TROY RESOURCES LIMITED

CONSOLIDATED ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED **30 JUNE 2020**

TROY RESOURCES LIMITED - APPENDIX 4E

RESULTS FOR ANNOUNCEMENT TO THE MARKET FOR THE YEAR ENDED 30 JUNE 2020

Note: comparisons are to the year ended 30 June 2019

Revenue and net profit		**Percentage change**		**Amount $'000**
Revenue from ordinary activities	Down	46%	to	56,303
Loss from ordinary activities after tax	Down	4%	to	(43,893)
Net loss attributable to members	Down	4%	to	(43,893)

Dividend information
No dividend has been declared for the financial year ended 30 June 2020.

Net tangible assets per security	**June 2020**	**June 2019**
Net tangible assets per security	$0.002	$0.066
Common shares on issue at balance date	632,063,768	592,063,768

The above results should be read in conjunction with the notes and commentary contained in this report.

Control Gained or Lost over Entities in the Period
There have been no gains or losses of control over entities during the year ended 30 June 2020.
Casposo Argentina Ltd (not a controlled entity) was sold during this financial year.

Additional Appendix 4E disclosure required under the ASX Listing Rule 4.3A can be found in the Director's Report to the financial statements, which is attached, at the following page references:

This report is based on, and should be read in conjunction with, the attached consolidated financial report for the year ended 30 June 2020, which has been audited by PricewaterhouseCoopers

TROY RESOURCES LIMITED

ABN 33 006 243 750

ANNUAL FINANCIAL REPORT

for the year ended 30 June 2020

Corporate Directory

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

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Troy Resources Limited
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West Perth WA 6005
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Email: troy@troyres.com.au
Website: www.troyres.com.au

GUYANA OFFICE
Troy Resources Guyana Inc
82 Premniranjan Place
Prashad Nagar
Georgetown
Guyana
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Facsimile: (592) 219 4761

SHARE REGISTRY
Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace
Perth WA 6000
GPO Box D182
Perth WA 6840
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

Directors' report

The Directors of Troy Resources Limited (the Company or Troy) and its subsidiaries (Group) present their report (including the Remuneration Report) together with the financial statements of the Group for the financial year ended 30 June 2020 and the auditor's report thereon.

DIRECTORS

The Directors of the Company in office during the course of and as at the date of this report are:

Peter A Stern

Ken K Nilsson

John L C Jones AM

Richard J Beazley

Unless otherwise indicated, all Directors held their position as a Director throughout the entire financial year and up to the date of this report.

INFORMATION ON DIRECTORS

DIRECTORS

Mr Peter A Stern
(Non-Executive Chairman)
B.Sc. (Hons), FAICD

Mr Stern was appointed on 16 June 2017 and is the principal of Metropolis Corporate Advisory Services. Mr Stern has been providing corporate advisory services since 1987 where his focus is on general strategic advice, mergers and acquisitions, divestments, transaction structuring and business development. Prior to forming Metropolis in 2000, Mr Stern held senior positions in corporate finance with Macquarie Bank, UBS and Deutsche Bank.

During the last three years Mr Stern has been a director of the following listed companies:

- Anglo Australian Resources NL (from November 2011 to current)
- Altan Nevada Minerals Limited (from May 2010 to October 2019)
- Entek Energy Limited (from July to November 2017)

Mr Ken K Nilsson
(CEO and Managing Director)
B.Eng., Cert of Eng

Mr Nilsson joined Troy in 1997 and was re-appointed Managing Director in June 2017 and is currently the Chief Executive Officer. Mr Nilsson is a mining engineer with over 35 years international mine construction and production experience covering gold, base metals and coal. Mr Nilsson was responsible for the development of Troy's Western Australian operations at Sandstone and the construction of the Sertão Mine in Goias state, Brazil and led the team responsible for relocating the Sertão plant and development of the Andorinhas Mine in Para state, Brazil. Mr Nilsson managed the development and construction of Troy's Casposo operation in Argentina and most recently has been responsible for development of the Karouni gold project in Guyana.

During the last three years Mr Nilsson has not held directorships in any other listed companies.

Directors' report

Mr John L C Jones AM
(Non-Executive Director)
AusIMM, AICD

A Non-Executive Director since 27 July 1988, Mr Jones has over 40 years' experience as a director of public companies. Past roles include founder and Chairman of Jones Mining Ltd and Chairman of North Kalgurli Mines NL. Mr Jones is a director of Hampton Transport Services Pty Ltd, a private service company to the mining industry in Australia.

During the last three years Mr Jones has been a director of the following listed companies:

- Anglo Australian Resources NL (from February 1990 to current)
- Altan Rio Minerals Limited (from November 2007 to current)
- Altan Nevada Minerals Limited (from May 2010 to current)
- Tanga Resources Limited (from June 2014 to November 2019)

Mr Richard J Beazley
(Non-Executive Director)
B.Eng. (Mining), MBA, AusIMM, MAICD

Mr Beazley was appointed on 3 October 2018 and is a mining engineer with over 30 years of industry experience. He has a strong corporate, operational and technical background in the resources industry. Richard is a Director of Altair Mining Consultancy. His former roles have included Interim Chief Operating Officer of Sandfire Resources NL, Managing Director of Peak Resources Limited, General Manager Operations at Consolidated Minerals and General Manager - Southern Cross Operations at St Barbara Limited.

During the last three years Mr Beazley has not held directorships in any other listed companies.

COMPANY SECRETARIES

Mr Raymond Parry
B. Bus., FCPA, MBA, GAICD

Mr Parry commenced as Chief Financial Officer and Company Secretary of Troy on 6 January 2020. Mr Parry holds degrees in both accounting and finance and an MBA specialising in international business. He is a Fellow member of the Certified Practicing Accountants of Australia and a Graduate of the Australian Institute of Company Directors. He has over 30 years' experience in a variety of sectors including mining, manufacturing, oil & gas and banking. Mr Parry previously was the CFO and Company Secretary at Millennium Minerals Limited and Hanking Gold Mining and prior to this was the CFO at Northern Star Resources. Mr Parry has also held senior management positions with St Barbara Ltd, Kerr McGee (USA) / Tronox and Bankwest.

Mr Parry is also the Non-Executive Chairman of TSXV listed Transatlantic Mining Corporation.

Mr Gerry Kaczmarek
B. Ec (Acc), MAICD, CPA

Mr Kaczmarek was the Company Secretary of Troy from 4 July 2017 to 31 December 2019. Mr Kaczmarek previously held the position of Chief Financial Officer/Company Secretary from 2012 to 2016 with ASX 200 gold miner Saracen Mineral Holdings Limited.

DIRECTORS' INTERESTS

The relevant interest of each director in shares issued by the Company, as notified by the Directors to the ASX in accordance with Section 205G (1) of the Corporations Act 2001, as at the date of this report is as follows:

	Number of Fully Paid Ordinary Shares		
	Direct	Indirect	Total
Mr P A Stern	-	292,858	292,858
Mr K K Nilsson	1,117,862	-	1,117,862
Mr J L C Jones	1,397,621	3,558,700	4,956,321
Mr R J Beazley	-	-	-

MEETINGS OF DIRECTORS

Directors in office and Directors' attendance at meetings during the year ended 30 June 2020 are as follows:

	Board Meetings		Audit Committee Meetings (1)		Nomination and Remuneration Committee Meetings (1)	
	Held (2)	Attended	Held (2)	Attended	Held (2)	Attended
Non-Executive Directors						
Mr P A Stern	12	12	2	2	1	1
Mr J L C Jones	12	12	2	2	1	1
Mr R J Beazley	12	11	2	2	1	1
Executive Director						
Mr K K Nilsson	12	12	-	-	-	-

(1) Changes to the composition of the Audit and Nomination and Remuneration Committees occurred during the financial year, with Mr Beazley replacing Mr Nilsson from 9 August 2019.

(2) Held indicates the number of meetings available for attendance by the director during the tenure of each director.

CORPORATE INFORMATION

Troy Resources Limited is a limited liability public company which was incorporated in Victoria in 1984 and is domiciled in Australia with its registered office in Perth, Western Australia. The Company listed on the Australian Securities Exchange (ASX) in 1987 and its ordinary shares trade under the code TRY.

Information on subsidiaries and Group structure can be found in Note 24 to the Financial Statements.

PRINCIPAL ACTIVITIES

The principal activity of the Group during the year was gold production through its operations at the Karouni Gold Project (Karouni) in Guyana which commenced commercial production on 1 January 2016.

Exploration activities for gold were also conducted during the year at Karouni.

Directors' report

REVIEW OF OPERATIONS

Health and Safety

Troy sadly recorded a fatality at its Karouni operation in October 2019 and, subsequently, on 10 October 2019, received a Cease Work Order from the Ministry of Social Protection. Having received the Order, the Company had no option but to comply and, accordingly, ceased all mining and milling activities. The Company entered into a trading halt on the ASX on 11 October 2019 and then into voluntary suspension on 15 October 2019. Trading in the Company's shares recommenced on 23 December 2019 and mining was restarted in early January 2020, with processing recommencing in late January 2020.

Since the incident, none of the parties investigating the death (the Guyana Geology & Mines Commission, the Guyana Police Force and the Ministry of Social Protection) have notified of any cause against the Company or its safety practices. Nevertheless, the Company has re-examined its various procedures around matters of safety, seeking to identify areas where it could improve and further strengthen safety awareness.

Troy, its Directors, management and supervisors, are strongly committed to the long-term health and safety of all employees. Since the Company's establishment some 35 years ago, Troy has maintained relatively accident free operations in all jurisdictions and maintains a strong safety focus using modern methods and systems.

Response to the COVID-19 Pandemic

The World Health Organization on 11 March 2020 declared COVID-19 a pandemic. Protocols were rapidly established to protect all Troy employees, both at the Karouni mine site and in Georgetown, which aimed to reduce the risk of the coronavirus on employees and the Company. In April 2020, the Government of Guyana declared that mining operations, production and processing, as well as mineral exploration, were essential services, which allowed the continuing operations at Karouni. Due to the isolation of the site, increased safety precautions, as well as the initiated restrictions upon entering the site, the mine operations have continued to date. The restrictions on international travel have impacted the ability of international staff to travel, with some expat employees either unable to return home or to work. To date critical supplies have remained unaffected by reduced freight flights into Guyana, and gold has continued to be transported to the refinery in Canada.

Despite the economic impact of the coronavirus, gold prices have remained strong. The Company continually monitors global economic conditions, however the extent to which the pandemic may impact mining operations in the future is still uncertain.

Financial Results

Total revenue for the year, which was impacted by the mine closure, decreased by 45.7% to $56,303,000 (2019: $103,621,000) and the consolidated loss after tax for the year was $43,893,000 (2019: loss $45,832,000), after bringing to account the following items:

	30 June 2020 ($'000)	30 June 2019 ($'000)
Exploration expenditure	6,768	4,468
Government royalty expenses	5,396	9,925
Depreciation and amortisation	19,101	23,016
Impairment loss Karouni mine	19,460	15,000
Impairment loss Karouni plant and equipment	-	15,000
Care and maintenance Karouni mine	3,906	-

Directors' report

Operating Review

The following table summarises the operational and financial performance of the Group over the past four financial years:

		2020 (1)	2019	2018	2017
Gold Produced	(oz)	**23,580**	58,118	70,207	56,200
Gold Sold	(oz)	**23,726**	57,798	70,959	58,139
Cash Cost per oz (Au_Eq) (2)	($/oz)	**A$1,917**	A$1,093	A$951	A$1,286
		US$1,277	US$782	US$737	US$970
AISC per oz (Au_Eq) (2)	($/oz)	**A$2,582**	A$1,531	A$1,182	A$1,784
		US$1,725	US$1,095	US$931	US$1,345
Gold Price Realised (before impact of hedging) (2)	($/oz)	**A$2,371**	A$1,757	A$1,679	A$1,675
		US$1,581	US$1,257	US$1,302	US$1,263
Revenue	($ million)	**56**	104	116	92
Loss after impairment before tax	($ million)	**(44)**	(44)	(10)	(160)
Net loss after impairment and tax attributable to members of the company	($ million)	**(44)**	(46)	(10)	(148)
Earnings before interest, taxation, depreciation and amortisation and impairments (EBITDA) (2)	($ million)	**(4)**	12	24	(7)
Exploration Expenditure	($ million)	**7**	4	1	7
Capital Expenditure	($ million)	**15**	16	3	16
Cash and Bank Deposits	($ million)	**5**	8	1	9

(1) 2020 Figures are affected by the mine closure in the December 2019 quarter.
(2) "Cash cost", All-in Sustaining-Cost (AISC) and EBITDA are non-IFRS financial information and have not been subjected to audit.

Directors' report

The Group's total gold production for the year was 23,580 ounces (2019: 58,118 ounces).

Group gold sales for the year totalled 23,726 ounces (2019: 57,798 ounces).

All gold production for the financial years ended 30 June 2020 and 2019 came from the Karouni operation in Guyana. Production was achieved from the processing of 567,782 tonnes of ore at an average gold grade of 1.35 grams per tonne (g/t) and 95.8% recovery (2019: 888,198 tonnes of ore processed at an average gold grade of 2.11 grams per tonne (g/t) and 96.2% recovery).

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. Gold sales resumed late February 2020.

Karouni cash costs for the year were US$1,277 per ounce produced (2019: US$782) and All-in Sustaining costs (AISC) were US$1,725 per ounce produced (2019: US$1,095). The comparatively high production cost for the March and June Quarters is directly related to the phase of mining in Hicks 4 being predominately waste stripping and hence lower ounces. It is expected that, once the full production phase of mining in Hicks 4 commences and other pits are included in the mine schedule, production ounces will improve this metric.

Financial Review

At 30 June 2020, the Group held cash and cash equivalents of $4,910,000, which includes $15,000 restricted cash. Troy held gold inventories with a market value of $2,200,000, therefore providing total cash and equivalents of $7,095,000 excluding restricted cash.

Cash decreased by $2,933,000 over the year. A gold loan to the value of $11,700,000 (5,200 ounces) was received from the Asian Investment Management Services Ltd, as well as net equity raisings of $3,717,000. The Investec Bank Plc debt facility was fully repaid in September 2019 (including principal, interest and fees) by an amount of $2,714,000 (2019: $14,318,000).

Investing activities utilised $14,797,000, of which $1,468,000 (2019: $3,937,000) related to the purchase of property, plant and equipment and $13,639,000 (2019: $11,831,000) was expended on development at the Karouni mine. Troy also received $290,000 from the sale of the remaining 30% interest in the Casposo mine, Argentina.

The consolidated loss after tax for the year was $43,893,000 (2019: loss $45,832,000), inclusive of non-cash expenses totalling $43,722,000 (including $19,460,000 in impairment (refer Note 13) and $19,101,000 in depreciation and amortisation) (2019: $30,000,000 and $23,016,000 respectively).

The following annual accounts for the year ended 30 June 2020 contains an independent auditor's 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 (Going concern assumption section) to the financial statements together with the auditor's report.

DIVIDENDS

No dividends were declared for or during the financial year ended 30 June 2020 (2019: Nil).

Directors' report

CHANGES IN STATE OF AFFAIRS

There were no other significant changes in the state of affairs of the Group other than those referred to in the financial statements and notes thereto.

SUBSEQUENT EVENTS

Other than disclosed below, there has not been any matter or circumstances that have arisen since the end of the financial year, which has significantly affected or may significantly affect, the operations of the Group, the results of the operations, or the state of the affairs of the Group in the future financial years.

FUTURE DEVELOPMENTS

Troy is committed to pursuing growth through exploration, acquisition of new projects and/or corporate merger activity. Currently attention is focused on Smarts Underground, as well as exploration at Goldstar and Ohio Creek.

SHARE ISSUES

Details of transactions involving fully paid ordinary shares during the financial year are as follows:

- 40,000,000 ordinary shares at a gross value of $4,000,000 were issued to two cornerstone investors on 30 December 2019 pursuant to a share placement; and
- Costs in relation to shares issued totalled $283,000.

As at the date of this report, the Company had a total issued capital of 632,063,768 ordinary shares.

OTHER EQUITY INSTRUMENTS

There were no share appreciation rights or any other employee options granted during the year and there are none on issue as at 30 June 2020.

At the date of this report, there are 6,000,000 unlisted options on issue to Asian Investment Management Services Ltd for the provision of the gold loan facility. These options have an exercise price of $0.10 and an expiry date of 16 January 2022.

No person or entity entitled to exercise any of these share options had or have any rights by virtue of the options to participate in any share issue of any related corporation.

INDEMNIFICATION AND INSURANCE OF OFFICERS

During the financial year, the Group paid premiums in respect of insurance cover for the Directors and Officers of the Group. The Group has not included any details of the limit or nature of the liabilities covered or the amount of the premium paid in respect of the directors' liability and legal expense insurance contracts, as such disclosure is prohibited under the terms of the insurance contract.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is committed to a high standard of environmental performance. Compliance with environmental obligations is monitored by the Board of Directors. There was one reportable environmental incident during the year ended 30 June 2020 (YE June 2019: no environmental breaches or reportable incidents) involving diesel fuel being spilled through the oil/water separator at the fuel farm operated by Rubis, a contractor to the Company. The total spill was 5,000 litres with 1,000 litres recovered. A detailed report, including remediation that was accomplished and corrective actions taken, was sent to the Guyana Environmental Protection Agency. A comprehensive clean-up strategy was developed and implemented. Approximately 150 tons of contaminated soil were removed and transported to a temporary and secure holding pad. There was no contamination to either surface or underground water sources. TRGI is working together with Rubis to complete the remediation of soil. Corrective measures have been implemented and a third backup system has been installed. The Group has not received any material fines or prosecutions under any environmental laws or regulations.

The consolidated entity is subject to environmental regulation in respect of its gold exploration activities. The Group recognises that respecting environmental values held by all stakeholders is an essential part of the Company's corporate social responsibility.

The Karouni site has one tailings storage facility (TSF), and in light of the tailings dam incidents in South America, Troy voluntarily completed the questionnaire initiated by the Church of England Pensions Board and Swedish Council on Ethics, the results of which are disclosed on the Company's website. The TSF has been in operation since August 2015 and is being operated within the design parameters. The most recent independent expert review was performed in November 2019 and the latest downstream impact assessment on communities, ecosystems and critical infrastructure was undertaken in 2014 before the dam approval and construction. Whilst the TSF has been assessed as being classified as major based upon the Australian National Committee on Large Dams (ANCOLD) guidelines, there is minimal risk to human life, community services and contamination of water supplies for human or stock consumption. The level of impact assessed included the impact on business credibility and significant economic cost and loss to the Group. The oversight of the TSF is undertaken internally and Troy also has specialist external engineering support for this assessment.

The Group regularly undertakes water and noise sampling to ensure any significant anomalies are identified. Guyanese Environmental Protection Authority guidelines are adhered to and audits completed each quarter have found no significant issues. Inspection and monitoring of vegetation, groundwater and emissions are conducted to ensure compliance with all regulations. The Company is continuing the alliance with the University of Guyana, whereby the university will conduct a test planting programme at Karouni in order to ensure the selection of the optimum vegetation type for reclamation.

Climate change risks that may impact the Group are still to be considered by the Group in detail, including the assessment of the uncertainty surrounding future regulatory frameworks, as well as the physical risks that may result. Any effect of changes in weather including storm and rainfall patterns, may impact operations in Guyana, with both flooding and storm damage impacting production. The impact of any future carbon pricing may increase the energy costs of the Group.

Directors' report

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001

ROUNDING OF AMOUNTS

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 Directors' Report and the financial report are rounded to the nearest thousand dollars, unless otherwise indicated.

NON-AUDIT SERVICES

The auditor of the Company and the Consolidated Entity is PricewaterhouseCoopers. The Company also sources its tax services from PricewaterhouseCoopers. The Company has a general policy that other general accounting advice and services, should not be performed by the Company's auditor. However, the Company may employ the auditor on assignments additional to their statutory audit and taxation service duties where the auditor's expertise and experience with the Company and/or the Consolidated Entity are important and closely related to their work as auditor of the Company or their knowledge of the Company.

The Audit Committee and the Board of Directors of the Company are satisfied that the provision of non-audit services by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of non-audit services provided do not compromise the independence of the auditor.

A copy of the auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 20.

Details of amounts paid or payable to the auditor for audit and non-audit services provided during the financial year are outlined in Note 25 to the Financial Statements.

Directors' report

REMUNERATION REPORT – AUDITED

Key Management Personnel are defined as those persons who have authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether Executive or otherwise) of that entity.

The Nomination and Remuneration Committee is responsible for the review and recommendation to the Board, of the Company's remuneration policy, senior executives' remuneration and incentives, the remuneration framework for directors, share and benefits plans, as well as the selection and appointment of new directors.

A. Introduction

This report outlines the existing remuneration structure for Executive Directors, Non-Executive Directors and other Key Management Personnel (KMP) of the Company or the Group.

In the 2016 financial year, the Board took the decision that it would not be prudent or appropriate to operate a short term incentive plan for the Company's employees at that time. This position was extended into the 2017, 2018, 2019 and 2020 financial years.

During the 2021 financial year, the Board aims to re-evaluate the proposed remuneration framework of the Company, including latest trends in incentive scheme structures, to ensure that the Company's remuneration policies and practices are fair, competitive and responsible, and designed to attract, retain and motivate employees. These remuneration arrangements will be communicated to our shareholders with full transparency and clarity. This review will also take into consideration the operational and financial position of the Company at the time.

Supported by the Nomination and Remuneration Committee, the objective of the Board is to ensure that the practices and processes are sound and appropriate for the Company's particular operating circumstances and driven by our guiding principle to deliver value for the benefit of all our stakeholders.

Key Management Personnel during or since the end of the year:

Non-Executive Directors

P Stern	Non-Executive Chairman
J Jones	Non-Executive Director
R Beazley	Non-Executive Director

Executives

K Nilsson	Managing Director and Chief Executive Officer
R Parry	Company Secretary and Chief Financial Officer (appointed 6 January 2020)
G Kaczmarek	Company Secretary and Chief Financial Officer (resigned 31 December 2019)
E Olson	Mine Manager - Karouni (Guyana) (resigned 27 December 2019)

Directors' report

B. Remuneration Governance

The Board is responsible for ensuring that the Company's remuneration structures are aligned with the long term interests of the Company and its shareholders. Accordingly, the Board has established a Nomination and Remuneration Committee (Remuneration Committee) which is responsible for determining and reviewing remuneration for Key Management Personnel.

The responsibilities and functions of the Remuneration Committee include reviewing and recommending to the Board:

- The Company's remuneration policy and structure, including determining short term incentives, key performance indicators and long term incentive performance targets;
- The level of remuneration and incentives for Executives; and
- Appropriate Non-Executive Director remuneration and the aggregate pool for approval by shareholders (as necessary).

Executive remuneration is reviewed annually or on appointment, having regard to individual and business performance, relevant comparative information and internal and independent external information.

Remuneration Consultants

There were no remuneration recommendations made in relation to key management personnel by remuneration consultants in the financial year ended 30 June 2020.

Adoption of year ended 30 June 2019 Remuneration Report

At the Company's Annual General Meeting held on 26 November 2019, shareholders adopted the 30 June 2019 Remuneration Report with a clear majority of 154,662,785 votes in favour, representing 94.3% of the votes cast (2018: 83.8%).

C. Principles Used to Determine the Nature and Amount of Remuneration

Summary of Approach to Remuneration

The Nomination and Remuneration Committee in the current financial year decided that there would be no change to Directors fees and did not consider reintroducing a short term or long term incentive structure for directors, executives or employees for the year ended 30 June 2020.

Non-Executive Director Remuneration

Fees and payments to Non-Executive Directors’ reflect the responsibilities and demands made on them. They are set at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Non-Executive Directors' fees are paid within an aggregate limit approved from time to time by the Company's shareholders (currently $800,000 per annum as approved at the 2011 Annual General Meeting). Retirement payments, if any, are determined in accordance with the rules set out in the Corporations Act as at the time of the Director's retirement or termination. Non-Executive Directors do not receive performance based pay.

The Board’s remuneration levels are set out in Section E below.

No separate Committee fees have been paid to individual Directors for serving on any Board Committee in the 2020 financial year, in line with the 2018 Board determination relating to Committee fees.

Executive Director and Senior Executive Remuneration

Executive Directors and Senior Executives are not currently entitled to any performance based remuneration.

For the financial year ended 30 June 2020, the Remuneration Committee and Board resolved that it would not be appropriate for a variable component to be considered and that Executives would be entitled to their fixed remuneration only, a position that has remained unchanged since the year ended 30 June 2018.

The Remuneration Committee will revisit the structure of Executive Remuneration during the 2021 financial year and the composition of any future variable component.

Therefore, there has been no variable component payable to Executives as remuneration during the financial year ended 30 June 2020.

Directors' report

D. Company Performance

The following table shows the performance of the Group over the past five years based on several key indicators:

	Financial Years Ended 30 June				
	2020	**2019**	**2018**	**2017**	**2016**
Basic Earnings/(Loss) per Share (cents)	**(7.2)**	(9.3)	(2.1)	(34.7)	(28.7)
Diluted Earnings/(Loss) per Share (cents)	**(7.2)**	(9.3)	(2.1)	(34.7)	(28.7)
Shareholders' Funds ($m)	**1.5**	38.9	59.8	65.3	153.4
Net Profit/(Loss) Before Tax ($m)					
Continuing operations	**(43.9)**	(44.1)	(9.6)	(160.2)	(12.7)
Discontinued operations	-	-	-	-	(80.5)
Net Profit/(Loss) After Tax & Non-Controlling Interests($m)	**(43.9)**	(45.8)	(9.6)	(148.2)	(90.8)
Operating Revenue ($m)	**56.3**	103.6	115.7	91.8	145.4
Gold Equivalent Production (oz.)	**23,580**	58,118	70,207	56,200	82,826
Share Price at start of the year ($/share)	**$0.096**	$0.145	$0.078	$0.54	$0.37
Share Price at end of the year ($/share)	**$0.083**	$0.096	$0.145	$0.078	$0.54
Market Capitalisation at end of year ($m)	**53**	57	67	36	184

E. Non-Executive Director Remuneration

The following base annual fees applied during the 2020 financial year:

	Year Ended 30 June 2020	**Year Ended 30 June 2019**
Base Fees (plus superannuation or in lieu of)		
Chairman [(1)]	132,300	132,300
Non-executive Directors	72,000	72,000
Additional fees		
Committee Chairman	Nil	Nil
Committee Member	Nil	Nil

[(1)] During the year ended 30 June 2019, the Remuneration Committee decided that it was appropriate to compensate Mr Stern, having considered the additional work being undertaken and anticipated to be undertaken by the Chairman and agreed to a $15,000 increase to Mr Stern's base salary, payable over six months from May to October 2019. Of this amount only $12,500 was paid to Mr Stern as the Board resolved to cease the additional monthly amount as at 30 September 2019 and Mr Stern reverted to his base salary effective 1 October 2019. This amount was paid to Mr Stern in the current financial year, with his disclosed remuneration in the previous financial year including an accrued amount.

All Non-Executive Directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the board policies and terms, including remuneration, relevant to the office of Director.

F. Elements of Remuneration of Executives

As no incentive scheme was active during the year, remuneration paid to Executives consisted of fixed remuneration only.

There were no bonuses awarded or payable in relation to performance of Executives for the current year and there were no grants of share-based payment arrangements affecting remuneration of Key Management Personnel in the current financial year.

Fixed Remuneration

Individual Executives' base salaries for the 2020 financial year were:

Name	Position	Base Salary
Ken Nilsson	Managing Director and CEO	$492,750
Raymond Parry (1)	Chief Financial Officer and Company Secretary (appointed 6 January 2020)	$325,000
Gerard Kaczmarek (1)	Chief Financial Officer and Company Secretary (resigned 31 December 2019)	$325,000
Eric Olson	Mine Manager - Guyana (resigned 27 December 2019)	US$324,000

(1) The CFO and Company Secretary position is part time and the base salary above is calculated as a Full Time Equivalent (FTE) with remuneration paid based upon actual hours worked

The Remuneration Committee and the Board have again made no changes to the base salary levels for Executives for the year ended 30 June 2020.

There has been no increase in the base salary for the Managing Director/CEO and CFO/Company Secretary positions since 1 July 2017.

Remuneration components available to Executives from 1 July 2020 (base salary again remains unchanged) and are detailed below.

Name	Base Salary	Superannuation	Other Benefits (1)	Total Fixed Remuneration	Insurance (2)
Ken Nilsson (3)	$492,750	n/a	-	$492,750	Expat Medical
Raymond Parry (4)	$325,000	$30,875	-	$355,875	-

(1) Other benefits may include the provision of motor vehicles, airfares and housing accommodation.
(2) All Troy expat employees are covered by a group wide medical insurance policy. Individuals are not specific policy holders under this policy.
(3) Mr Nilsson's base contract is denominated in AUD, however Mr Nilsson is paid by Troy's overseas entities in their base currencies, and as a result, actual amounts paid when converted to AUD will differ from the contractual amount.
(4) Mr Parry is a part time employee and the base salary above is calculated as a Full Time Equivalent (FTE) with his remuneration paid based upon actual hours worked.

G. Directors' and Executive Officers' Remuneration

Details of the remuneration of each director of the Company and other key management personnel of the consolidated entity are:

Name	Year	Fixed Remuneration				Long Service Leave	Termination Benefits	Variable Remuneration		Total
		Cash Salary & Fees [1]	Other Benefits (including Non-Monetary) [2]	Post-Employment Superannuation Benefits	Total			Cash Bonus	Equity Share-based Payments	
		$	$	$	$	$	$	$	$	$
Non-Executive Directors										
P A Stern [3]	2020	139,325	-	13,756	153,081	-	-	-	-	153,081
Chairman	2019	137,775	-	12,569	150,344	-	-	-	-	150,344
J L C Jones	2020	72,000	-	6,840	78,840	-	-	-	-	78,840
Non-Executive Director	2019	72,000	-	6,840	78,840	-	-	-	-	78,840
R J Beazley [4]	2020	72,000	-	6,840	78,840	-	-	-	-	78,840
Non-Executive Director	2019	54,000	-	5,130	59,130	-	-	-	-	59,130
Executive Director										
K K Nilsson [5]	2020	534,007	-	-	534,007	12,353	-	-	-	546,360
Managing Director and CEO	2019	520,407	-	-	520,407	12,319	-	-	-	532,726
Senior Management										
A E Olson [6]	2020	302,576	-	-	302,576	-	-	-	-	302,576
Mine Manager – Guyana	2019	517,427	-	-	517,427	-	-	-	-	517,427
R J Parry [7]	2020	93,685	1,410	8,475	103,570	-	-	-	-	103,570
Chief Financial Officer / Company Secretary	2019	-	-	-	-	-	-	-	-	-
G F Kaczmarek [8]	2020	191,985	2,111	17,041	211,137	-	-	-	-	211,137
Chief Financial Officer / Company Secretary	2019	325,550	4,277	28,679	358,506	-	-	-	-	358,506
J L Altmann [9]	2020	-	-	-	-	-	-	-	-	-
Finance and Administration Manager	2019	68,736	-	-	68,736	-	-	-	-	68,736
Total Non-Executive Remuneration	2020	283,325	-	27,436	310,761	-	-	-	-	310,761
	2019	263,775	-	24,539	288,314	-	-	-	-	288,314
Total Executive Directors & Senior Mgt	2020	1,122,253	3,521	25,516	1,151,290	12,353	-	-	-	1,163,643
	2019	1,432,120	4,277	28,679	1,465,076	12,319	-	-	-	1,477,395
Total KMP	2020	1,405,578	3,521	52,952	1,462,051	12,353	-	-	-	1,474,404
	2019	1,695,895	4,277	53,218	1,753,390	12,319	-	-	-	1,765,709

G. Directors' and Executive Officers' Remuneration (Continued)

Notes in relation to the Table of Directors and Executive Officers Remuneration

(1) Includes, where applicable accrued employee annual leave entitlements.

(2) Non-monetary benefits may include provision of accommodation and related expenses whilst working away from normal place of residence and car parking.

(3) Mr Stern received the annual fee for the Chairman position of $132,300. The total remuneration disclosed includes $7,025 (2019: $5,475) relating to additional stakeholder and investor relations work.

(4) Mr Beazley was appointed a Non-Executive Director on 3 October 2018 at an annual salary of $72,000 plus statutory superannuation.

(5) Mr Nilsson's base contract is denominated in AUD. However, Mr Nilsson is paid directly by Troy's overseas entities in their home currency, and as a result, actual amounts paid, when converted differ to the contractual amount.

(6) Mr Olson is paid in USD and his contract allows a gross up for withholding and other taxes. Whilst his contractual rate remains unchanged since appointment, from 1 February 2019 Mr Olson became subject to Guyana PAYE at an average rate of 36%. Mr Olson resigned 27 December 2019.

(7) Mr Parry's annual base salary from appointment date (6 January 2020) is $325,000, with his actual remuneration calculated on actual hours worked.

(8) Mr Kaczmarek's annual base salary from appointment date is $325,000, with his actual remuneration calculated on actual hours worked. Mr Kaczmarek resigned 31 December 2019 and the cash salary disclosed include the amount of annual leave accrued during the year ended 30 June 2020 of $12,608.

(9) Mr Altmann returned to Australia at the end of June 2018 for health reasons. The amount disclosed as fixed remuneration salary relates to the payment of accrued annual leave during the financial year ended 30 June 2019. In addition to the amount disclosed in the table, the Groups insurer has paid Mr Altmann $319,243 under the Company's expatriate medical expenses insurance policy during the year ended 30 June 2019 and $81,565 for the period 1 July 2019 to 9 October 2019, after which Mr Altmann ceased to be an employee of the Group.

Analysis of Bonuses Included in Remuneration

There were no short-term incentive cash bonuses awarded as remuneration to key management personnel during the financial year. The Company currently does not operate a short-term incentive scheme for its key management personnel.

Directors' report

H. Employment Contracts

The following summarises the terms and conditions of contracts between key executives and the Company:

Name	Contract Commencement	Termination Notice	Termination Benefit
Executive Director			
Ken Nilsson	1 October 2017 No fixed term	For termination by the Executive, three months' notice. For termination by the Company, six months' notice.	For termination by the Company, six months' salary plus any accrued leave entitlement. If a material change event occurs, and the Executive resigns, the Executive shall be entitled to a payment equal to the Base Remuneration for a six month period. Subject to the *Corporations Act 2001* and any necessary approvals required thereunder.
Other Executives			
Ray Parry	6 January 2020 No fixed term	One month	For termination by the Company, one months' salary plus any accrued leave entitlement.

I. Equity Holdings

The movement during the financial year in the number of ordinary shares in the Company held, directly, indirectly or beneficially by each key management person, including their related parties, is as follows:

	Held at 1 July 2019	Granted as Remuneration	Received on Exercise of Options	Net Other Change (1)	Held at 30 June 2020	Balance held Nominally
K K Nilsson	1,117,862	-	-	-	1,117,862	-
P A Stern	292,858	-	-	-	292,858	292,858
J L C Jones	5,356,321	-	-	(400,000)	4,956,321	3,558,700
R J Beazley	-	-	-	-	-	-
R Parry (2)	n/a	-	-	-	-	-
G Kaczmarek (3)	392,858	-	-	-	n/a	-
E Olson (4)	-	-	-	-	-	-
TOTAL	7,159,899	-	-	(400,000)	6,367,041	3,851,558

(1) Other changes represent shares that were purchased or sold during the year.
(2) Mr Parry was appointed 6 January 2020.
(3) Mr Kaczmarek resigned 31 December 2019. The amount disclosed represents his interest in the Company on this date.
(4) Mr Olson resigned 27 December 2019.

Directors' report

Long Term Incentive Plan

Troy Resources Limited currently does not have a Long Term Incentive Plan. Any issue of securities, would now be included in the 15% limit imposed by Listing Rule 7.1.

There were no share appreciation rights granted as equity compensation benefits to KMP during the years ended 30 June 2020 or 30 June 2019.

All share appreciation rights lapsed prior to 1 July 2018 and there are none on issue as at 30 June 2020 (2019: Nil).

Options and Performance Rights

There were no options or share performance rights granted as equity compensation benefits to KMP during the year ended 30 June 2020 and all options and share performance rights previously issued have now lapsed.

Loans and other transactions

There are no loans or other transactions with Executive Directors, Non-Executive Directors or other Key Management Personnel in relation to the financial year ended 30 June 2020 (2019: Nil).

END OF REMUNERATION REPORT - AUDITED

Mr Peter Stern
Chairman

Signed in accordance with a resolution of the Directors
West Perth, Western Australia

28 August 2020

Auditor's Independence Declaration

As lead auditor for the audit of Troy Resources Limited for the year ended 30 June 2020, 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 audit, and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Douglas Craig
Partner
PricewaterhouseCoopers

Perth
28 August 2020

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Consolidated statement of profit or loss for year ended 30 June 2020

	Notes	**2020 $'000**	2019 $'000
Revenue	3	**56,303**	103,621
Cost of sales	4	**(62,309)**	(104,035)
Gross (Loss)/Profit		**(6,006)**	(414)
Other income	3	**1,390**	518
Exploration expenses	4	**(6,768)**	(4,468)
Administration expenses	4	**(2,018)**	(2,423)
Finance costs	4	**(1,794)**	(3,072)
Care and maintenance expenses	4	**(4,334)**	(482)
Other expenses	4	**(3,179)**	(3,723)
Fair value loss on financial liability	16	**(1,724)**	-
Impairment loss	13	**(19,460)**	(30,000)
Loss before income tax		**(43,893)**	(44,064)
Income tax expense	5	**-**	(1,768)
LOSS AFTER TAX		**(43,893)**	(45,832)
Loss attributable to:			
Owners of the parent		**(43,893)**	**(45,832)**
Earnings per share for loss attributable to the ordinary equity holders of the company			
Basic EPS (cents)	6	**(7.2)**	(9.3)
Diluted EPS (cents)	6	**(7.2)**	(9.3)

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

Consolidated statement of comprehensive income for year ended 30 June 2020

	Notes	**2020** **$'000**	2019 $'000
Loss for the Year		**(43,893)**	(45,832)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in value of cash flow hedge reserve net of tax	18c	**-**	(133)
Reclassification to profit and loss on discontinuation of hedging relationship	18c	**-**	(362)
Exchange differences on translation of foreign operations	18d	**2,545**	13,459
Changes in financial assets at fair value through other comprehensive income net of tax	18a	**-**	(150)
Other comprehensive income for the year, net of tax		**2,545**	12,814
Total comprehensive loss for the year		**(41,348)**	(33,018)
Total comprehensive loss attributable to:			
Owners of the parent		**(41,348)**	(33,018)

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

Consolidated statement of financial position as at 30 June 2020

	Notes	**2020 $'000**	2019 $'000
CURRENT ASSETS			
Cash and cash equivalents	8	**4,910**	7,843
Trade and other receivables	9	**1,367**	1,542
Inventories	10	**11,050**	9,818
TOTAL CURRENT ASSETS		**17,327**	19,203
NON-CURRENT ASSETS			
Property, plant and equipment	11	**10,403**	22,749
Exploration and evaluation assets	12	**592**	-
Mine properties	13	**16,018**	24,476
Other receivables	9	**5,749**	7,421
TOTAL NON-CURRENT ASSETS		**32,762**	54,646
TOTAL ASSETS		**50,089**	73,849
CURRENT LIABILITIES			
Trade and other payables	14	**26,563**	25,829
Provisions	15	**627**	1,183
Financial liabilities	16	**13,950**	2,105
Lease liability	17	**301**	1,009
TOTAL CURRENT LIABILITIES		**41,441**	30,126
NON-CURRENT LIABILITIES			
Provisions	15	**7,061**	4,749
Lease liability	17	**65**	50
TOTAL NON-CURRENT LIABILITIES		**7,126**	4,799
TOTAL LIABILITIES		**48,567**	34,925
NET ASSETS		**1,522**	38,924
EQUITY			
Issued capital	18	**369,185**	365,468
Reserves	18	**44,393**	42,267
Accumulated losses		**(412,056)**	(368,811)
TOTAL EQUITY		**1,522**	38,924

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

Consolidated statement of changes in equity for year ended 30 June 2020

	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 year	-	-	-	-	-	(45,832)	(45,832)
Changes in fair value of hedging instrument net of deferred tax	-	-	-	(133)	-	-	(133)
Reclassification to P & L on discontinuation of hedging relationship	-	-	-	(362)	-	-	(362)
Changes in financial assets at fair value through other comprehensive income net of tax	-	(150)	-	-	-	-	(150)
Exchange rate differences on translation of foreign operations	-	-	-	-	13,459	-	13,459
Total comprehensive loss for the year	-	(150)	-	(495)	13,459	(45,832)	(33,018)
Issue of fully paid shares - capital raising	11,937	-	-	-	-	-	11,937
Share issue costs	(608)	-	-	-	-	-	(608)
Issue of fully paid shares to Investec	200	-	-	-	-	-	200
Issue of options to Investec	-	-	648	-	-	-	648
Transfers of forfeited SARs and options	-	-	(9,243)	-	-	9,243	-
Balance at 30 June 2019	**365,468**	**-**	**648**	**-**	**41,619**	**(368,811)**	**38,924**
Balance at 1 July 2019	**365,468**	**-**	**648**	**-**	**41,619**	**(368,811)**	**38,924**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(43,893)**	**(43,893)**
Reclassification on disposal of foreign associate	**-**	**-**	**-**	**-**	**1,519**	**-**	**1,519**
Exchange rate differences on translation of foreign operations	**-**	**-**	**-**	**-**	**1,026**	**-**	**1,026**
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**2,545**	**(43,893)**	**(41,348)**
Issue of fully paid shares - capital raising	**4,000**	**-**	**-**	**-**	**-**	**-**	**4,000**
Share issue costs	**(283)**	**-**	**-**	**-**	**-**	**-**	**(283)**
Issue of options to AIMS (Note 15)	**-**	**-**	**229**	**-**	**-**	**-**	**229**
Transfers of forfeited options	**-**	**-**	**(648)**	**-**	**-**	**648**	**-**
Balance at 30 June 2020	**369,185**	**-**	**229**	**-**	**44,164**	**(412,056)**	**1,522**

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

Consolidated statement of cash flows for year ended 30 June 2020

	Notes	2020 $'000	2019 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**56,298**	101,776
Payments to suppliers and employees		**(52,509)**	(67,265)
Government royalties paid		**(4,968)**	(9,539)
Government grant received		**50**	
Commodity hedging receipts		**-**	248
Proceeds from sundry income		**303**	360
Net cash inflow from by operating activities	8	**(826)**	25,580
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		**(1,468)**	(3,937)
Payments for mine properties		**(13,047)**	(11,831)
Payments for exploration and evaluation assets		**(592)**	-
Proceeds from sale of investments		**-**	136
Proceeds from sale of investments in associate		**290**	-
Proceeds from sale of property, plant and equipment		**-**	55
Interest received		**20**	22
Net cash outflow from investing activities		**(14,797)**	(15,555)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from gold loan facility		**11,700**	-
Proceeds from borrowings		**1,950**	-
Repayment of borrowings		**(3,010)**	(13,210)
Repayment of short term loan funding		**(1,531)**	-
Payment of Investec financing costs		**(61)**	(1,108)
Payments of lease liabilities		**(232)**	(624)
Net proceeds from the issue of equity securities		**3,717**	11,329
Net cash inflow/(outflow) from financing activities		**12,533**	(3,613)
Net (decrease)/increase in cash and cash equivalents		**(3,090)**	6,412
Cash and cash equivalents at the beginning of the financial year		**7,843**	1,344
Effects of exchange rate changes on balances held in foreign currencies		**157**	87
Cash and cash equivalents at the end of the financial year	8	**4,910**	7,843

Refer to Note 8 iii) for information relating to non-cash financing and investing activities.

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

Notes to the consolidated financial statements

1. Basis of preparation

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 and Brazil. The registered office is located at Level 2, 5 Ord Street, West Perth, WA 6005.

The principal activities of the Group during the year were gold production and exploration.

Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards (AASBs) and Interpretations. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The accounting policies are consistent with those disclosed in the 2019 financial statements, except for the impact of any new or amended standards and interpretations. The adoption of these standards and interpretations did not result in any significant changes to the Group's accounting policies, with the exception of AASB 16 *Leases* (refer Note 17).

The consolidated financial statements were authorised for issue by the Board of Directors on 27 August 2020.

Basis of measurement

The consolidated financial statements have been prepared on a going concern basis in accordance with the historical cost convention, except for certain financial instruments that are measured at fair value or amortised cost adjusted for changes in fair value.

Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted.

Fair value is the price that would be received to sell an asset or paid to settle a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group considers the characteristics of the asset or liability, if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except measurements that have some similarities to fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The following financial liabilities are classified as level 2:

- Embedded derivative on the gold loan, liability of $1,724,0000 (30 June 2019: Nil) (refer Note 16).

Certain prior year amounts may have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the report results of the Group.

1. Basis of preparation (continued)

Principles of consolidation and equity accounting

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and are deconsolidated from the date that control ceases.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% - 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (refer Note 23), after initially being recognised at cost.

Going concern

The Directors have determined that 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 30 June 2020, the Group's current liabilities exceeded current assets by $24,114,000 and recorded an after tax loss of $43,893,000, which included non-cash depreciation and amortisation charges of $19,101,000, impairment write down of $19,460,000 and bad debts expense relating to VAT recoverable of $1,918,000. The Group has cash and cash equivalents of $4,910,000 as at 30 June 2020. Cash outflows from operating activities were $826,000 and cash outflows from investing activities were $14,798,000.

The operations at Karouni were impacted by the fatality and the resultant cessation of all mining activities. This has had an adverse impact on the Group's performance over the financial year, with the mine site going into care and maintenance from October to December 2019. During this time, exploration and maintenance expenditure continued and there were no gold sales. Additionally, the poor results in terms of machinery availability by the main mining contractor handling the pre-strip of Hicks 4 had a negative impact on mine production and hence operating cash inflows in the second half of the year once the mine resumed operations. Gold sales have decreased 45% to $56,244,000 in the year ended 30 June 2020.

Offsetting this is the fact that the Group had positive cash inflows from financing activities of gross $4,000,000 from a capital raising and $11,700,000 from the gold loan facility of 5,200 ounces.

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

- Operational cashflows - Achieving positive operational cash flows over the next twelve month period.
- Continued support of its creditors - Trade and other payable have increased slightly by 2.6% to $26,563,000 (2019: $25,892,000), of which a significant amount exceeds normal commercial terms. Management in Guyana have regular contact with Troy Resources Guyana Inc.'s trade creditors and has in place plans for the repayment of outstanding amounts. To date support from creditors has been forthcoming.

Notes to the consolidated financial statements

1. Basis of preparation (continued)

- Re-optimising pit designs and mine plans - The Company 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 Company is awaiting finalisation of the trial mining results from Ohio Creek prospect which is located approximately ten kilometres from the Karouni processing plant. The Company is also aiming to further advance the potential for underground mining at Smarts. The Group has also identified Gem Creek and Goldstar as highly prospective greenfields targets. Preparation of a mineral resource and mining plan for these deposits is underway. Success in determining the mineral resources and converting these into a mineable ore reserve would extend the mine life of the Karouni operation.

- Repayment or renegotiation of the gold loan facility repayable in January 2021.

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

Foreign currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). In preparing the financial statements of each individual Group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in the consolidated statement of profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore form in part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to the consolidated statement of profit or loss on repayment of the monetary items.

For the purpose of the consolidated financial statements, the results and financial position of each Group entity are expressed in Australian dollars ($), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

For the purpose of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used.

Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

On the disposal of a foreign operation all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to the consolidated statement of profit or loss.

Notes to the consolidated financial statements

1. Basis of preparation (continued)

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The key accounting judgements and sources of estimation uncertainty at the end of the reporting period, are those that have the most significant effect on the amounts recognised in the financial statements and/or have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Uncertainty due to COVID-19

The World Health Organization on 11 March 2020 declared COVID-19 a pandemic. The global impact of the coronavirus has brought significant volatility to stock markets, foreign exchange markets, commodity prices and labour markets. The restrictions on international travel has reduced the movement of people, goods and services globally, with all countries being impacted.

The full impact on the global economy, the duration of the coronavirus, as well as dynamic world-wide government measures adopted to control COVID-19 are unknown. This is turn will impact the critical estimates, assumptions and judgements made by the Directors in relation to the financial statements, including the various note disclosures, especially in relation to the valuation of long term assets, impairment and the impact on future mining operations and cash flows. While the Group has considered the impact of COVID-19 on the financial statements, this uncertainty may result in the actual results differing materially from such estimates.

Determination of ore reserves

Estimates of recoverable quantities of ore reserves include assumptions regarding commodity prices, exchange rates, discount rates, and production costs for future cash flows.

It also requires interpretation of complex and difficult geological models in order to make an assessment of the size, shape, depth and quality of resources and their anticipated recoveries. The economic, geological and technical factors used to estimate ore reserves may change from period to period.

Changes in reported ore reserves can impact mining properties carrying values, property, plant and equipment carrying values, the provision for restoration and the recognition of deferred tax assets, due to changes in expected future cash flows. Ore reserves are integral to the amount of depreciation, depletion and amortisation charged to the income statement and the calculation of inventory.

Other critical accounting judgements

Other critical accounting judgements and key sources of estimation uncertainty are discussed in the following notes:

Recoverability of value added tax	Note 9
Impairment of property, plant and equipment and mine properties	Note 13
Rehabilitation obligations	Note 15
Forward gold prices	Note 16

Rounding of amounts

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

Notes to the consolidated financial statements

PERFORMANCE FOR THE YEAR

This section focuses on the results and performance of the Group. This covers profitability and the resultant return to shareholders via earnings per share and cash generation.

2. Segment reporting

Accounting Policy

Reportable segments are determined based on the information reported to the Chief Executive Officer and Managing Director for the purposes 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 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 years ended 30 June 2020 and 2019, and all revenue is recognised at a point in time, and not over time.

	Segment revenue		**Segment profit/(loss)**	
	2020 ($'000)	2019 ($'000)	**2020 ($'000)**	2019 ($'000)
Operations				
Guyana	**56,303**	101,776	**(6,006)**	(2,259)
Total operations	**56,303**	101,776	**(6,006)**	(2,259)
Expenses - Guyana				
Exploration			**(6,768)**	(4,468)
Other expenses			**(5,824)**	(3,040)
Total expenses			**(12,592)**	(7,508)
Impairment				
Guyana mine properties			**(19,460)**	(15,000)
Guyana property, plant and equipment			**-**	(15,000)
Total impairment loss before income tax			**(19,460)**	(30,000)
Corporate revenue	**-**	1,845	**-**	1,845
Total segments	**56,303**	103,621	**(38,058)**	(37,922)
Other income			**1,390**	518
Fait value loss on financial liability			**(1,724)**	-
Corporate administration			**(2,018)**	(2,423)
Other expenses			**(1,689)**	(1,165)
Finance costs			**(1,794)**	(3,072)
Loss before tax			**(43,893)**	(44,064)
Income tax expense			**-**	(1,768)
Loss for the year			**(43,893)**	(45,832)

The revenue reported above represents revenue generated from external customers. There were no intersegment sales during the year (2019: Nil).

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

2. Segment reporting (continued)

The following is an analysis of the consolidated entity's assets and liabilities by reportable segment. Assets and liabilities are measured in the same way as in the financial statements. The assets and liabilities are allocated based on operations of the segment and physical location of the assets:

Total assets	2020 ($'000)	2019 ($'000)
Operations		
Guyana	**46,579**	68,795
Total segment assets	**46,579**	68,795
Cash and cash equivalents (1)	**3,276**	4,872
Receivables and other assets (1)	**234**	182
Total assets	**50,089**	73,849

(1) Unallocated assets include various assets including cash held at a corporate level that have not been allocated to the underlying segments.

Total liabilities	2020 ($'000)	2019 ($'000)
Operations		
Guyana	**33,958**	32,039
Total segment liabilities	**33,958**	32,039
Borrowings (2)	**13,950**	2,105
Other liabilities (2)	**659**	781
Total liabilities	**48,567**	34,925

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

Other segment information	2020 ($'000)	2019 ($'000)
Depreciation and amortisation		
Guyana	**19,015**	23,000
Unallocated	**86**	16
Total depreciation and amortisation	**19,101**	23,016
Additions to property, plant and equipment		
Guyana	**1,601**	3,865
Unallocated	**-**	1
Total additions	**1,601**	3,866

3. Revenue and other income

Accounting Policy

Revenue from contracts with customers

Under AASB15 *Revenue from Contracts with Customers*, revenue is measured as the amount of consideration that the Group expects to be entitled to in exchange for transferring goods to customers. The Group recognises revenue at a point-in-time when, or as the performance obligations, as determined by contracts with the customers, have been satisfied.

Judgement is required to determine at which point the Group no longer has control of the gold and silver.

The Group's assessment is that control effectively passes on the date the sales contract has been entered into, the amount of revenue can be measured and the gold has been transferred to the customer's account, and it is at this point in time the revenue is recognised. This is considered the point when the performance obligation has been satisfied and the Group no longer has control of the product.

Major customer information

The Group only has one external customer which accounts for 100% of the Group's external revenue.

There is no financing component and there are no other contract assets or contract liabilities related to contracts with the Groups customer.

Sale of gold and silver

Sales are denominated in US dollars, with minor adjustments made, if required, for the final gold price, assay and weight results between dispatch and final settlement.

The Group may have provisionally priced sales as at 30 June each year, for which price finalisation is outstanding and by reference to the relevant gold and silver price. The Group's exposure to price fluctuations has been assessed as not material.

Goods and Services Tax/Value Added Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) or value added tax (VAT), except where the amount of GST/VAT incurred is not recoverable from the taxation authority.

The net amount of GST/VAT recoverable from the taxation authority is included as part of receivables (Note 9). Cash flows are included in the statement of cash flows on a gross basis. The GST/VAT component of the cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation office is classified as operating cash flows.

	2020 ($'000)	2019 ($'000)
Revenue		
Gold sales	**56,244**	101,566
Silver sales	**59**	210
Reclassification of hedging cash flow reserve to profit or loss	**-**	362
Hedge net gain	**-**	1,483
	56,303	103,621
Other Income		
Interest received	**20**	22
Australian Government Covid-19 grant	**50**	-
Gain on sale of investments	**-**	136
Net foreign exchange gains	**1,017**	-
Other	**303**	360
	1,390	518

4. Expenses

i) Cost of sales

	2020 ($'000)	2019 ($'000)
Mining and milling expenses	**32,793**	65,836
Government royalties	**5,369**	9,925
Amortisation of mining properties	**4,305**	10,607
Depreciation of property plant and equipment	**14,465**	12,393
Depreciation of right to use assets	**245**	-
Other	**5,132**	5,274
	62,309	104,035

ii) Exploration expenses

Accounting policy

Exploration expenditure incurred by or on behalf of the Group is accumulated separately for each prospect area. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure but does not include general overheads or administrative expenditure not having a specific nexus with a particular prospect area. Each area of interest is limited to a size related to a known or probable mineral resource capable of supporting a mining operation.

Exploration expenditure for each prospect area is fully written off in the financial year in which it is incurred, unless a Mineral Resource has been delineated at the prospect whereupon additional costs are capitalised, (refer Note 12). At this point it is considered reasonable that a recoupment out of revenue will be derived from the successful development of the prospect, or from sale of that prospect.

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	2020 ($'000)	2019 ($'000)
Exploration expenditure incurred	**6,768**	4,468

iii) Administration expenses

	2020 ($'000)	2019 ($'000)
Head office salaries and on-costs	**550**	485
Non-Executive Directors fees and on-costs	**311**	288
Other head office administration (1)	**1,157**	1,650
	2,018	2,423

(1) Includes listing fees, shareholder costs, audit fees, taxation consultants, office rent, insurance, travel, corporate depreciation, including right of use assets and other head office administration expenditure.

Notes to the consolidated financial statements

4. Expenses (continued)

iv) Finance costs

Accounting policy – borrowing costs

Borrowings costs relate to financial liabilities measured at amortised cost using the effective interest method, therefore costs are recognised on an effective yield basis resulting in allocating the borrowing costs over the relevant period.

	2020 ($'000)	2019 ($'000)
Borrowing costs	**1,527**	2,428
Rehabilitation provisions unwinding of discount	**115**	644
Interest on lease liabilities	**152**	-
	1,794	3,072

v) Care and maintenance expenses

	2020 ($'000)	2019 ($'000)
Care and maintenance costs Guyana [1]	**3,906**	-
Care and maintenance costs Brazil	**428**	482
	4,334	482

[1] Care and maintenance costs include the costs incurred when the Karouni mine was closed in October 2019 due to the fatality with the Company ceasing all mining and milling activities and costs were incurred in preparing the processing plant for a full shut-down. During this time staff were stood down and paid out, though maintenance work on the plant was undertaken.

vi) Other expenses

	2020 ($'000)	2019 ($'000)
Net foreign exchange loss	**-**	2,769
Overseas office and administration	**-**	6
Loss on sale of assets	**-**	948
Provision for unrecoverable VAT (Note 9)	**1,918**	-
Loss on sale of associate (Note 23)	**1,261**	-
	3,179	3,723

5. Income Taxes

Accounting policy

Income tax expense

Income tax expense represents the sum of the current tax and deferred tax.

Current Tax

Current tax is based on the expected payable or receivable on the taxable income or loss for the year, using tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustments to tax payable in respect of previous years.

Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax is recognised in the consolidated statement of profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity, respectively.

5. Taxation (continued)

Tax consolidation

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law and are therefore taxed as a single entity. Troy Resources Limited (Troy) is the head entity in the tax-consolidated group. Members of the group have not entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis. In the absence of such an agreement, the subsidiaries are jointly and severally liable for the income tax liabilities of the head entity should the head entity default on its payment obligations. At balance date the likelihood of default is remote.

Nature of tax funding arrangements and tax sharing agreements

Entitles within the tax consolidated group have not entered into a tax funding arrangement.

i) Income tax recognised in profit or loss

	2020 ($'000)	2019 ($'000)
Current tax expense	**-**	-
Deferred income tax	**-**	-
Income tax expense	**-**	-

Numerical reconciliation of tax expense benefit to prima facie tax payable	**2020 ($'000)**	2019 ($'000)
Loss before tax	**(43,893)**	(44,064)
Income tax using the domestic corporation tax rate of 30% (2019: 30%)	**(13,168)**	(13,219)
Difference in income tax expense due to:		
Non-deductible expenses	**572**	230
Non-deductible impairment losses	**5,838**	9,000
Other temporary differences not recognised	**(203)**	19
Australian tax losses not brought to account	**201**	-
Tax losses utilised not previously brought to account	**-**	(1,035)
Foreign tax losses (recognised)/not brought to account	**6,760**	5,005
Deferred tax expenses arising from the write-down of a deferred tax asset	**-**	(1,768)
Income tax expense	**-**	(1,768)

5. Taxation (continued)

ii) Deferred tax assets arise from the following:

	Opening balance ($'000)	Charged to income ($'000)	Charged to equity ($'000)	Closing balance ($'000)
2020				
Plant and equipment - Guyana	**-**	**-**	**-**	**-**
Provisions	**20**	**(7)**	**-**	**13**
Accruals	**39**	**(3)**	**-**	**36**
Loans	**77**	**(77)**	**-**	**-**
Tax losses	**-**	**-**	**-**	**-**
Other	**(136)**	**87**	**-**	**(49)**
	-	**-**	**-**	**-**
Deferred tax assets				**-**

	Opening balance ($'000)	Charged to income ($'000)	Charged to equity ($'000)	Closing balance ($'000)
2019				
Plant and equipment - Guyana	565	(565)	-	-
Provisions	13	7	-	20
Hedge financial liability and accruals	(344)	383	-	39
Loans	424	(347)	-	77
Tax losses	1,203	(1,203)	-	-
Other	(93)	(43)	-	(136)
	1,768	(1,768)	-	-
Deferred tax assets				-

iii) Unrecognised deferred tax assets

The following deferred tax assets have not been brought to account as realisation is not regarded as probable:

	2020 ($'000)	2019 ($'000)
Tax losses - Australia	**13,810**	13,621
Tax losses - Guyana	**21,587**	14,949
Temporary differences - Australia	**49**	136
Deferred tax asset not brought to account	**35,446**	28,706

6. Loss per share

Accounting policy

Basic Earnings per Share

Basic earnings per share (EPS) is calculated by dividing the net profit attributable to ordinary equity holders of the parent entity for the reporting period, after excluding any costs of servicing equity (other than ordinary shares and converting preference shares treated as ordinary shares for EPS calculation purposes), by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

Diluted Earnings per Share

Diluted EPS is calculated by dividing the basic earnings, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares adjusted for any bonus issue.

	2020	2019
Basic loss cents per share	**(7.2)**	(9.3)
Diluted loss cents per share	**(7.2)**	(9.3)

Loss used in calculating earnings per share	**2020 ($'000)**	2019 ($'000)
Loss for the period attributable to ordinary shareholders	**(43,893)**	(45,832)

Weighted average number of shares	**2020 Number ('000)**	2019 Number ('000)
Weighted average number of ordinary shares used in calculating basic and diluted loss per share	**613,850**	491,943

The following potential ordinary shares are non-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted loss per share.

	2020 Number ('000)	2019 Number ('000)
Asian Investment Management Services Limited	**6,000**	-
Investec Bank Plc options	**-**	27,780
	6,000	27,780

The Company's potential ordinary shares, being its options granted, are not considered dilutive as the conversion of these instruments would result in a decrease in the net loss per share.

7. Dividends and franking credits

No dividends were declared or paid in 2020 (2019: Nil)

	2020 ($'000)	2019 ($'000)
Adjusted franking account balance at 30% (2019: 30%) tax rate	**1,604**	1,604

8. Cash and cash equivalents

Accounting policy

Cash and cash equivalents include cash held with financial institutions, cash on hand and deposits which are less than three months in duration and highly liquid. Interest is recognised when earned.

	2020 ($'000)	2019 ($'000)
Cash at bank	**4,895**	7,827
Short term interest bearing deposits - Australia	**15**	16
	4,910	7,843

i) Restricted cash

As at 30 June 2020, $28,000 (2019: $28,000) was held in term deposits to support bank guarantees. Troy also holds $15,000 (2019: $16,000) cash in Australian and United Kingdom bank accounts to cover unpresented dividend cheques.

As at 30 June 2020, $292,000 (2019: $286,000) was held as environmental bonds, these are classified as other receivables (Note 9).

ii) Reconciliation of net cash provided by operating activities to net loss after income tax

	2020 ($'000)	2019 ($'000)
Operating loss after income tax	**(43,893)**	(45,832)
Depreciation of property, plant and equipment	**14,507**	12,409
Depreciation of right to use assets	**289**	-
Amortisation of mining properties	**4,305**	10,607
Rehabilitation provision unwinding of discounts	**115**	644
Loss on sale of plant and equipment	**-**	948
(Gain) / Loss foreign exchange	**(1,178)**	2,534
Sale of available for sale investments	**-**	(136)
Interest income received and receivable	**(20)**	(22)
Finance costs classified as a financing activity	**1,679**	2,428
Fair value loss on gold loan facility	**1,724**	-
Loss on sale of associate	**1,261**	-
Impairment loss	**19,460**	30,000
Provision for unrecoverable VAT	**1,918**	-
Changes in operating assets and liabilities		
Movement in current receivables	**111**	(516)
Movement in inventories	**(1,062)**	6,638
Movement in income and deferred tax	**-**	1,768
Movement in payables	**511**	450
Movement in provisions	**(553)**	3,660
	(826)	25,580

8. Cash and cash equivalents (continued)

iii) Non-cash financing and investing activities

On 16 January 2020, the Group issued six million options to Asian Investment Management Services Ltd with an exercise price of $0.10 and an expiry date of 16 January 2022. This is a non-cash financing activity which is not reflected in the consolidated statement of cash flows. (2019: $200,000 fully paid ordinary shares issued to Investec Bank Plc as non-cash financing activity not reflected in the consolidated statement of cash flows).

iv) Net debt reconciliation

	2020 ($'000)	2019 ($'000)
Cash and cash equivalents	**4,910**	7,843
Borrowings – repayable within one year and variable interest rate	**(13,950)**	(2,105)
Net debt	**(9,040)**	5,738

OPERATING ASSETS AND LIABILITIES

This section focusses on the Group's operational assets and liabilities and further explains those individual line items shown on the statement of financial position.

9. Trade and other receivables

Accounting policy

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, except for short-term receivables when the effect of discounting is immaterial. General trade receivables are usually due for settlement no more than thirty days from date of recognition. Precious metal sales receivables are generally due within seven days. Due to the short-term nature of current receivables, their carrying amount is considered to be the same as their fair value.

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. The Group does not have material trade receivables for which there is an expected credit loss through the consolidated income statement, as such there is no provision needed. The group only transacts with reputable banks, refiners and commodity traders, which minimises the Groups credit risk. As at 30 June 2020, no current receivables are past due (2019: Nil) or impaired.

	2020 ($'000)	2019 ($'000)
Current		
Trade Receivables	**6**	189
Other receivables and prepayments (1)	**1,361**	1,353
	1,367	1,542
Non-current		
Environmental bonds (Note 8(i))	**292**	286
Value added tax recoverable (2)	**5,457**	7,135
	5,749	7,421

(1) Other debtors and prepayments primarily include advance payments to contractors and insurers, recovery of fuel and accommodation expenses incurred by contractors and term deposits. No allowance for doubtful debts has been recognised at 30 June 2020 (2019: Nil).

(2) As at 30 June 2020, value added tax receivables in Guyana of $2,535,000 have been provided for as doubtful (2019: $608,000).

10. Inventories

Accounting policy

Inventories are stated at the lower of cost and net realisable value. Ore stockpiles, gold in circuit, doré and bullion are valued applying absorption costing. Net realisable value represents the estimated selling price in the ordinary course of business, less estimated costs of completion and costs of sale. Consumable stores inventory is measured on a weighted average cost basis.

	2020 ($'000)	2019 ($'000)
At cost or net realisable value:		
Bullion and dore on hand	**1,644**	1,777
Gold in circuit	**3,233**	1,080
Ore stockpiles	**590**	882
Stores	**5,583**	6,079
	11,050	9,818

There were no write downs to net realisable value for the year ended 30 June 2020 (2019: Nil).

There were no reversals of write downs to net realisable value.

11. Property Plant and equipment

Accounting policy

Items of property, plant and equipment are recorded at cost less accumulated depreciation and impairment (refer to Note 13 for impairment policy).

Items of property, plant and equipment, including buildings and leasehold property are depreciated using the straight-line or reducing balance method over their estimated useful lives. There is no depreciation charge on land. Assets are depreciated from the date of acquisition or from the time an asset is completed and held ready for use.

The depreciation rates used for each class of asset are based on the following assessment of useful lives:

- Buildings 5-7 years
- Buildings right of use assets 2-3 years
- Plant and equipment, including right of use assets 3-5 years
- Motor vehicle 3-5 years

If the lease transfers ownership to the lessee at the end of the lease term, the right of use asset will be depreciated over its useful life. Otherwise right of use assets are depreciated over the shorter of their useful life and the lease term on a straight line basis.

An item of property, plant and equipment is derecognised when it is sold or otherwise disposed of, or when its use is expected to bring no further economic benefits. Any gain or loss from derecognising the asset (the difference between the proceeds on disposal and the carrying value) is included in the consolidated statement of profit or loss in the period the item is derecognised.

Notes to the consolidated financial statements

11. Property, plant and equipment (continued)

	Land and buildings $'000	Buildings right of use assets $'000	Plant and equipment $'000	Plant and equipment right of use assets $'000	Motor vehicles $'000	Total $'000
At cost:						
Balance at 30 June 2018	**7,252**	**-**	**99,783**	**-**	**1,874**	**108,909**
Additions	-	-	3,866	-	-	3,866
Disposals	-	-	(2,126)	-	(31)	(2,157)
Transfers	-	-	(127)	-	127	-
Currency translation differences	379	-	5,494	-	98	5,971
Balance at 30 June 2019	**7,631**	**-**	**106,890**	**-**	**2,068**	**116,589**
Recognised upon transition to AASB 16 1 July 2019	**-**	**98**	**-**	**-**	**-**	**98**
Transfer to right of use assets	**-**	**-**	**(474)**	**474**	**-**	**-**
Additions	**-**	**133**	**1,468**	**-**	**-**	**1,601**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**
Transfers	**50**		**(671)**	**621**	**-**	**-**
Currency translation differences	**153**	**(3)**	**2,102**	**(7)**	**41**	**2,297**
Balance at 30 June 2020	**7,834**	**228**	**109,315**	**1,088**	**2,109**	**120,574**
Accumulated depreciation and impairment:						
Balance at 30 June 2018	**(3,372)**	**-**	**(59,814)**	**-**	**(1,079)**	**(64,265)**
Depreciation expense	(1,213)	-	(10,797)	-	(399)	(12,409)
Disposals	-	-	1,148	-	19	1,167
Transfers	-	-	(85)	-	85	-
Impairment	-	-	(15,000)	-	-	(15,000)
Currency translation differences	(151)	-	(3,138)	-	(44)	(3,333)
Balance at 30 June 2019	**(4,736)**	-	**(87,686)**	-	**(1,418)**	**(93,840)**
Transfer to right of use assets	**-**	**-**	**9**	**(9)**	**-**	**-**
Depreciation expense	**(1,734)**	**(87)**	**(12,366)**	**(202)**	**(407)**	**(14,796)**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**
Transfers	**-**	**-**	**(109)**	**-**	**109**	**-**
Impairment	**-**	**-**	**-**	**-**	**-**	**-**
Currency translation differences	**(55)**	**1**	**(1,464)**	**4**	**(21)**	**(1,535)**
Balance at 30 June 2020	**(6,525)**	**(86)**	**(101,616)**	**(207)**	**(1,737)**	**(110,171)**
Net book value:						
As at 30 June 2019	2,895	-	19,204	-	650	22,749
As at 30 June 2020	**1,309**	**142**	**7,699**	**881**	**372**	**10,403**

12. Exploration and evaluation assets

Accounting policy

Exploration and evaluation assets are recognised where a Mineral Resource has been delineated at the prospect whereupon any additional costs are capitalised. At this point it is considered reasonable that a recoupment out of revenue will be derived from the successful development of the prospect, or from sale of that prospect, or where further work is to be performed to provide additional information.

Exploration and evaluation assets also include the cost of acquiring licences and tenements.

Exploration and evaluation assets are recognised only when the rights of the area of interest are current and either, the expenditures are expected to be recouped through successful development and exploitation of the area of interest or activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Once a development decision has been taken, all exploration and evaluation expenditure capitalised in respect of the prospect area is transferred to mine properties.

	2020 ($'000)	2019 ($'000)
Balance at start of financial year	**-**	-
Expenditure incurred during the year	**592**	-
Balance at end of financial year	**592**	-

Impairment of exploration and evaluation assets

Accounting policy

Exploration and evaluation assets are assessed each reporting period for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount, in particular when exploration for and evaluation of mineral resources in the specific area have not led to commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area or when right of tenure to the area lapses.

Where tenements or part of an area of interest are disposed of, the proceeds of this partial disposal will reduce the value of the asset by the fair value of those proceeds. This recognises that part of the future economic benefit of the asset has effectively been disposed.

Critical accounting judgements and key sources of estimation uncertainty

The application of the Group's accounting policy for exploration and evaluation expenditure necessarily requires management to make certain estimates and assumptions as to future events and circumstances, particularly the assessment of whether economic quantities of resources have been found, or alternatively, that the sale of the respective areas of interest will be achieved. There are a number of uncertainties in estimating resources and reserves, and these estimates and assumptions may change as new information becomes available.

13. Mine properties

Accounting policy

Mine properties represent the accumulation of all costs in relation to an area of interest, where right to tenure is current and from which the mining of a mineral resource has commenced. Subsequent additions to mine properties are recorded at cost. Amortisation of mine properties commences from the date of first commercial production.

Amortisation of mine property costs is provided on the unit of production basis. The unit of production basis results in an amortisation charge proportional to the depletion of the estimated economically recoverable ore reserves.

In open pit mining operations, it is necessary to remove overburden and waste materials to access the ore. Stripping costs incurred during the development of a mine or pit before production commences are capitalised as part of the investment in constructing the mine or pit (pre strip). These costs are subsequently amortised over the life of mine on a units of production basis, where the unit of account is ounces mined.

Stripping costs incurred during the production stage of operations are deferred to the extent that the current period strip ratio (the ratio of waste to ore) exceeds the life of mine strip ratio. These deferred costs are then charged to the Consolidated Statement of Profit or Loss to the extent, in subsequent periods, the current period ratio is less than the life of mine strip ratio. The calculated strip ratio and the remaining life of mine are reassessed annually. Changes are accounted for prospectively from the date of change.

	2020 ($'000)	2019 ($'000)
Balance at start of financial year	**24,476**	36,542
Expenditure incurred during the year	**13,047**	11,831
Rehabilitation provision adjustment	**2,101**	-
Amortisation expensed during the year	**(4,305)**	(10,607)
Currency translation differences	**159**	1,710
Impairment loss	**(19,460)**	(15,000)
Balance at end of financial year	**16,018**	24,476

13. Mine properties (continued)

Impairment of mine properties

Accounting policy

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. Where an indicator of impairment exists, a formal estimate of recoverable amount is made. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised in the consolidated statement of profit or loss immediately.

Where an impairment loss is subsequently reversed, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years.

Critical accounting judgements and key sources of estimation uncertainty

The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. Fair value less costs of disposal requires the directors to calculate the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

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, 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.

Karouni CGU, Guyana

The Group has one CGU being Karouni in Guyana. This CGU is assessed for impairment each reporting period. Where an indicator of impairment exists, a formal estimate of recoverable amount is made.

An impairment review had been conducted as at 31 December 2019 half year and an impairment charge of $5,973,000 was recorded against the carrying value of the Karouni mine property in the 31 December 2019 half year financial report.

In June 2020, following favourable drill results from the Smarts Underground prospect, the Company has evaluated the current Smarts open pit carrying value and due to the economics it is now more likely that the remaining reserve ounces in the open pit will be accessed from underground, with no further work to be conducted on the open pit.

Based upon the evaluation and review of the Smarts Underground potential as at June 2020, the Company has determined that the carrying value of the Smarts 3 pit is no longer recoverable and accordingly an additional impairment charge of $13,487,000 was made as at 30 June 2020.

13. Mine properties (continued)

Methodology and assumptions applied at June 2020

The remaining mine properties were supported by a fair value less cost of disposal model. Fair value is estimated based on discounted cash flows using market based commodity price assumptions, estimated quantities of recoverable minerals, production levels, operating costs, working capital position and future capital expenditure. These estimates were based on the Group's most recent life of mine plan.

The key assumptions in assessing the recoverable value of the Karouni CGU at 30 June 2020, were the gold price, estimated at US$1,710 per ounce, the Mineral Resources and Ore Reserve Statement of March 2020, wherein the probable reserve of 1,037,000 tonnes @ 2.4 g/t for 80,200 contained ounces was reduced by tonnes mined and ounces recovered since March 2020, to ascertain remaining reserves, as well as average costs for 2020 and an exchange rate USD:AUD of 0.70. The costs to dispose have been estimated by management based on prevailing market conditions.

In determining the fair value of the CGU, the future cash flows are discounted at 10.7% 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.

This assessment of the remaining CGU, after the impairment of Smarts 3, did not result in any further impairment.

The Karouni assets were impaired by $19,460,000 during the year ended 30 June 2020 (2019: $30,000,000).

The impairment recognised in the six months to December 2019 was $5,973,000. The additional impairment recognised in the six months to 30 June 2020 was $13,487,000.

The impairment charge recognised in relation to Karouni was as follows.

	2020 ($'000)	2019 ($'000)
Mining properties	**(19,460)**	(15,000)
Property, plant and equipment	**-**	(15,000)
Impairment loss after income tax	**(19,460)**	(30,000)

14. Trade and other payables

Accounting policy

Trade payables and accrued expenses are recognised for amounts to be paid in the future for goods and services received irrespective of whether they have been billed at the end of the financial year. These amounts are unsecured.

The standard credit period on purchases is 30 days from statement with longer terms typical in Guyana. No interest is usually charged on trade payables for the first 45 to 60 days from the date of invoice. Thereafter, interest may be charged on the outstanding balance. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame or based on arrangements agreed with the specific suppliers.

Due to the short term nature of trade payables and accrued expenses, their carrying value is assumed to be the same as their fair value.

Dividend liabilities represent the aggregate amount of dividends declared, determined or publicly recommended on or before the reporting date, which remain undistributed as at reporting date, regardless of the extent to which they are expected to be paid in cash.

	2020 ($'000)	2019 ($'000)
Current		
Trade payables	**26,058**	25,330
Accrued expenses	**504**	498
Dividends	**1**	1
	26,563	25,829

15. Provisions

Accounting policy

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

	2020 ($'000)	2019 ($'000)
Current		
Rehabilitation (i)	**97**	125
Employee benefits (ii)	**509**	930
Other provisions	**21**	128
	627	1,183
Non-current		
Rehabilitation (i)	**7,061**	4,749
Employee benefits (ii)	**-**	-
	7,061	4,749

Notes to the consolidated financial statements

15. Provisions (continued)

i) Rehabilitation

Accounting policy

A provision for rehabilitation is recognised in relation to mining activities for costs such as reclamation, waste removal, site closure, plant closure and other costs associated with the rehabilitation of a mining site. Estimates of the Group's rehabilitation obligations are based on legal requirements and future costs, which have been discounted to their present value. In determining the rehabilitation provision, the Group has assumed no significant changes will occur in the relevant legislation which underlies the rehabilitation of such mines in the future.

Future costs are reviewed annually, and any changes are reflected in the present value of the rehabilitation provision at the end of the reporting period.

Critical accounting judgements and key sources of estimation uncertainty

The Group estimates the future removal costs of mine operations disturbances at the time of installation of the assets and commencement of operations. In most instances, removal of assets occurs many years into the future. This requires judgmental assumptions regarding removal date, the extent of reclamation activities required, the engineering methodology for estimating cost, future removal technologies in determining the removal cost, and asset specific discount rates to determine the present value of these cash flows.

	Current ($'000)	Non-current ($'000)
Balance at 30 June 2018	93	3,908
Additional provisions recognised	26	-
Unwinding of discount	-	644
Reduction arising from payments	-	-
Currency translation differences	6	197
Balance at 30 June 2019	**125**	**4,749**
Additional provisions recognised	**6**	**2,101**
Unwinding of discount	**-**	**115**
Reduction arising from payments	**-**	**-**
Currency translation differences	**(34)**	**96**
Balance at 30 June 2020	**97**	**7,061**

15. Provisions (continued)

ii) Employee benefits

Accounting policy

Short-term and Long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows in respect of services provided by employees up to reporting date.

Termination benefit

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

	2020 Number	2019 Number
Full time employees at the end of the reporting period	**311**	376

CAPITAL STRUCTURE AND FINANCING

This section focusses on the Groups debt and equity structure.

16. Financial Liabilities

Accounting policy

Financial liabilities are initially recognised at fair value, net of transactions costs incurred and subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of the liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life to the net carrying amount on initial recognition.

Financial liability – Asian Investment Management Services Limited gold loan

In January 2020, the Company entered into a gold loan facility of 5,200 ounces with Asian Investment Management Services Limited (AIMS), a Malaysian based investment fund (Facility). The Facility has a term of twelve months and is secured by a general security interest over the Company's assets. The Facility was fully drawn down with gross proceeds of US$8.07 million (A$11.7 million) received. The Company issued six million unlisted options with an exercise price of $0.10 and an expiry date of 16 January 2022 to AIMS for the provision of the facility.

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

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

Short term loan funding – Attvest Finance Pty Ltd

Short term loan funding for the insurance premiums for the Group was initiated in December 2019. This loan funding is due to be fully repaid by 31 August 2020.

Borrowing arrangements - Investec Bank Plc facility

The Investec Bank Plc facility was fully repaid by 30 September 2019. Repayments made during financial year ended 30 June 2020 amounted to US$1.792 million (A$2.653 million) (2019: US$9.4 million (A$13.2 million)).The security held by Investec Bank Plc in the form of a floating charge over all revolving assets and a fixed charge over all other assets held by the Group has been surrendered.

Current borrowings	**2020 ($'000)**	2019 ($'000)
Gold loan facility		
Host debt – amortised costs	**11,918**	-
Embedded commodity derivative	**1,724**	-
Capitalised borrowing costs	**(126)**	-
Total gold loan facility financial liabilities	**13,516**	-
Insurance premium funding	**434**	-
Debt facility secured - at amortised cost		
Investec Bank Plc - syndicated debt facility	**-**	2,552
Capitalised borrowing costs	**-**	(447)
	13,950	2,105

17. Lease Liability

Adoption of AASB 16

The Group has adopted AASB 16 *Leases* from 1 July 2019, retrospectively from 1 July 2019, but has not restated comparatives for the 30 June 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019. The new accounting policies are disclosed below.

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 permitted by AASB 16:

- applying a single discount rate to leases with similar characteristics, and
- accounting for operating leases with a remaining lease term of twelve months or less as at 1 July 2019 as short-term.

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying AASB 117 and Interpretation 4 Determining whether an Arrangement contains a lease.

Notes to the consolidated financial statements

17. Lease Liability (continued)

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.

The impact on the statement of financial position as at 1 July 2019 on adoption of AASB 16 are noted below:

Adjustments recognised as at 1 July 2019	**$'000**
Assets	
Right of use assets – buildings	**98**
Total right of use assets	**98**
Liabilities	
Lease liability – current	**51**
Lease liability – non-current	**74**
	125

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%.

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.

Accounting policy

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. If the lease transfers ownership to the lessee at the end of the lease term, the right of use asset will be depreciated over its useful life. Otherwise 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.

Notes to the consolidated financial statements

17. Lease Liability (continued)

Amounts recognised in the balance sheet

Finance leases include obligations of the Group under premises, vehicle and equipment leases. They expire between 15 October 2020 and 5 April 2022.

The balance sheet shows the following amounts relating to leases.

Lease liabilities	**2020 ($'000)**	2019 ($'000)
Current	**301**	1,009
Non-current	**65**	50
	366	1,059

Right of use assets	**2020 ($'000)**	2019 ($'000)
Buildings	**142**	-
Plant and Equipment	**881**	2,753
Others	**-**	-
	1,023	2,753

In the previous year the Group only recognised lease assets and lease liabilities in relation to leases that were classified as finance leases under AASB 117 *Leases.* The assets were presented in property plant and equipment and the liabilities as part of the Group's borrowings.

Short-term and low value asset leases

Leases with a term of 12 months or less (unless considered a material asset) and any future leases of low value items will be expensed as incurred on a straight line basis.

Payments of $124,000 for short-term leases and payments of $5,000 for leases of low value assets were expensed in the consolidated statement of profit and loss and other comprehensive income for the year ended 30 June 2020.

The Group has short-term and low value lease commitments for premises and office equipment contracted for, but not provided for in the financial statements of $46,000.

Notes to the consolidated financial statements

18. Equity and reserves

The reconciliation of the movement in capital and reserves for the consolidated entity can be found in the consolidated statement of changes in equity.

Issued capital

Accounting policy

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new ordinary shares or share options are recognised as a deduction from equity, net of any tax effects.

The holders of fully paid ordinary shares are entitled to one vote per share at meetings of the Company and are entitlement to receive dividends as declared.

	2020 Number ('000)	2019 Number ('000)
632,063,768 (2019: 592,63,768) ordinary shares fully paid	**632,064**	592,064

	2020		2019	
	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 to Investec Bank Plc	**-**	**-**	1,883	200
Shares issued for cash			130,637	11,937
Shares issued for cash (1)	**40,000**	**4,000**	-	-
Capital raising costs	**-**	**(283)**	-	(608)
Balance at end of the financial year	**632,064**	**369,185**	**592,064**	**365,468**

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

(1) On 30 December 2019, the Company issued 40,000,000 ordinary shares to two cornerstone investors at an issue price of $0.10 per share.

As disclosed at Note 16, the Company issued six million unlisted options with an exercise price of $0.10 and an expiry date of 16 January 2022 to Asian Investment Management Services Ltd for the provision of the gold loan facility. Refer Note 18(b).

Notes to the consolidated financial statements

18. Equity and reserves (continued)

Reserves

a) Financial assets at fair value through other comprehensive income reserve

Accounting policy

The Group's financial asset related to holding shares in a listed entity, these shares were measured at fair value based on the closing quoted price of shares at the reporting period, which is a level 1 fair value measurement within the fair value hierarchy as per AASB 7 Financial Instruments: Disclosures. As at 30 June 2019 the Group had sold all of its financial assets.

	2020 ($'000)	2019 ($'000)
Balance at beginning of financial year	-	**150**
Reclassification to profit or loss	**-**	**(150)**
Balance at the end of the financial year	**-**	-

b) Share-based payment reserve

Accounting policy

The share-based payment reserve recognises the fair value of options issued but not exercised. Upon the exercise, lapsing or expiry of options, the balance of the share-based payments reserve is transferred to accumulated losses.

	2020 ($'000)	2019 ($'000)
Balance at beginning of financial year	**648**	**9,243**
Transfer to accumulated losses on forfeited rights and options	**(648)**	**(9,243)**
Share-based borrowings costs – 2020: AIMS options (2019: Investec)	**229**	**648**
Balance at the end of the financial year	**229**	**648**

c) Hedging cash flow reserve

Accounting policy

The cash flow hedging reserve represents the cumulative effective portion of gains/(losses) arising on changes in fair value of the gold forward contracts. The cumulative gains or losses arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedging reserve are reclassified to the consolidated statement of profit or loss when the hedged transaction is settled.

As at 30 June 2020 the Group had no outstanding hedging forward gold sales.

	2020 ($'000)	2019 ($'000)
Balance at beginning of financial year	-	**495**
Reclassification to profit or loss	**-**	**(362)**
Revaluation	**-**	**(133)**
Balance at the end of the financial year	**-**	**-**

Notes to the consolidated financial statements

18. Equity and reserves (continued)

Reserves (continued)

d) Foreign currency translation reserve

Accounting policy

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations from their functional currency to Australian dollars. Refer Note 1.

	2020 ($'000)	2019 ($'000)
Balance at beginning of financial year	**41,619**	28,160
Reclassification to profit or loss on disposal of associate	**1,519**	-
Translation of foreign operations	**1,026**	13,459
Balance at the end of the financial year	**44,164**	41,619

Notes to the consolidated financial statements

RISK AND UNRECOGNISED ITEMS

This section focuses on the Group's exposure to various risks, how these risks affect the financial position and performance of the Group and what processes the Group adopts to manage these risks.

19. Financial risk management

i) Capital risk management

The Group manages its capital to ensure that each of the entities within the Group will be able to continue as a going concern, whilst maximising the return to stakeholders through optimisation of the debt and equity balances.

The capital structure of the Group consists of debt (gold loan facility and insurance premium funding as detailed in Note 16 and finance lease liabilities as detailed in Note 17) offset by cash balances and equity of the Group (comprising issued capital, reserves, and accumulated losses).

Capital management is undertaken to ensure that a cost effective and flexible supply of funds is available to meet the Groups operating, exploration and capital expenditure requirements. The Board's policy is to maintain a capital base that maintains investor, creditor and market confidence and to sustain the future development of the Group. The Board reviews the capital structure of the Group for any new acquisition or significant projects. As part of the review, the Board considers the cost of capital and the risks associated with each class of capital. The Group's aim is to minimise the use of debt by utilising it in very specific purposes, such as capital development projects which are supported by strong cash flows.

The group is not subject to any externally imposed capital requirements.

19. Financial risk management (continued)

ii) Categories of financial instruments

	2020 ($'000)	2019 ($'000)
Financial assets		
Cash and cash equivalents	**4,910**	7,843
Trade and other receivables	**7,116**	8,963
Financial liabilities		
Trade and other payables	**(26,563)**	(25,829)
Short term borrowings	**(434)**	-
Gold loan facility	**(13,516)**	(2,105)

iii) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (refer Note 19(iv)), interest rates (refer to Note 19(v)) and commodity risk (refer to Note 19(viii)).

iv) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Group may hedge significant foreign currency transactions where considered necessary to mitigate a portion of the risk. The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Assets		Liabilities	
	2020 ($'000)	2019 ($'000)	**2020 ($'000)**	2019 ($'000)
USD	**2,945**	14	**13,928**	2,105
GYD	**2,082**	2,348	**3,339**	3,369

The Group primarily trades in the Group entities functional currencies. The balances above exclude amounts denominated in the functional currency of each of the entities within the Group. Certain intercompany loans between entities are denominated in functional currency of the parent entity and loans outside the Group are denominated in USD. The Group is mainly exposed to the Guyanese dollar (GYD) through its mining operations in Guyana, and the USD through USD denominated payables, purchases of equipment and sales of gold. The GYD trades in a reasonably tight range against the USD.

Sensitivity analysis - exchange rates

The following table details the Group's sensitivity to a 5% increase and decrease in the Australian dollar against the relevant foreign currencies. The sensitivity rate of 5% has been used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. A positive number below indicates an increase in profit and other equity where the Australian dollar weakens 5% against the relevant currency. For a 5% strengthening of the Australian dollar against the relevant currency, there would be a comparable impact on the profit and other equity and the balances below would be negative.

Notes to the consolidated financial statements

19. Financial risk management (continued)

iv) Foreign currency risk management (continued)

Judgements of reasonably possible movements	2020 ($'000)	2019 ($'000)
AUD/USD		
- Profit/(loss) after tax	**2,815**	5,089
- Equity	**2,119**	4,984
AUD/GYD		
- Profit/(loss) after tax	**(2,079)**	(2,398)
- Equity	**(12,083)**	(10,277)

v) Interest rate risk management

The Group is exposed to interest rate risk due to borrowings having a variable interest rate. (Refer Note 16 for details of borrowings).

Sensitivity analysis - interest rates

The sensitivity analysis below has been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

A 100 basis point increase or decrease is used because this represents management's assessment of the possible change in interest rates.

At reporting date, if interest rates had been 100 basis points higher or lower and all other variables were held constant, the Group's:

- net profit would increase / decrease by $61,000 (2019: $38,000) in relation to assets.
- net profit would decrease / increase by $26,000 (2019: 98,000) in relation to liabilities. This is attributable to reduction in the Group's exposure to interest rates on its variable rate borrowings.

The Group's sensitivity to interest rates on liabilities has decreased during the current year primarily due to the average borrowings decreasing across the two years from $9,793,000 to $2,606,000. The loan was repaid in September 2019.

vi) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. The Group measures credit risk on a fair value basis.

The credit risk on financial assets of the Group which have been recognised on the statement of financial position, other than investments in shares, is generally the carrying amount, net of any allowances for doubtful debts. Equity investments which are traded on organised stock markets will vary with market movements.

There are no significant concentrations of credit risk within the Group. The Group does not have material trade receivables for which there is an expected credit loss through the consolidated income statement, as such there is no provision needed. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with credit-ratings above A2 assigned by international credit-rating agencies.

19. Financial risk management (continued)

vii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board, who have built an appropriate liquidity risk management framework for management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate cash reserves by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

The majority of the Group's finance lease liabilities relate to the purchase of plant machinery and equipment which have fixed interest rates over the term and are therefore not subject to interest rate risk.

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

2020 Liabilities

	1 year or less ($'000)	1 to 5 years ($'000)	More than 5 years ($'000)	Total ($'000)
Trade and other payables	**26,563**	**-**	**-**	**26,563**
Borrowings	**14,967**	**-**	**-**	**14,967**
Lease liabilities	**301**	**65**	**-**	**366**
	41,831	**65**	**-**	**41,896**

2019 Liabilities

	1 year or less ($'000)	1 to 5 years ($'000)	More than 5 years ($'000)	Total ($'000)
Trade and other payables	25,829	-	-	25,829
Secured debt facility	2,105	-	-	2,105
Lease liabilities	1,009	50	-	1,059
	28,943	50	-	28,993

The weighted average rate (including line fees) on variable interest rate instruments (secured debt facility) was 8.83% for the year ended 30 June 2020 (2019: 9.44%).

The following table details the Group's expected maturity for its financial assets. These tables have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period.

Notes to the consolidated financial statements

19. Financial risk management (continued)

vii) Liquidity risk management (continued)

2020 Assets

	Weighted average effective interest rate %	1 year or less ($'000)	1 to 5 years ($'000)	More than 5 years ($'000)	Total ($'000)
Trade receivables		1,339	-	-	1,339
Other receivables	2.6%	28	-	-	28
Cash at bank	1.0%	1,211	-	-	1,211
USD variable deposits	0.0%	3,684	-	-	3,684
Short term deposits	0.0%	15	-	-	15
		6,277	-	-	6,277

2019 Assets

	Weighted average effective interest rate %	1 year or less ($'000)	1 to 5 years ($'000)	More than 5 years ($'000)	Total ($'000)
Trade receivables		1,514	-	-	1,514
Other receivables	2.6%	28	-	-	28
Cash at bank	1.0%	6,011	-	-	6,011
USD variable deposits	0.0%	1,816	-	-	1,816
Short term deposits	0.0%	16	-	-	16
		9,385	-	-	9,385

The fair value of cash and cash equivalents and interest and non-interest bearing monetary financial assets and financial liabilities approximates their carrying value.

viii) Commodity risk management

As a precious metal producer the Group's revenue is exposed to gold price fluctuations. The Group had been required by Investec Bank Plc to enter into gold forward sale contracts to manage its exposure to movements in commodity prices. The gold forward sale contracts are no longer required under the financing facility and the Group finalised all its gold forward contracts in January 2019 and the balance of the Investec Bank loan was fully repaid in September 2019.

The Group's policy is to hedge where it is deemed prudent to do so. The Group does not have any hedging outstanding as at 30 June 2020.

The Group therefore is now exposed to fluctuations in the gold price.

Accordingly, changes in the market gold price will affect the embedded derivative within the gold loan facility valuation at each reporting date (refer Note 16).

Notes to the consolidated financial statements

20. Commitments

i) Exploration commitments

The Group has minimum statutory commitments as conditions of tenure for certain mining tenements. Whilst these obligations may vary, the following is considered to be a reasonable estimate of the minimum projected payments required at 30 June 2020 if the Group is to retain all of its present interests in mining and exploration properties:

	2020 ($'000)	2019 ($'000)
Not longer than 1 year	**189**	356
Longer than 1 year and not longer than 5 years	**58**	-
Longer than 5 years	**-**	-
Total exploration commitments	**247**	356

ii) Non-cancellable lease commitments

	2020 ($'000)	2019 ($'000)
Not longer than 1 year	**348**	1,126
Longer than 1 year and not longer than 5 years	**66**	209
Longer than 5 years	**-**	-
Total exploration commitments	**414**	1,335

Other commitments

The Group has provided securities in the form of general bank guarantees to financial institutions (refer Note 21).

21. Contingent liabilities

The Group has the following contingent liabilities:

a) Bank guarantees from financial institutions total $320,000 (2019: $314,000), of which $320,000 (2019: $314,000) are cash backed.

b) Potential legal claims submitted by previous employees at the Company's Sertão and Andorinhas operations in Brazil of $27,000 (2019: $451,000). Based on past settlement of claims, the current expectation is that only a portion of this may become payable and therefore $21,000 has been included in other provisions as at 30 June 2020 (2019: $128,000) (Refer Note 15). There is one remaining labour claim as at 30 June 2020.

22. Events after balance sheet date

Other than as detailed in this Report and the Notes above, there are no other matters or circumstances that have arisen since 30 June 2020 that have significantly affected or may significantly affect:

i) The consolidated entity’s operations in future financial years; or
ii) The results of those operations in future financial years; or
iii) The consolidated entity’s state of affairs in future financial years.

OTHER INFORMATION

This section provides information on items required to comply with Australian Accounting Standards and other regulatory pronouncements.

23. Disposal of equity accounted for investment

The Group has one investment in an associate. The Company’s investment has been written down to nil as at 30 June 2018.

Sale of Associate - Casposo Argentina Ltd

On 25 November 2019, the Company announced that it has entered into a share sale agreement with Austral to sell the remaining 30% interest in the Casposo mine. Austral paid US$0.2 million to acquire all the outstanding common shares of Casposo Argentina Ltd. Austral completed the acquisition in December 2019.

The loss on the disposal of the equity accounted for investment is disclosed in Note 4(vi) other expenses and was calculated as follows:

	2020 ($’000)	2019 ($’000)
Loss on sale of associate		
Proceeds from sale	**290**	-
Costs associated with the sale of Casposo Argentina Limited	**(32)**	-
Foreign exchange loss on disposal of associate transferred from foreign currency translation reserve to profit or loss	**(1,519)**	-
	(1,261)	-

24. Related party transactions

i) Subsidiaries

The ultimate parent entity of the Group is Troy Resources Limited.

The consolidated financial statements include the following subsidiaries:

	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST	
		2020 %	2019 %
Parent Entity: Troy Resources Limited	Australia		
Subsidiaries:			
Wirraminna Gold Pty Ltd	Australia	100	100
Troy Resources Brasil Participações Ltda	Brazil	100	100
Troy Resources (Holdings) Limited	British Virgin Islands	100	100
Reinarda Mineração Ltda	Brazil	100	100
Azimuth Resources Pty Limited	Australia	100	100
Takatu Minerals Limited	Canada	100	100
Pharsalus Gold (BVI) Inc	British Virgin Islands	100	100
Pharsalus (BVI) Inc	British Virgin Islands	100	100
Pharsalus Gold Inc	Guyana	100	100
Pharsalus Inc	Guyana	100	100
Troy Resources Guyana Inc	Guyana	100	100

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in the Notes.

ii) Key Management Personnel Compensation

Key management personnel compensation comprised the following:

	2020 ($)	2019 ($)
Short term employee benefits	**1,409,099**	1,700,172
Long service leave	**12,353**	12,319
Post-employment benefits	**52,952**	53,218
Share-based payments	**-**	-
	1,474,404	1,765,709

Individual Directors' and Executives' Compensation Disclosures

Information regarding individual Directors' and Executives' compensation is provided in the Remuneration Report section of the Directors' Report. Apart from the details disclosed in this note, or in the Remuneration Report, no Director has entered into a material contract with the Company since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year end.

iii) Other transactions

There have been no other related party transactions for financial year 30 June 2020.

25. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2020 ($)	2019 ($)
PricewaterhouseCoopers Australia		
Audit and review of financial statements	**155,079**	192,497
Tax and other services	**38,964**	38,760
	194,043	231,257
Network firms of PricewaterhouseCoopers Australia		
Audit and review of financial statements	**-**	-
Tax and other services provided overseas	**103,933**	22,428
	103,933	22,428
Total for PricewaterhouseCoopers	**297,976**	253,685
Non PricewaterhouseCoopers audit firms		
Audit of the financial reports	**74,052**	69,590
Tax and other services	**7,025**	8,222
Total for overseas firms	**81,077**	77,812
Total auditors' remuneration	**379,053**	331,497

Notes to the consolidated financial statements

26. Parent entity disclosure

Accounting policy

Accounting policies of the parent are consistent with that of the Group.

	2020 $'000	2019 $'000
Assets		
Current assets	**3,382**	4,984
Non-current assets	**12,460**	36,539
Total assets	**15,842**	41,523
Liabilities		
Current liabilities	**14,334**	2,599
Non-current liabilities	**13**	-
Total liabilities	**14,347**	2,599
Net assets	**1,495**	38,924
Equity		
Issued capital	**369,185**	365,468
Accumulated losses - opening	**(321,025)**	(305,815)
Current year loss	**(42,894)**	(19,858)
Reserves:		
Share option reserve	**229**	648
Foreign exchange translation	**-**	(1,519)
Total equity	**1,495**	38,924
Financial performance		
Interest and management fees charges to subsidiaries	**4,677**	6,131
Other income	**72**	160
Loss on sale of associate	**(1,261)**	-
Hedging and foreign exchange gains/(losses)	**(110)**	1,187
Borrowing costs	**(1,531)**	(2,428)
Administration, corporate and other expenses	**(3,741)**	(2,428)
Impairment	**(41,000)**	(22,480)
Loss for the year after tax	**(42,894)**	(19,858)
Other comprehensive income	**-**	-
Total comprehensive income	**(42,894)**	(19,858)

Contingent liabilities of the parent entity

There are no contingent liabilities other than:

i) General bank guarantees to financial institutions of $28,000 (2019: $28,000) which is cash backed.

Non-cancellable lease commitments of the parent entity

The parent entity had office lease and equipment rental commitments of nil as at 30 June 2020 (2019: $151,000).

Notes to the consolidated financial statements

27. New accounting standards and interpretations

New Standards and Interpretations adopted (mandatorily effective for the current year)

The accounting policies disclosed in the financial statements have been applied consistently to all periods presented in these financial statements and have been applied consistently by the Group entities, except for the following changes in accounting policies. The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2019:

AASB 16 *Leases*

The adoption of AASB 16 from 1 July 2019 did not have a material impact on the financial position or the consolidated financial statements of the Group. Refer Note 17 Lease Liability for details of the change in accounting policy on the adoption of AASB 16. Refer Note 20 for details of the operating lease commitments for the prior period.

IFRIC 23 *Uncertainty over Income Tax Treatments*

IFRIC 23 clarifies how the recognition and measurement requirements of IAS 12 *Income Taxes* are applied where these is uncertainty over income tax treatments and requires an assessment of each uncertain tax position as to whether it is probable that a taxation authority will accept the position. Where it is not probable, the effect of the uncertainty is reflected in determining the relevant taxable profit or loss, tax bases, unused tax losses and unused tax credits or tax rates.

New Standards and Interpretations Not Yet Adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are not yet effective and have not been applied in preparing this financial report.

AASB Revised Conceptual Framework for Financial Reporting

The revised AASB Framework is effective for the Consolidated Entity's annual financial reporting period beginning on 1 January 2020. The AASB Framework provides the AASB with a base of consistent concepts upon which future accounting standards will be developed. The AASB Framework will also assist financial report preparers to develop consistent accounting policies when there is no specific or similar standard that addresses an issue. The application of the AASB Framework is not expected to have a material impact on Group's financial statements.

AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material

AASB 2018-7 is effective for annual reporting periods beginning on or after January 2020 and clarifies the definition of material and its application across AASB Standards and other pronouncements. The principal amendments are to AASB 101 *Presentation of Financial Statements*. Management does not anticipate being significantly affected by AASB 2018-7.

Directors' declaration

In the directors' opinion:

a. the financial statements and notes set out on pages 20 to 67 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 30 June 2020 and of its performance for the financial year ended on that date, and

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.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declaration by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

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

On behalf of the Directors of Troy Resources Limited

Peter Stern
Chairman

Ken Nilsson
CEO & Managing Director

Perth, Western Australia
28 August 2020

Independent auditor's report

To the members of Troy Resources Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Troy Resources Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended, and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2020
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of profit or loss for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies, and
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss after tax of $43.9 million during the year ended 30 June 2020 and, as of that date, the Group's current liabilities exceeded its current assets by $24.1 million. Note 1 comments on Group's ability to continue as a going concern being dependent on receiving the continuing support of its creditors and financiers as well as achieving positive operational cash flows. These conditions, along with other matters set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

The Group owns the Karouni gold mine in Guyana, South America and has its corporate office in Perth, Australia. Given the financial significance of the Guyana operations, local component auditors in Guyana assisted with audit procedures on behalf of the group engagement team.

Materiality

- For the purpose of our audit we used overall Group materiality of $0.56 million, which represents approximately 1% of the Group's revenues.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group revenue, in our view, it is the benchmark against which the performance of the Group is most commonly measured.
- We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by the group engagement team and by component auditors in Guyana operating under instruction.
- The Group engagement team and component auditors had active dialogue throughout the year through discussions and written instructions and reporting.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit Committee.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter(s) described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter

Impairment assessment of Karouni mine project non-current assets
(Refer to note 13) $19.5 million impairment loss
The Group's financial report includes non-current assets at 30 June 2020 which consisted of Mine Properties of $16.0 million, Exploration & Evaluation assets of $0.6 million, and Property, Plant and Equipment of $10.4 million relating to the Group's Karouni gold mine and associated infrastructure in Guyana.
The Group has identified indicators of impairment in its Karouni Cash Generating Unit (CGU) during the year. As discussed in note 13, an impairment trigger was also identified in relation to Smarts 3 as an individual mine within the CGU.
As a result, the Group assessed the Karouni CGU and Smarts 3 mine properties for impairment as at 30 June 2020. An impairment charge of $19.5 million has been recognised during the period against Mine Properties.
The Group's impairment assessment was performed on a 'fair value less costs of disposal' basis to determine the recoverable amount of the Karouni CGU.
This assessment involved significant judgements made in relation to key assumptions. The most significant areas of judgments relate to:
• forecast gold prices, and
• reserve and resource estimates and production and processing volumes.
This was a key audit matter due to the significant carrying value of the Group's Karouni CGU and the judgements and assumptions outlined above in determining whether an impairment charge was required.
	We performed the following audit procedures, amongst others:
	• assessed whether the composition of the Karouni CGU was consistent with our knowledge of the Group's operations,
	• evaluated the Group's assessment that there were indicators of asset impairment at 30 June 2020,
	• assessed whether the Karouni CGU appropriately included all directly attributable assets, liabilities and cash flows,
	• considered whether the discounted cash flow model used to estimate the recoverable amount of the Karouni CGU on a 'fair value less cost of disposal' basis (the impairment model) was consistent with Australian Accounting Standards,
	• compared the forecast cash flows used in the impairment models to the most recent budgets and business plans approved by the Board,
	• considered whether the forecast cash flows in the impairment model were reasonable and based upon supportable assumptions, by comparing:
	  ○ gold price data used in the impairment model to industry forecasts, and
	  ○ forecast gold production over the life of mine to the Group's most recent reserves and resources statement,
	• evaluated the Group's historical ability to forecast future cash flows by comparing budgets with reported actual results for the past three years,
	• performed tests, on a sample basis of the mathematical accuracy of the impairment model calculations, and
	• evaluated the adequacy of the disclosures made in note 13 of the financial statements, including those regarding key assumptions used in the impairment assessment and the outcome of key sensitivities to changes in such assumptions, in light of the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Directors' Report. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 11 to 19 of the directors' report for the year ended 30 June 2020.

In our opinion, the remuneration report of Troy Resources Limited for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Douglas Craig

Douglas Craig
Partner

Perth
28 August 2020