



TROY RESOURCES LIMITED



ASX Release

31 August 2015

FINANCIAL YEAR ENDED 30 JUNE 2015 FINANCIAL RESULTS

Highlights

- Gold equivalent production of 121,835 oz (2014: 132,939 oz)
- Record silver production of 3.1 million oz (2014: 2.5 million oz)
- Cash costs of US\$726 per oz (co-product basis) (2014: US\$764 per oz)
- All-In Sustaining Costs of US\$1,148 per oz (co-product basis)
- Revenue of \$180.8 million (2014: \$178.0 million) and EBITDA¹ of \$39.0 million (2014: \$29.7 million)
- Underlying operating loss after tax² of \$8.4 million (2014: underlying profit² of \$2.2 million) and net loss after tax of \$100.4 million (2014: Loss \$59.1 million) due primarily to a non-cash asset impairment of the Casposo silver and gold project in Argentina of \$91.4 million and depreciation and amortisation charges of \$37.7 million
- Rapid progress with construction activities in Guyana, but the start-up of Karouni delayed from Q4 FY2015 to Q1 FY2016

Results

With the Andorinhas operation in Brazil coming to a close, gold equivalent production decreased by 8% to 121,835 Au_Eq oz. Despite silver production being at a record high of 3.1 million oz, gold equivalent production was also impacted by a further 9.3% deterioration in the silver to gold ratio during the year. The 13.8% and 5.8% decrease in the silver and gold price respectively, was partially offset by the depreciation in the Australian Dollar during the year, resulting in a marginal increase in revenue.

Notwithstanding the impact of very high inflation in Argentina (approximately 38%) without any corresponding currency relief between the Peso and US Dollar, cash costs per ounce (on a co-product basis) reduced by 5% during 2015 to US\$726/oz. After including mine development and capital costs, royalties, export and local taxes, corporate and general admin and other costs, AISC were US\$1,148/oz (co-product) against an average realised gold price of US\$1,215/oz.

At Casposo, the majority of ore production for the year came from underground operations, with mining of the open pit ceasing in August. The mill processed 509,489 tonnes at an average gold grade of 3.73g/t and 235.72g/t silver to produce 55,859 oz gold (2014: 62,742 oz) and 3,111,182 oz silver (2014: 2,475,565 oz).

The Company recorded a net loss after tax of \$100.4 million after allowing for a \$92.0 million non-cash asset impairment charge, of which \$91.4 million relates to the Casposo silver and gold mine, and depreciation and amortisation charges of \$37.7 million.

The increasing complexity of the structure at Casposo, as the mine has transitioned from Inca 1 to Inca 2, has resulted in the grade distribution for both gold and silver in INCA 2 being more variable than that encountered in Inca 1. This complexity, combined with the increasing silver component of mineralisation at lower levels of the mine, as well as inflationary pressures, the commodity price outlook and the deteriorating silver to gold ratio, dictated the realignment of Casposo's book value with prevailing market valuations. The outcome of this process has resulted in a non-cash, after tax impairment of \$91.4 million being brought to account.

This situation, together with the recent decision to curtail exploration activity at Casposo in favour of focusing exploration funds at Karouni, has resulted in a revised assessment of the conversion of Mineral Resources into Mineral Reserves and this process has been factored into the Company's annual Mineral Resources and Ore Reserves update .

Mining activities at Andorinhas ceased during the year and the operation is currently processing remaining low grade stockpiles. During the reporting period the operation produced 22,142oz of gold at a cash cost of US\$889/oz (2014:31,205 oz at US\$856/oz).

A copy of the ASX Appendix 4E Preliminary Final Results for the year ended 30 June 2015 can be accessed via the Troy website under "Latest News".

Outlook

With the move into Inca 2 Casposo is now a silver rich mine with by-product gold. It is also evident that market conditions for silver have been especially challenging over the past 6 to 12 months with the silver to gold ratio currently touching 80:1. Based on a range of recent commodity reports from respected market analysts, this situation is deemed to be unlikely to change in the foreseeable future.

In the last Quarterly Report, Troy foreshadowed the start of an in-depth review of the operational performance of Casposo. That review is now essentially complete with the conclusion that Casposo is no longer sustainable in its current form within current market conditions. As a result, a plan of action is being introduced at the mine that will entail the suspension of all waste development and non-essential capital works along with a substantial re-structuring of the workforce.

The overall aim is to see if Casposo can be operated on a sustainable basis around a smaller scale, silver rich enterprise with a significantly restructured cost base. The management at Casposo is currently engaged with the key stakeholders within this process in an effort to achieve the best possible outcome for the mine.

Following delays experienced with heavy seasonal rainfall and delays experienced in clearing goods and containers held at the port, the Company has now commenced dry commissioning at Karouni and wet commissioning is scheduled to follow in 2-3 weeks. The first gold pour is expected to occur approximately 3 to 4 weeks after wet commissioning.

The Company has reached agreement with TSX-V listed Magellan Minerals Limited for the sale of its Andorinhas plant and all associated equipment and inventories for US\$4.5 million. Of the US\$4.5 million purchase consideration, Magellan will pay Troy a non-refundable deposit of US\$150,000 cash (Deposit) within 30 days. A further US\$3.35 million is to be paid by 15 December 2015 (Completion Payment) and may, at Magellan's election, comprise up to a maximum of 9.99% of Magellan's issued and outstanding share capital at that time. An additional US\$1 million will be paid to the Company following the production of 20,000oz of gold from Magellan's Coringa project in the Tapajos Province of northern Brazil, or after 18 months, whichever comes soonest. The Company has the right to terminate the agreement in the event that: a) Magellan fails to pay the Deposit; b) the Completion payment hasn't been made by 31 January 2016; and c) a warranty provided by Magellan is found to be incorrect or misleading.

¹ EBITDA is 'Earnings before interest, income taxes, depreciation and amortisation and non-cash impairment charges'.

² Underlying profit/loss after tax is 'profit/loss after tax before non-cash impairment charges.'

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