TROY RESOURCES LIMITED

CONSOLIDATED FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 **DECEMBER 2016**

RESULTS FOR HALF-YEAR ENDED 31 DECEMBER 2016

Appendix 4D, previous corresponding period, half-year ended 31 December 2015.

Revenue and net profit				**$'000**
Revenue from ordinary activities	Down	(33%)	to	44,280
Impairment loss net of tax	Down	N/A		(57,288)
Loss from ordinary activities after tax	Up	1,042%	to	(76,690)
Net loss attributable to members	Up	1,042%	to	(76,690)

Dividend information
No interim dividend for the financial year 2016 has been declared.

Net tangible assets per security	**Dec 2016 per share**	**Jun 2016 per share**
Net tangible assets per security	$0.32	$0.45
Common shares on issue at balance date	453,822,307	340,798,782

Additional Appendix 4D disclosure requirements can be found in the Directors' Report and the 31 December 2016 half-year financial statements.

This report is based on the condensed consolidated 2016 half-year financial statements which have been reviewed by PricewaterhouseCoopers, and is not subject to dispute or qualification. The Independent Auditors' Review Report is included herein.

This is a half-yearly report and is to be read in conjunction with the 30 June 2016 Annual Report.

TROY RESOURCES LIMITED

ABN: 33 006 243 750

CONSOLIDATED FINANCIAL REPORT

For the half-year ended 31 DECEMBER 2016

The Directors of Troy Resources Limited submit herewith the financial report of Troy Resources Limited and its subsidiaries (the "Company" or "Troy" or "Group") for the half-year ended 31 December 2016 ("half-year"). In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

DIRECTORS

The names of the Directors of the Company during and since the end of the half-year unless otherwise indicated are:

Mr F S Grimwade	Non-Executive Chairman
Mr M D Purvis	Chief Executive Officer and Managing Director
Mr K K Nilsson	Executive Director
Mr J L C Jones	Non-Executive Director
Mr D C Southam	Non-Executive Director (appointed 29 July 2016 and resigned 31 December 2016)

REVIEW OF OPERATIONS

OPERATING REVIEW

Karouni		
Total mined	(t)	3,977,732
Ore mined	(t)	396,769
Processed	(t)	421,900
Head Grade Gold	(g/t)	2.24
Recovery Gold	(%)	92.6
Gold Produced	(oz.)	28,168
Gold Sold	(oz.)	29,136
Gold Price Realised (pre-hedging)	(US$/oz.)	1,285
C1 Cash Cost – produced	(US$/oz.)	939
All in sustaining costs – produced	(US$/oz.)	1,335

During the half-year, the Company's operation at Karouni was impacted by the effects of severe wet weather and a failure that occurred in the South wall of the Smarts Stage 3 pit. These events gave rise to additional costs being incurred and together with delays in accessing higher grade material, resulted in higher unit costs.

FINANCIAL RESULTS

	Half-year 31 Dec 2016 ($'000)	**Half-year 31 Dec 2015 ($'000)**	**Change ($'000)**	**Change**
Revenue	**44,280**	65,875	(21,595)	(33%)
EBITDA[1]	**3,874**	4,376	(502)	(11%)
Depreciation and Amortisation	**(21,718)**	(3,872)	(17,846)	(461%)
EBIT[2]	**(17,843)**	504	(18,348)	(3,640%)
Underlying (Loss) / Profit [3]	**(19,401)**	185	(19,587)	(10,587%)
(Loss) after tax	**(76,690)**	(6,718)	(69,972)	(1,042%)
Cash flow from operating activities	**(1,962)**	15,852	(17,814)	(112%)
Cash flow from investing activities	**(3,282)**	(29,524)	26,242	(89%)
Cash flow from financing activities	**22,271**	(22,786)	45,057	(198%)
(Loss) per share (basic and diluted)	**(19.3) cps**	(2.3) cps	(17.0) cps	(738%)

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

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

3 Underlying profit/loss after tax is a non-IFRS measure and is unaudited. It has been calculated by adding back non-cash impairment charges (net of tax) of $57.3 million (2015: Nil) and realised hedging (losses)/ gains (net of tax).

Statement of profit or loss

The Group's revenue from operating activities for the half-year totalled $44.2 million (2015: $65.9 million which related to discontinued operations).

With the Casposo operation having ceased operating in February 2016, and the Andorinhas mine closing in May 2016, revenue from operating activities during the half-year related to production from the Company's Karouni gold mine ("**Karouni**") only and the prior year comparative related to the discontinued operations (see Note 5).

The Group expensed exploration expenditure of $3.4 million (2015: $2.6 million).

Borrowing costs in relation to the Investec Facility totalled $2.5 million (2015:$6.2 million). As Commercial Production was achieved on 1 January 2016, borrowing costs ceased being capitalised at that time (2015: $4.6 million). Net borrowing costs expensed to the profit and loss totalled $2.5 million (2015: $1.6 million).

During the half-year, the Group recognised a pre-tax impairment charge of $68.4 million (2015: Nil) and after tax charge of $57.3 million (2015: Nil). Refer to Note 10 for further information on impairment testing.

Underlying EBITDA[1] for the Group was $3.9 million (2015: $4.4 million).

Net loss after tax (including the impairment charge) was $76.7 million (2015:$6.7 million).

Statement of financial position

Current assets as at 31 December 2016 increased by $18.7 million mainly due to an increase in cash on hand following the funds raised from the placement and retail entitlement offer.

The reduction in Non-current assets is primarily due to the impairment charge recorded for Karouni and $21.7 million in depreciation and amortisation for the half-year period.

The Company's original US$71.6 million debt facility with Investec was reduced from US$39.2 million to US$29.2 million during the half-year following repayments of US$10.0 million.

Overall Total Liabilities decreased by $34.9 million which primarily relates to the reduction in the Investec Facility and a $16.1 million reduction in the Hedge Liability arising from a lower gold price.

The Company raised net proceeds of $38.4 million from a placement and retail entitlement offer.

Statement of cash flows

Cash flows from operating activities for the half-year reduced by $17.8 million, principally due to the transition from dual to single project operation, resulting in a reduction in ounces sold.

Cash flows invested decreased by $26.2 million representing the transition of activities at Karouni from commissioning to operations.

Cash flows from financing activities principally reflect repayments made under the Investec Facility and proceeds from an equity raising.

DEBT FACILITIES

The Group's net debt position at half-year end was $20.4 million, which includes amounts due under the Investec Facility, net of cash held. Refer Note 11 for further information on borrowings.

DIVIDENDS

No dividend has been declared or paid during the half year to 31 December 2016.

BASIS OF PREPARATION

The half-year financial report has been prepared on a going concern basis (please refer Note 1).

SUBSEQUENT EVENTS

For details of significant events subsequent to balance date please refer to Note 14 of this half-year financial report.

ADDITIONAL INFORMATION

Additional information on the Company's activities is available on its web site at www.troyres.com.au. Information available includes the detailed quarterly activities reports for the September and December 2016 quarters, the 2016 Annual Report, Corporate Governance policies and other Company information and publications.

The auditor's independence declaration is included on page 6 of the half-year financial report.

ROUNDING OFF OF AMOUNTS

The Company is of the kind referred to in ASIC Legislative Instrument 2016/191 and, in accordance with that instrument, amounts in the Directors' report, and the half-year financial report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of Directors made pursuant to s.306(3) of the *Corporations Act 2001*.

Mr F S Grimwade
Chairman
Perth, Western Australia
28 February 2017

Auditor's Independence Declaration

As lead auditor for the review of Troy Resources Limited for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

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

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

Ben Gargett
Partner
PricewaterhouseCoopers

Perth
28 February 2017

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	Notes	Half-year 31 Dec 2016 ($'000)	 31 Dec 2015 ($'000)
Continuing Operation			
Revenue	3	**44,280**	-
Cost of sales		**(56,733)**	-
Gross (Loss) / Profit		**(12,453)**	-
Other income	3	**570**	2,362
Share in profit of associate	3	**1,333**	-
Net foreign exchange gains		**5**	3,228
Exploration expenses	4	**(3,441)**	(2,563)
Administration expenses	4	**(3,704)**	(3,256)
Finance costs	4	**(2,582)**	(1,743)
Other expenses – Corporate	4	**(23)**	(67)
Impairment loss	10	**(68,401)**	-
Loss before Income Tax		**(88,696)**	(2,039)
Income tax benefit / (expense)	6	**12,006**	(2,124)
Loss For the Half-Year – Continuing Operation		**(76,690)**	(4,163)
Loss For the Half-Year – Discontinuing Operations	5	**-**	(2,555)
Loss For the Half-Year		**(76,690)**	(6,718)
Other Comprehensive Income			
Items that may be reclassified to Profit or Loss			
Changes in value of hedge cash flow reserve net of deferred tax		**17,853**	6,891
Changes in fair value of available-for-sale assets net of tax		**170**	-
Exchange differences on translating foreign operations		**9,927**	6,422
Other comprehensive income		**27,950**	13,313
Total Comprehensive Income attributable to owners of Troy Resources Limited		**(48,740)**	6,595
Loss Per Share (EPS)			
Basic EPS (cents)		**(19.3)**	(1.4)
Diluted EPS (cents)		**(19.3)**	(1.4)
Loss Per Share (EPS) discontinued operations			
Basic EPS (cents)		**-**	(0.9)
Diluted EPS (cents)		**-**	(0.9)

Notes to the condensed consolidated financial statements are included on pages 11 to 22.

	Notes	31 Dec 2016 ($'000)	30 Jun 2016 Restated * ($'000)
Current Assets			
Cash and cash equivalents		**20,530**	3,436
Trade and other receivables	7	**8,237**	12,915
Inventories	8	**14,543**	8,403
Available for sale financial assets		**170**	-
Total Current Assets		**43,480**	24,754
Non-Current Assets			
Property, plant and equipment		**84,835**	87,288
Mine property		**84,489**	147,356
Investments in associates		**1,880**	1,990
Other receivables	7	**1,448**	-
Deferred tax assets		**1,825**	1,775
Total Non-Current Assets		**174,477**	238,409
Total Assets		**217,957**	263,163
Current Liabilities			
Trade and other payables		**25,571**	21,395
Hedging Liability	9	**3,744**	14,351
Provisions		**3,648**	4,095
Borrowings	11	**19,745**	23,817
Total Current Liabilities		**52,708**	63,658
Non-Current Liabilities			
Hedging Liability		**-**	5,527
Deferred tax liabilities	6	**-**	12,006
Provisions		**3,406**	3,177
Borrowings	11	**18,783**	25,418
Total Non-Current Liabilities		**22,189**	46,128
Total Liabilities		**74,897**	109,786
Net Assets		**143,060**	153,377
EQUITY			
Issued capital	12	**353,250**	314,836
Reserves		**40,908**	12,949
Accumulated Losses		**(251,098)**	(174,408)
Total Equity		**143,060**	153,377

** Refer to Note 1(f) for details regarding the restatement as a result of errors identified.*

Notes to the condensed consolidated financial statements are included on pages 11 to 22.

	Attributable to owners of Troy Resources Limited						
	Issued capital ($'000)	Available for sale reserve ($'000)	Share based payment reserve ($'000)	Hedging cash flow reserve ($'000)	Foreign currency translation reserve ($'000)	Accumulated losses ($'000)	Total equity ($'000)
Balance at 1 July 2015	305,311	-	8,801	5,316	(65,209)	(81,964)	172,255
Loss for the half-year	-	-	-	-	-	(6,718)	(6,718)
Changes in fair value of hedging instrument net of deferred tax	-	-	-	6,891	-	-	6,891
Exchange rate differences on translation of foreign operations	-	-	-	-	6,422	-	6,422
Total comprehensive income for the half-year	**-**	**-**	**-**	**6,891**	**6,422**	**(6,718)**	**6,595**
Issue of fully paid shares - capital raising	8,562	-	-	-	-	-	8,562
Share issue costs	(622)	-	-	-	-	-	(622)
Share-based payments	-	-	67	-	-	-	67
Balance at 31 December 2015	**313,251**	**-**	**8,868**	**12,207**	**(58,787)**	**(88,682)**	**186,857**
Balance at 30 June 2016	314,836	-	8,878	(14,988)	20,984	(175,624)	154,086
Adjustment to balance at 30 June 2016 for prior period errors [(1)]	-	-	-	-	(1,925)	1,216	(709)
Balance at 1 July 2016 after prior period restatement	314,836	-	8,878	(14,988)	19,059	(174,408)	153,377
Loss for the half-year	-	-	-	-	-	(76,690)	(76,690)
Changes in fair value of hedging instrument net of deferred tax	-		-	17,853	-	-	17,853
Changes in fair value of available-for-sale assets net of tax	-	170	-	-	-	-	170
Exchange rate differences on translation of foreign operations	-	-	-	-	9,927	-	9,927
Total comprehensive expense for the half-year	**-**	**170**	**-**	**17,853**	**9,927**	**(76,690)**	**(48,740)**
Issue of fully paid shares - capital raising	40,688	-	-	-	-	-	40,688
Share issue costs	(2,274)	-	-	-	-	-	(2,274)
Share-based payments	-	-	9	-	-	-	9
Balance at 31 December 2016	**353,250**	**170**	**8,887**	**2,865**	**28,986**	**(251,098)**	**143,060**

[(1)] Refer to Note 1(f) for details regarding the restatement as a result of errors identified.

Notes to the condensed consolidated financial statements are included on pages 11 to 22.

	Half-year	
	2016 ($'000)	2015 ($'000)
Cash flows from operating activities		
Receipts from customers	**49,648**	64,812
Payments to suppliers and employees	**(45,211)**	(55,477)
Export tax and government royalties paid	**(2,907)**	(6,095)
(Payment) / Proceeds from close out of commodity hedging	**(3,649)**	14,040
Proceeds from sundry income	**157**	98
Income taxes paid	**-**	(1,526)
Net cash (used in) / provided by operating activities	**(1,962)**	15,852
Cash flows from investing activities		
Payments for property, plant and equipment	**(1,897)**	(22,830)
Payments for mine and development properties	**(2,830)**	(7,906)
Cash received on sale of Troy Resources Argentina Ltd	**1,309**	-
Proceeds on sale of property, plant and equipment	**-**	915
Interest received	**136**	297
Net cash used in investing activities	**(3,282)**	(29,524)
Cash flows from financing activities		
Repayments of borrowings	**(13,516)**	(25,392)
Payment of financing costs	**(2,628)**	(5,334)
Net proceeds from the issue of equity securities	**38,415**	7,940
Net cash provided by / (used in) financing activities	**22,271**	(22,786)
Net increase / (decrease) in cash and cash equivalents	**17,027**	(36,458)
Cash and cash equivalents at the beginning of the period	**3,436**	60,556
Effects of exchange rate changes on balances held in foreign currencies	**67**	(933)
Cash and cash equivalents at end of the period	**20,530**	23,165

Notes to the condensed consolidated financial statements are included on pages 11 to 22.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

(b) Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except certain financial instruments that are measured at fair values. Historical cost is generally based on the fair values of the consideration given in exchange for goods or services. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2016 annual financial report for the financial year ended 30 June 2016, and the corresponding interim reporting period, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

(c) Comparative financial information

Comparative financial information has been reclassified to aid comparability with the current half-year, and more appropriately reflect the nature of the items concerned. None of the adjustments affect the loss before or after tax or net assets.

(d) Funding position of the Group

The consolidated financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group has recorded a net loss after tax of $76,690,000 (2015: loss of $6,718,000 including discontinued operations) which includes non-cash depreciation and amortisation charges of $21,718,000 and a pre-tax impairment charge of $68,401,000. The statement of financial position displays a net working capital deficiency of $9,228,000 as at the half-year end (30 June 2016: $38,904,000).

The net working capital deficiency reflects the scheduled Investec principal and interest repayments over the coming year as well as operational challenges at Karouni in relation to ore availability, which had an adverse impact on the Group's performance in the latter part of the half-year, as discussed below:

- Mining performance was impacted in December by a failure that occurred in the South wall of the Smarts Stage 3 pit, which restricted access to one of the higher grade sections of the mine throughout December and January 2017. Mining schedules had to be revised in order to maintain a sufficient flow of ore to the mill resulting in lower grade ore being sourced from the upper benches of the Smarts 1 and 4 pits at a much higher stripping ratio. This substantially reduced the level of production from Karouni over this entire period.
- Maintenance issues in the secondary crusher restricted the amount of hard ore able to be crushed, leading to a sub-optimal ore blend being fed into the mill resulting in lower throughput. These issues have now been resolved.
- Cash operating costs per ounce also increased over this period as a result of the lower production.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Directors believe that the preparation of the financial statements on a going concern basis is appropriate for the following reasons:

- Positive cash flows are forecast to be achieved over the coming 12 month period from the date of these financial statements and forecast cash and cash equivalents exceeds any net cash outflows inclusive of debt repayments. Actual performance subsequent to period end has been above forecast expectations.
- The Company has engaged with Investec and is discussing potential changes to Troy’s loan repayment schedule. Subject to agreeing terms, Investec will consider a potential deferral, in part or in full, of the March 2017 repayment.
- As part of the Investec Facility, the Company is required to maintain compliance with certain undertakings, including maintaining a minimum liquidity of no less than A$10 million. As at the period end and the date of signing these financial statements, the Company has complied with, and is forecasting to continue to comply with all undertakings in the Facility Agreement. In addition, Investec have confirmed that they have reduced the minimum liquidity level to A$7.5 million until the earlier of 30 April 2017 or a credit approved amendment to the Facility is approved.

(e) Change in functional currency

Since Karouni commenced commercial production on 1 January 2016, its financial performance has become increasingly significant to the Group. Karouni sits within the legal entity of Troy Resources Guyana Inc. (“TRGI”).

Whilst in the development phase, the functional currency of TRGI was Guyanese Dollars. Moving into the production phase has triggered a reassessment of the appropriate functional currency. After taking into account:

- a review of AASB 121 “The Effects of changes in Foreign Currency”, and consideration of the primary and secondary indicators of functional currency in that standard;
- Karouni's revenue being denominated in United States dollars; and
- a large proportion of operating costs are United States dollars denominated,

it has been determined that the functional currency for TRGI be changed to United States dollars.

Management has concluded that the change should take effect from 1 January 2016, being the date upon which the triggering event occurred. Given that the Guyanese Dollar is essentially pegged to the United States dollars, there is no material adjustment required to reflect the change in functional currency from 1 January 2016 to 30 June 2016 and therefore a prior period adjustment has not been made.

The balances at 31 December 2016 affected by the conversion are translated into United States dollars using the prevailing exchange rate on that date (being US$/GY$ at 207.82) and all non-monetary related balances are taken as the opening historical costs. The movements for the half-year in the foreign currency denominated balance sheet and income statement are translated to United States dollars at the exchange rates on the date the transaction occurred (or by using average exchange rates when suitable). The translation difference relating to monetary items is recognised as a foreign exchange gain/loss in the income statement.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Correction of errors

During the half-year the following errors relating to the 30 June 2016 reporting period were identified:

- A deferred foreign exchange gain was incorrectly included within the Foreign Currency Translation Reserve. As a result, the reserve and the loss for the financial year ending 30 June 2016 were overstated by $1,925,000.

- A review of Troy's equity investment in Casposo identified that it should have only recognised an equity share of 30% rather than 49%. As a consequence, the loss for the financial year ending 30 June 2016 was overstated by $917,000, receivables were understated by $1,355,000 and the equity-accounted investment was overstated by $438,000.

- Capitalised exploration included balances relating to tenements that had been relinquished in a prior financial period. As a result of this oversight, mine property was overstated and accumulated losses understated as at 30 June 2016 by $1,626,000.

The 30 June 2016 balance sheet disclosed in this interim financial report has been restated to reflect these adjustments. The net effect of these corrections at 30 June 2016 was a decrease in the accumulated loss of $1,216,000 which has been disclosed in the statement of changes in equity. No corrections were required in relation to the statement of profit or loss and other comprehensive income for the comparative 6 months to 31 December 2015.

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

The Group has adopted the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year. However, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

2. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by reportable operating segment for the half-year under review:

	Segment revenue Half-year		Segment profit/(loss) Half-year	
	2016 ($'000)	2015 ($'000)	**2016 ($'000)**	2015 ($'000)
Producing operations:				
Guyana	**49,648**	-	**(7,085)**	-
Hedge (loss)/gain	**(5,368)**	-	**(5,368)**	-
	44,280	-	**(12,453)**	-
Discontinued operations:				
Argentina	**-**	53,002	**-**	(5,356)
Brazil	**-**	6,780	**-**	329
Hedge (loss)/gain	**-**	6,093	**-**	6,093
	-	65,875	**-**	1,066
Total operations	**44,280**	65,875	**(12,453)**	1,066
Exploration:				
Guyana			**(3,441)**	(2,563)
Total exploration			**(3,441)**	(2,563)
Impairment:				
Mining Properties - Karouni			**(68,401)**	-
Total impairment loss before income tax			**(68,401)**	-
Total segments	**44,280**	65,875	**(84,295)**	(1,497)
Other (losses) – discontinued operations			**-**	(5,711)
Income tax benefit / (expense) – discontinued operations			**-**	2,090
Other income			**570**	2,362
Share in profit/(loss) from associate			**1,333**	-
Net foreign exchange gains			**5**	3,228
Corporate administration			**(3,704)**	(3,256)
Other expenses			**(23)**	(67)
Finance costs			**(2,582)**	(1,743)
Loss before tax			**(88,696)**	(4,594)
Income tax benefit / (expense)			**12,006**	(2,124)
Consolidated segment revenue and loss for the half-year	**44,280**	65,875	**(76,690)**	(6,718)

The revenue reported above represents revenue generated from external customers. There were no intersegment sales during the half-year. Segment result represents the result of each segment without the allocation of corporate administration costs including Directors' salaries, other income, corporate finance costs, and tax expense. This is the measure reported to the CEO and Managing Director for the purpose of resource allocation and assessment of segment performance.

2. SEGMENT INFORMATION (CONTINUED)

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

	Consolidated as at	
	31 Dec 2016 ($'000)	30 Jun 2016 Restated* ($'000)
TOTAL ASSETS		
Operations		
Guyana	**187,811**	248,855
Total segment assets	**187,811**	248,855
Cash and cash equivalents[i]	**20,530**	3,436
Tax Assets	**1,825**	1,775
Receivables and other assets [i]	**7,791**	9,097
Total assets	**217,957**	263,163

[i] Unallocated assets include various assets including cash held at a corporate level that have not been allocated to the underlying segments and a receivable on the sale of discontinued operations.
* Refer to Note 1(f) for details regarding the restatement as a result of errors identified.

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

TOTAL LIABILITIES		
Operations		
Brazil – discontinued operation – closure liabilities	**2,537**	2,846
Guyana	**28,430**	22,989
Total segment liabilities	**30,967**	25,835
Income tax liabilities[ii]	**-**	12,006
Borrowings[ii]	**38,528**	49,235
Hedge Liability	**3,744**	19,878
Other liabilities[ii]	**1,658**	2,832
Total liabilities	**74,897**	109,786

[ii] Unallocated liabilities include tax liabilities, deferred consideration, corporate level entitlements and consolidated entity borrowings not specifically allocated to any one underlying segment.

3. REVENUE

	Half-year	
	2016 ($'000)	2015 ($'000)
Operating Revenue – continuing operations		
Gold sales	**49,648**	-
Hedging - losses realised [i]	**(5,368)**	-
	44,280	-

[i] During the half-year, the Group realised $3.7 million in hedge losses. An additional $1.7 million in net losses was recycled from the cash flow hedge reserve in accordance with accounting standards. Gains and losses deferred in the hedge reserves will be recognised to the profit and loss statement over the life of the contracts originally hedged.

3. REVENUE (CONTINUED)

	Half-year 2016 ($'000)	2015 ($'000)
Other Income		
Interest received	**136**	225
Gain on sale of assets	**-**	504
Other	**434**	98
Hedging – finance and exchange gains	**-**	1,779
	570	2,606
Share in profit of associate	**1,333**	-

4. EXPENSES

	Half-year 2016 ($'000)	2015 ($'000)
(i) Cost of sales		
Depreciation of property, plant & equipment		
- Cost of sales – continuing operations	**8,594**	-
- Cost of sales – discontinued operations	**-**	3,808
- Administration expenses	**30**	64
Amortisation of mining properties	**13,094**	-
Export tax and other taxes (Argentina) – discontinued operations	**-**	2,938
Government royalties	**4,478**	-
Government royalties – discontinued operations	**-**	2,867
(ii) Exploration Expenditure		
Exploration expenditure incurred	**3,441**	2,563
Exploration expenditure incurred – discontinued operations	**-**	10
Exploration expensed	**3,441**	2,573
(iii) Administration Expenses		
Head office salaries and on-costs	**1,076**	1,327
Head office corporate restructure costs	**101**	-
Directors fees and on-costs	**167**	215
Care and maintenance costs Brazil	**952**	-
Other	**30**	208
Overseas office and administration	**329**	438
Other Head office administration [(i)]	**1,049**	1,068
Total	**3,704**	3,256

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

	Half-year 2016 ($'000)	2015 ($'000)
(iv) Other Expenses - Corporate		
Share based payments	**8**	67
Loss on sale of equipment	**15**	-
	23	67

4. EXPENSES (CONTINUED)

	Half-year 2016 ($'000)	2015 ($'000)
(v) Finance costs		
Borrowing costs	**2,451**	1,643
Rehabilitation provisions unwinding of discount	**131**	284
	2,582	1,927
(vi) Impairment Loss [(i)]		
Mine property	**68,401**	-
Impairment loss before income tax	**68,401**	-
Derecognition of deferred tax liability in relation to impaired assets	**(11,113)**	-
Impairment loss net of income tax	**57,288**	-

(i) Refer to Note 10 for further information on the impairment testing.

5. DISCONTINUED OPERATIONS

The Company agreed to a staged divestment of its controlling stake in the Casposo operation on 4 March 2016. Andorinhas was closed during May 2016 with the plant and remaining inventories being sold to a third party. As a result, these projects have been reported as discontinued operations.

Revenue		65,875
Expenses	**-**	(70,520)
(Loss) before income tax	**-**	(4,645)
Income tax benefit/(expense)	**-**	2,090
Loss after tax of discontinued operation	**-**	(2,555)
Other comprehensive income from discontinued operation	**-**	(4,172)
Net cash (used) in operating activities	**-**	(1,196)
Net cash provided by investing activities	**-**	80
Net (decrease) in cash generated by subsidiaries	**-**	(1,116)

6. TAXATION

Income Tax

Income tax rates applicable for Corporations operating in Guyana and Australia are 30% respectively.

	Half-year 2016 Tax expense / (benefit) ($'000)	Effective tax rate (%)
Decrease in deferred tax liability [(1)]	**(12,006)**	**-**
	(12,006)	**-**

(i) Due to the impairment of Mine property, all tax liabilities have been reversed resulting in a tax benefit.

7. TRADE AND OTHER RECEIVABLES

	Consolidated as at	
	31 Dec 2016 ($'000)	30 Jun 2016 ($'000)
Current		
Debtors and prepayments	**8,237**	12,915
Non-Current		
Value added tax recoverable	**1,448**	-

8. INVENTORY

Bullion and doré on hand (at cost)	**3,138**	2,106
Gold in circuit (at cost)	**2,045**	2,001
Ore stockpiles	**1,165**	2,190
Stores and raw materials	**8,194**	2,196
	14,543	8,403

9. FINANCIAL INSTRUMENTS

The fair value of the Group's financial assets and liabilities are determined on the following basis.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Subsequent to initial recognition at fair value, financial instruments are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Levels are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial Assets/(Liabilities)	Gold Forward contracts
Fair value as at 30 Jun 2016	($19,877,701)
Fair value as at 31 Dec 2016	($3,743,897)
Fair value hierarchy	Level 2
Valuation technique(s) and key input(s)	Mark to Market. Forward Price fair value of this cash flow hedge was estimated using observable spot gold inputs in combination with spot price parameters and mark to market valuations as provided by counter parties as at the reporting date. Key inputs used include commodity spot rates (gold), remaining contract term, forward curve of underlying metal (gold), base currency discount rate (US$) and spot exchange rate (US$/A$).

9. FINANCIAL INSTRUMENTS (CONTINUED)

Financial Assets and Financial Liabilities that are not measured at fair value on a recurring basis (but where fair value disclosures are required)

At 31 December 2016 and 30 June 2016, the carrying amount of financial assets and financial liabilities for the Group is considered to approximate their fair values.

Reconciliation of Level 3 fair value measurements

At 31 December 2016 the only financial assets and liabilities that are measured at fair value at the end of each reporting period relate to the Group's gold forward contracts and the fair value of the options over the remaining 30% interest on the sale of Casposo which are currently carried at no value. The following table gives information about how the fair values of these forward contracts are determined (in particular, the valuation technique and inputs used).

10. IMPAIRMENT TESTING FOR NON-CURRENT ASSETS

Results of impairment testing - Karouni CGU

	31 Dec 2016 ($'000)	30 Jun 2016 ($'000)
Mine property	**68,401**	-
Derecognition of deferred tax liability in relation to impaired assets	**(11,113)**	
Impairment loss after income tax	**57,288**	-

Property, Plant & Equipment and Mine and Development Properties

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

Non-financial assets are reviewed at each reporting period to determine whether there is an indication of impairment. Where an indicator of impairment exists, a formal estimate of recoverable amount is made.

An impairment assessment was conducted at balance date given that the market capitalisation of Troy at that time was below net asset value and therefore considered an indicator of impairment. Following completion of this assessment an impairment charge has been recognised during the current period in relation to Karouni.

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

Methodology

The future recoverability of capitalised mining properties and property, plant and equipment is dependent on a number of key factors, which include: gold price, operating costs, discount rates used in determining the estimated discounted cashflow and the level of reserves and resources.

The costs to dispose have been estimated by management based on prevailing market conditions. Impairment is recognised when the carrying amount of the CGU exceeds its recoverable amount.

The Group has adopted fair value less cost of disposal, which is greater than the value in use, and used this as the recoverable amount for impairment testing purposes. Fair value is estimated based on discounted cashflows using market based commodity price assumptions, estimated quantities of recoverable minerals, production levels, operating costs, working capital position and future capital expenditure. These estimates are based on the Group's most recent life-of-mine plans.

Key assumptions

The table and commentary below summarises the key assumptions used in the 31 December 2016 half year end carrying value assessment:

	to June 17	FY 18	FY 19	FY 20	FY 21
Gold price (US$ per ounce)	1,221	1,260	1,300	1,307	1,297
Discount rate per annum (USD, post-tax, Real)	7.5%	7.5%	7.5%	7.5%	7.5%

Commodity prices and exchange rates

The commodity price is estimated with reference to external market consensus forecasts prevailing at the end of the half-year. The US$ cashflows are then converted at the A$/US$ exchange rate on 31 December 2016.

Discount rate

In determining the fair value of the CGU, the future cashflows are discounted using rates based on the Group's estimated after tax weighted average cost of capital, with an additional premium applied having regard to the geographic location of the CGU.

Operating and capital costs

Life-of-mine operating and capital cost assumptions are based on the Group's latest plans. These assumptions reflect the recent operational difficulties experienced at Karouni and take into account a better understanding of the operating conditions experienced throughout the year.

Mineral Reserves and Mineral Resources

The life-of-mine plan for the CGU includes Mineral Reserves and those Mineral Resources where there is an expectation that they will convert to Mineral Reserves.

Sensitivity analysis

After recognising the asset impairment for Karouni using the assumptions and methodology above, the recoverable value has been assessed as being equal to its carrying amount at 31 December 2016.

Any variation in the key assumptions going forward may impact the recoverable value of the CGU. If the variation in an assumption has a negative impact on recoverable value, it could indicate a requirement for additional impairment.

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

	5% change in US$ gold price	Discount rate +/- 1.5%	Ounces recovered +/- 10,000oz
Impact on recoverable value	$16.7 million	$4.5 million	$10.1 million

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

11. BORROWINGS

	Consolidated as at	
	31 Dec 2016 ($'000)	30 Jun 2016 ($'000)
Debt facility		
Investec Bank PLC – Syndicated facility	**40,533**	52,665
Capitalised borrowing costs	**(2,784)**	(3,430)
	37,749	49,235
Finance lease	**779**	-
	38,528	-
Current	**19,745**	23,817
Non-current	**18,783**	25,418
	38,528	49,235

The Group repaid a total of $13.5 million (US$10 million) during the half-year (Dec 2015: A$25 million).

12. ISSUED CAPITAL

	Consolidated Half-year ended 31 Dec 2016		Consolidated Full-year ended 30 Jun 2016	
Fully paid ordinary share capital	**('000)**	**($'000)**	('000)	($'000)
Balance at the beginning of the financial year	**340,799**	**314,836**	290,096	305,311
Issue of fully paid shares to landholders in Guyana	**-**	**-**	703	260
Issue of fully paid shares – capital raising (net of share issue expenses)	**113,024**	**38,414**	50,000	9,265
	453,822	**353,250**	340,799	314,836

13. CONTINGENT LIABILITIES

There are no contingent liabilities other than:

(i) General bank guarantees to financial institutions totalling $404,347 (30 June 2016: $396,530), of which $350,871 (30 June 2016: $343,050) is cash backed.

(ii) Potential legal claims submitted by previous employees at the Company's Sertão and Andorinhas operations in Brazil of $7,079,431. Based on past settlement of claims, the current expectation is that only a portion of this may become payable and therefore $1,436,021 has been included in current provisions.

14. SUBSEQUENT EVENTS

There are no matters or circumstances that have arisen since 31 December 2016 that have significantly affected or may significantly affect:

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

In the Directors' opinion:

a) the financial statement and notes set out on pages 7 to 22 are in accordance with the *Corporations Act 2001*, including:

   (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
   (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date.

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors

Mr F S Grimwade
Chairman

Perth, Western Australia
28 February 2017

Independent auditor's review report to the shareholders of Troy Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Troy Resources Limited (the Company), which comprises:

- the condensed consolidated balance sheet as at 31 December 2016
- the condensed consolidated statement of changes in equity for the half-year then ended
- the condensed consolidated statement of cash flows for the half-year then ended
- the condensed consolidated statement of profit or loss and other comprehensive income for the half-year then ended
- selected explanatory notes
- the directors' declaration for the Troy Resources Limited Group (the consolidated entity).

The consolidated entity comprises the Company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Troy Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Troy Resources Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Ben Gargett
Partner

Perth
28 February 2017