**23,631**	38,924

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

	Attributable to owners of Troy Resources Limited						
	Issued Capital $'000	Financial Assets Reserve $'000	Share-based Payments Reserve $'000	Hedging Cash Flow Reserve $'000	Foreign Currency Translation Reserve $'000	Accumulated Losses $'000	Total equity $'000
Balance at 1 July 2018	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 financial assets at fair value through other comprehensive income 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**
Balance at 1 July 2019	365,468	-	648	-	41,619	(368,811)	38,924
Loss for the half-year	-	-	-	-	-	(19,338)	(19,338)
Changes in fair value of hedging instrument net of deferred tax	-	-	-	-	-	-	-
Changes in financial assets at fair value through other comprehensive income net of tax	-	-	-	-	-	-	-
Exchange rate differences on translation of foreign operations	-	-	-	-	308	-	308
Total comprehensive expense for the half-year	**-**	**-**	**-**	**-**	**308**	**(19,338)**	**(19,030)**
Issue of fully paid shares	4,000	-	-	-	-	-	4,000
Share issue costs	(263)	-	-	-	-	-	(263)
Transfers of forfeited options	-	-	(648)	-	-	648	-
Balance at 31 December 2019	**369,205**	**-**	**-**	**-**	**41,927**	**(387,501)**	**23,631**

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	2019 $'000	2018 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	**26,765**	52,319
Payments to suppliers and employees	**(21,683)**	(40,666)
Government royalties paid	**(2,539)**	(5,096)
Commodity hedging receipts	**-**	121
Proceeds from sundry income	**130**	275
Net cash inflow from operating activities	**2,673**	6,953
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	**(179)**	(309)
Payments for mine and development properties	**(5,993)**	(68)
Proceeds from sale of subsidiary	**290**	-
Proceeds from sale of investments	**-**	17
Interest received	**16**	1
Net cash outflow from investing activities	**(5,866)**	(359)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of borrowings	**(2,653)**	(4,169)
Payment of financing costs	**(61)**	(636)
Payments of finance lease liabilities	**(180)**	-
Net proceeds from the issue of equity securities	**3,757**	2,386
Net cash inflow/(outflow) from financing activities	**863**	(2,419)
Net (decrease)/increase in cash and cash equivalents	**(2,330)**	4,175
Cash and cash equivalents at the beginning of the half-year	**7,843**	1,344
Effects of exchange rate changes on balances held in foreign currencies	**(1)**	170
Cash and cash equivalents at the end of the period	**5,512**	5,689

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

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

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

The condensed consolidated interim financial report was authorised for issue by the Directors at a meeting held 27 February 2020.

(b) Basis of preparation

The condensed consolidated interim financial report for the half-year ended 31 December 2019 is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. All amounts are presented in Australian dollars, unless otherwise noted.

The condensed consolidated interim financial report does not include all of the information and disclosures required in the annual financial report, and should be read in conjunction with the Group's annual financial report for the year ended 30 June 2019. This report should also be read in conjunction with the ASX announcements issued by the Company since 30 June 2019.

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

The accounting policies adopted in the preparation of the condensed consolidated interim financial report are consistent with those applied by the Group in its consolidated annual financial report for the year ended 30 June 2018, except for the adoption of new standards effective as of 1 July 2019, as disclosed below.

(c) Changes in accounting policies

The Group adopted the following new and/or revised accounting standards as of 1 July 2019.

AASB 16 *Leases* provides a new lessee accounting model, which requires the lessee to recognise and measure the assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. Prior to the adoption of AASB 16, the Group classified each of its leases (from its position as the lessee) at inception as either operating or finance leases. For operating leases, the leased item was not capitalised and the lease payments were recognised in the consolidated statement of profit and loss and other comprehensive income on a straight line basis. For finance leases, the leased item was capitalised.

Transition to AASB 16

The group adopted AASB 16 using the modified retrospective approach and applied the practical expedient as per AASB 16 to apply a single discount rate to leases with similar characteristics and not to recognise leases with remaining terms of twelve months or less. Lease liabilities are measured at the present value of the remaining lease payments, discounted at the incremental borrowing rate at the date of initial application, being 1 July 2019. The right of use assets are measured at an amount equal to the lease liability, adjusted by any prepayments or accruals that were recognised in the statement of financial position immediately before the date of application. For existing finance leases, the carrying amounts before transition represented the 30 June 2019 values assigned to the right of use asset and lease liability.

Lease liability reconciliation on transition	$'000
Operating lease commitments disclosed at 30 June 2019	**276**
Less:	
Present value discounting of lease liabilities(1)	**(22)**
Short-term leases	**(129)**
Lease liabilities recognised on transition	**125**

(1) Lease liabilities discounted using a weighted average discount rate of 4%.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED

(c) Changes in accounting policies (continued)

Right of use assets recognised as at 1 July 2019 totalled $98,000 and related to office premises, and are included within property, plant and equipment, as right of use building assets.

Existing finance leases are included within property, plant and equipment, as right of use plant and equipment assets.

Payments of $43,000 for short-term leases were expensed in the consolidated statement of profit and loss and other comprehensive income for the half-year ended 31 December 2019.

Leases accounting policy (applied from 1 July 2019)

From 1 July 2019, each new contract the Group enters into is assessed as to whether the contract contains a lease. A lease arises when the Group has the right to direct an identified asset, which is not substitutable, and the right to obtain substantially all the economic benefits from the use of that asset over the term of the contract. The Group accounts for the lease and non-lease components of the contract separately.

Leases as a lessee
Lease liabilities and right of use assets are recognised at the lease commencement date, which is when the right of use assets are available for use. The right to use assets are measured at cost, being the present value of future lease payments adjusted for any lease payments made at or before commencement date, plus any make good obligations and initial direct costs incurred. Right of use assets are depreciated over the shorter of their useful life and the lease term on a straight line basis. Right of use assets are included in any impairment review of property, plant and equipment.

Lease liabilities are recorded at the present value of the future minimum lease payments. The discount rate used is the rate implicit in the lease, or if this cannot be readily determined, the Groups' incremental borrowing rate is used. Minimum lease payments are fixed payments, variable lease payments that depend on an index or rate, amounts payable under residual value guarantees, and include extension options expected to be exercised.

The Group recognises depreciation of right of use assets and interest on lease liabilities in the consolidated statement of profit and loss over the lease term. Repayments of lease liabilities are separated into principal and interest and are included in financing activities in the cash flow statement.

Short-term and low value asset leases
Leases with a term of 12 months or less and any future leases of low value items will be expensed as incurred on a straight line basis.

(d) Going concern assumption

The Directors believe it is appropriate to prepare the consolidated financial statements 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.

As at 31 December 2019, the Group has a net current asset deficiency of $13,859,000 (30 June 2019 $10,923,000) and recorded an after tax loss of $19,338,000 which included non-cash depreciation and amortisation charges of $10,622,000, impairment write down of $5,973,000 and the bad debts expense relating to VAT recoverable of $1,713,000 (31 December 2018: loss of $39,766,000 which included non-cash depreciation and amortisation charges of $14,302,000 and an impairment write down of $30,000,000).

The operations at Karouni were impacted by the fatality in October 2019, after which the Ministry for Social Protection ordered the cessation of all mining activities. This has had an adverse impact on the Group's performance over the December 2019 quarter, with the mine site going into care and maintenance until the end of December 2019. During this time exploration and maintenance expenditure continued and there were no gold sales.

The increase in the net current asset deficiency reflects the decrease of bullion and ore stockpiles, offset by the payment of the final Investec Bank Plc loan principal of $2,653,000 in September 2019. Trade and other creditors have decreased slightly to $25,189,000 (30 June 2019: $25,829,000), of which a significant amount exceeds normal commercial terms.

Offsetting this is the fact that the Group had positive operating cash inflows of $2,673,000 for the half-year ended 31 December 2019 (31 December 2018: inflow of $6,953,000) as well as raising $4,000,000 (gross) from a capital raising.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Going concern assumption (continued)

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

- Operational cash flows - Achieving positive operational cash flows over the next 12 month period, following the restart of mining operations.

- Continued support of its creditors - Management in Guyana have regular contact with Troy Resources Guyana Inc.'s (TRGI) trade and other payables and has in place plans for the repayment of outstanding amounts. To date support from creditors has been forthcoming.

- Re-optimising pit designs and mine plans - The Group is in the process of re-optimising pit designs and the mine plan to incorporate recent grade control drilling information and current gold price. This may lead to an increase or decrease in mine life and production.

- Exploration Drilling - The Group has continued to announce strong exploration results from the Ohio Creek Prospect during the current period which is located approximately ten kilometres from the Karouni processing plant. Preparation of a mineral resource and mining plan for Ohio Creek is underway. Success in determining the mineral resources and converting into mineable ore reserves and a mine design would extend the mine life of the Karouni operation.

The Directors consider that the Group will be able to secure future funding, if required, due to its demonstrated track record of successfully raising equity.

As a result of the financial position of the Group, there is a material uncertainty that may cast some doubt on the Company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. However, the Directors believe that the Group will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis.

2. SEGMENT INFORMATION

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

The following is an analysis of the Group's revenue and results by reportable operating segment, there were no intersegment sales during the half-years ended 31 December 2019 and 2018, and all revenue is recognised at a point in time, and not over time.

Segment performance half-year ended	**Guyana $'000**	**Unallocated[i] $'000**	**Total $'000**
As at 31 December 2019			
Revenue from external customers	**26,765**	**-**	**26,765**
Operating loss	**(3,375)**	**-**	**(3,375)**
Exploration expenses	**(3,310)**	**-**	**(3,310)**
Other net expenses (including care and maintenance)	**(5,605)**	**-**	**(5,605)**
Impairment expense	**(5,973)**	**-**	**(5,973)**
Segment result before tax	**(18,263)**	**-**	**(18,263)**
Other income	**-**	**595**	**595**
Administration and other expenses		**(1,160)**	**(1,160)**
Finance costs		**(510)**	**(510)**
Income tax expense		**-**	**-**
Loss for the period			**(19,338)**
As at 31 December 2018			
Revenue from external customers	57,082	-	57,082
Operating loss	(3,468)	-	(3,468)
Exploration expenses	(1,481)	-	(1,481)
Other net expenses (including care and maintenance)	-	-	-
Impairment expense	(30,000)	-	(30,000)
Segment result before tax	(34,949)	-	(34,949)
Other income		642	642
Administration and other expenses		(2,615)	(2,615)
Finance costs		(1,641)	(1,641)
Income tax expense			(1,203)
Loss for the period			(39,766)

(i) Unallocated revenue and expenses includes interest income, corporate administration costs, directors' salaries and expenses in relation to corporate facilities.

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

Segment position	**Guyana $'000**	**Unallocated[ii] $'000**	**Total $'000**
As at 31 December 2019			
Segment assets	**54,199**	**2,417**	**56,616**
Segment liabilities	**30,884**	**2,101**	**32,985**
As at 30 June 2019			
Segment assets	68,795	5,054	73,849
Segment liabilities	32,039	2,886	34,925

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

3. REVENUE

	Half-year ended 31 Dec 2019 $'000	31 Dec 2018 $'000
Operating Revenue		
Gold sales	**26,736**	55,761
Silver sales	**29**	102
Total gold and silver revenue	**26,765**	55,863
Hedging gains realised	**-**	1,219
	26,765	57,082

4. EXPENSES

	Half-year ended 31 Dec 2019 $'000	31 Dec 2018 $'000
(i) Cost of sales		
Mining and milling expenses	**14,448**	38,886
Government royalties	**2,469**	5,381
Amortisation of mining properties	**3,351**	7,632
Depreciation of property, plant and equipment	**7,271**	6,670
Other	**2,601**	1,981
	30,140	60,550
(ii) Administration expenses		
Head office salaries and on-costs	**287**	245
Non-Executive Directors fees and on-costs	**159**	137
Other head office administration [(i)]	**714**	1,026
	1,160	1,408

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

	31 Dec 2019 $'000	31 Dec 2018 $'000
(iii) Care and maintenance expenses		
Care and maintenance costs Brazil	**187**	281
Care and maintenance costs Guyana	**3,892**	-
	4,079	281
(iv) Other expenses		
Provision for unrecoverable VAT	**1,713**	-
Loss on disposal of equipment	**-**	926
	1,713	926
(v) Finance costs		
Borrowing costs	**509**	1,641
Interest on lease liabilities	**1**	-
	510	1,641
(vi) Impairment loss		
Property, plant and equipment	**-**	15,000
Mine properties (refer Note 7)	**5,973**	15,000
Impairment loss net of income tax	**5,973**	30,000

5. TRADE AND OTHER RECEIVABLES

	Consolidated as at	
	31 Dec 2019 $'000	30 Jun 2019 $'000
Current		
Trade receivables	**-**	189
Other receivables and prepayments	**1,848**	1,353
	1,848	1,542
Non-current		
Environmental bonds	**287**	286
Value added tax recoverable (Guyana)	**7,137**	7,743
Provision for unrecoverable value added tax	**(2,290)**	(608)
	5,134	7,421

6. INVENTORY

	Consolidated as at	
	31 Dec 2019 $'000	30 Jun 2019 $'000
At cost or net realisable value:		
Bullion and dore on hand	**-**	1,777
Gold in circuit	**1,198**	1,080
Ore stockpiles	**153**	882
Stores	**5,615**	6,079
	6,966	9,818

7. MINE PROPERTIES

	Consolidated as at	
	31 Dec 2019 $'000	30 Jun 2019 $'000
Balance at start of the period	**24,476**	36,542
Expenditure incurred during the period	**5,993**	11,831
Amortisation expensed during the period	**(3,351)**	(10,607)
Currency translation differences	**2**	1,710
Impairment loss	**(5,973)**	(15,000)
Balance at end of period	**21,147**	24,476

Karouni Mine and Development Properties

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

Non-financial assets are reviewed at each reporting period to determine whether there is any indication of impairment or reversal of impairment. Indicators of impairment can include changes in market conditions, future gold and silver prices and future costs, as well as life of the mine, which is impacted by reserves and resources. Where an indicator of impairment exists, an assessment of the recoverable amount will be made.

Although the market capitalisation of Troy Resources Limited was greater than the net asset value of the consolidated entity as at 31 December 2019, the Company was impacted by the Smarts 3 pit wall failure and ongoing stability issues, which necessitated the stopping of mining and revaluation of the pit, as well as the closure of the Karouni Mine from October to December 2019 due to the fatality.

7. MINE PROPERTIES (CONTINUED)

The carrying value of mine properties are assessed on a cash generating unit (CGU) basis at each reporting date to determine whether there is any indication of impairment or reversal of impairment.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups.

The Group has one CGU being the Karouni Gold Project in Guyana. However as the CGU includes recognised mine properties assets in relation to individual mines (Smarts 3, Smarts Underground and Ohio Creek), and given the cash constraints of the Company, the current Life of Mine (LOM) plan was reviewed as at 31 December 2019 to determine if there are any impairment triggers on an individual mine basis. This resulted in an impairment write down of $5,973,000 in relation to the Smarts 3 mine properties assets during the during the half year ended 31 December 2019 (Dec 2018: Karouni Mine $15,000,000).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less cost of disposal. Because the impairment review was undertaken on an individual mine basis, the Group has adopted a value in use model, and used this as the recoverable amount for impairment testing purposes.

Key Estimates and Assumptions

The key assumptions in assessing the recoverable value of Smarts 3 mine properties, were the gold price, estimated at US$1,600, the Mineral Resources and Ore Reserve Statement of October 2019, wherein the probable reserve of 447,000 tonnes @ 3.0 g/t for 42,700 contained ounces was reduced by tonnes mined and ounces recovered in the half year ended 31 December 2019, to ascertain remaining reserves, as well as average costs for 2019 and an exchange rate USD:AUD of 0.70 .

Significant judgements and assumptions are required by management in estimating the value in use of an asset, an adverse change in one or more of the assumptions above, could result in an adjustment to the asset's value. There are a number of uncertainties in estimating resources and reserves, and these estimates and assumptions may change as new information becomes available. The estimated remaining reserves of Smarts 3 was calculated based upon ounces recovered prior to the closure of the Karouni mine in October 2019.

The current LOM plan has an indicative life for Smarts 3 of less than twelve months, so no discount factor was used in assessing the Smarts 3 mine profit.

8. PROPERTY, PLANT AND EQUIPMENT

	Consolidated as at	
	31 Dec 2019 $'000	30 Jun 2019 $'000
Balance at start of the period	**22,749**	44,644
Additions during the period	**318**	3,866
Disposals during the period	**-**	(990)
Depreciation expensed during the period	**(7,311)**	(12,409)
Currency translation differences	**253**	2,638
Impairment loss	**-**	(15,000)
Balance at end of period	**16,009**	22,749

9. BORROWINGS

	Consolidated as at	
	31 Dec 2019 $'000	30 Jun 2019 $'000
Debt facility		
Investec Bank PLC – Syndicated debt facility	**-**	2,552
Capitalised borrowing costs	**-**	(447)
Insurance Premium Loan		
Attvest Finance Pty Ltd	**1,534**	-
	1,534	2,105

The Group paid the final Investec loan repayment of $2,653,000 (US$1,792,000) during the half-year (Dec 2018: A$4,169,000 (US$3,000,000)).

Short term loan funding for insurance premiums for Troy Resources Limited and subsidiaries initiated in December 2019 totalled $1,534,000.

10. ISSUED CAPITAL

	Consolidated Half-year ended 31 Dec 2019		Consolidated Full year ended 30 Jun 2019	
Fully paid ordinary issued capital	**Number of Shares '000**	**Issued Capital $'000**	Number of Shares '000	Issued Capital $'000
On issue 1 July – fully paid	**592,064**	**365,468**	459,544	353,939
Issue of share capital				
Shares issued for cash	**40,000**	**4,000**	130,637	11,937
Shares issued to Investec Bank Plc	**-**	**-**	1,883	200
Share issue costs		**(263)**		(608)
	632,064	**369,205**	592,064	365,468

Shares issued to Investec Bank Plc were issued for non-cash, as part of the debt restructure.

11. CONTINGENT LIABILITIES

The Group has the following contingent liabilities:

(i) Bank guarantees from financial institutions totalling $315,000 (30 June 2019: $314,000), of which $315,000 (30 June 2019: $314,000) is cash backed.

(ii) Potential legal claims submitted by previous employees at the Company's Sertão and Andorinhas operations in Brazil of $36,000 (30 June 2019: $451,000). Based on past settlement of claims, the current expectation is that only a portion of this may become payable and therefore $25,000 (30 June 2019: $128,000) has been included in current provisions.

12. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 16 January 2020 the Company received net proceeds of US$8,070,000 following the full drawdown of the 5,200 ounce gold loan facility provided by Asian Investment Management Services Ltd, a Malaysian based investment fund. The facility has a twelve month term.

There are no other matters or circumstances that have arisen since 31 December 2019 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 5 to 16 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 2019 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 Ken Nilsson
Managing Director and Chief Executive Officer

Perth, Western Australia
28 February 2020

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) and the entities it controlled during the half-year (together the Group), which comprises the condensed consolidated statement of financial position as at 31 December 2019, 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, selected other explanatory notes and the directors' declaration.

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 gives a true and fair view and 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 2019 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 2019 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 an after tax loss of $19.3 million during the half-year ended 31 December 2019 and, as of that date, the Group had a net current asset deficiency of $13.9 million. As a result, the Group is dependent on receiving the continuing financial support of its shareholders and creditors. 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

Douglas Craig

Douglas Craig
Partner

Perth
28 February 2020