



TROY RESOURCES LIMITED

# QUARTERLY REPORT & APPENDIX 4C

COMPANY UPDATE AND QUARTERLY CASH FLOW REPORT FOR ENTITIES SUBJECT TO LISTING RULE 4.7B FOR THE THREE MONTHS ENDED 30 JUNE 2022

21 July 2022

## HIGHLIGHTS

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- On 24 June 2022, the Company released its Notice of Annual General Meeting for 2021 and Notice of General Meeting for shareholders to approve the recapitalisation transactions.
- On 23 June 2022, the Company issued 16 million shares at \$0.022 per share raising \$0.35 million before costs.
- At the end of the June quarter, cash and equivalents totalled \$0.34 million.
- The Karouni processing facility remains on care and maintenance.
- Pursuant to the Karouni Earn-in Agreement, Barrick Gold Corporation continues with its exploration programmes.
- The Company released its 2021 Annual Report and December 2021 Half Yearly Report bringing all required ASX announcements up to date.
- The Company announced that it had entered into a Definitive Agreement with PST Empreendimentos e Participações Ltda, a Brazilian company (PST) in respect of the lease and assignment of certain non-core mining rights in Brazil prospective for iron ore, which will see the Company receive the aggregate amount of US\$4 million in staged payments. The first payment of US\$200,000 was received by Reinarda Mineração Ltda (RML), a wholly owned subsidiary of Troy Resources Limited, in May 2022.



## OPERATIONS

### KAROUNI, GUYANA (Troy 100% through Troy Resources Guyana Inc.)

#### Care and Maintenance

As previously reported, operations were placed into a period of care and maintenance from August 2021 following the depletion of open pit ore reserves. The period of care and maintenance is expected to last until the commencement of the Smarts Underground project and Hicks open pit extension.

The care and maintenance program continued with the defined schedule of weekly and monthly inspections on plant and mobile equipment to ensure the integrity and operability of the company's physical assets are maintained for both short- and long-term periods. The main power station remained offline to reduce environmental impacts and unnecessary costs, with power being supplied by portable generators installed at primary locations (camp, mill admin, processing plant). A fuel cost analysis was completed, reducing supply requirements ensuring sufficient quantities are available to supply critical operating assets and supporting infrastructure to Barrick and associated contractors. Operational resources were increased to review and develop operating philosophies to align with critical maintenance tasks for the restart of the processing plant, inclusive of yearly maintenance work executed on the projects power generation facility.

The camp continues to operate with a total population of between 50-60 personnel, including TRGI staff, camp support contractors and Barrick workers. TRGI staff number approximately 28 to support all associated infrastructure in respect of the care and maintenance program and site security. Barrick activities included geological field work and exploration drilling. Troy continues to provide support to Barrick with site services across the project, including the use of equipment along with maintenance, medical and security functions.

A minor number of sales and / or disposal of the remaining inventory of reagents and explosives, along with several pieces of redundant heavy equipment, was undertaken during the quarter. Ongoing steel recycling activities continued during the period sporadically, due to public access infrastructure being affected by the increased rainfall. Internal site housekeeping activities across the project continue, including all accommodation areas and surrounding operating areas. In addition, all pre-camp container housing units have been sold and demobilised from the premises. The site retains sufficient accommodation dwellings to house the existing workforce (including contractors and Barrick personnel). Additional accommodation will be scheduled to be constructed, aligned with the ramp-up strategy of the development and operations of the Smarts Underground. Initial cost analysis has been completed to align with manning forecasts.

The sale of items has resulted in A\$0.4 million in sundry income during the quarter.

#### Health and Safety

During the quarter, there were no reportable (Medical Aid or Lost Time) or First Aid incidents. The Project experienced an equipment damage incident involving a third-party contractor operating on behalf of Barrick. A damaged transfer hose from the discharge of a small pump resulted in a smouldering event leading to the asset being damaged and unserviceable. An appropriate level of investigation was completed and presented to TRGI with the findings and actions which have been implemented.



As at 30 June 2022, the 12-month rolling Total Recordable Injury Frequency Rate (TRIFR) was 3.1 and the 12-month rolling Lost Time Incident Frequency Rate (LTIFR) was 3.1. Despite having zero lost time or reportable incidents, both the TRIFR and LTIFR increased slightly over the last quarter. This is attributed to lower hours in the current quarter due to a decrease in exploration activities and a reduction of required contractors mobilising to the project to remove purchased assets. Employee hours for the period averaged 15,564 per month including TRGI staff, Barrick staff and contractors.

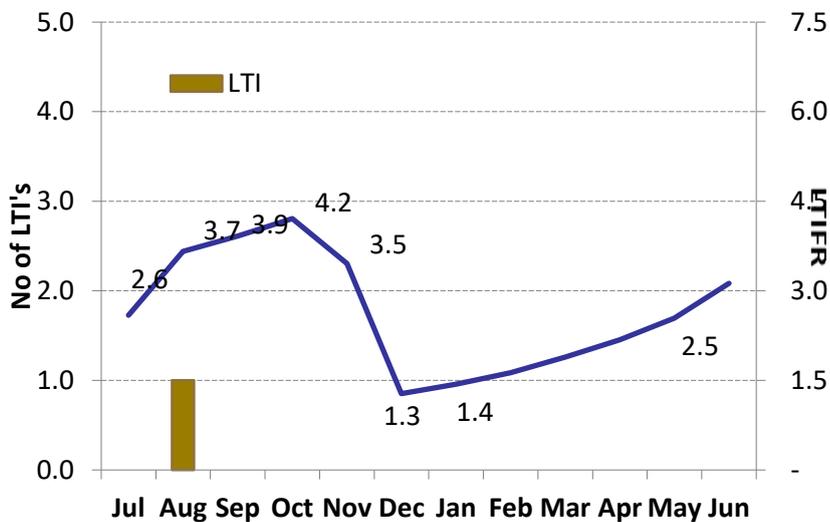
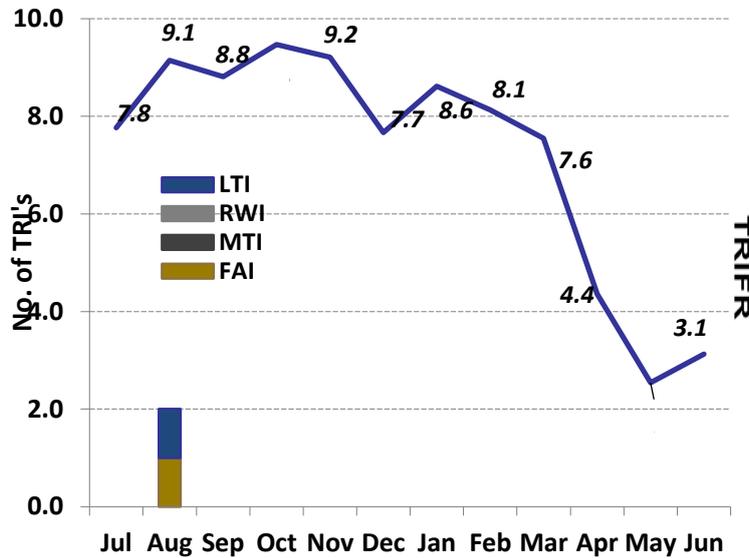


Table 1: TRIFR and LTIFR for Previous 12 Months

### Environment

With the ceasing of operational activities and transitioning into care and maintenance activities, the priority was maintaining environmental compliance and implementing the revised monitoring requirements in the new permit. During the quarter, regular monitoring for noise, water pH and stream turbidity flow occurred. Due to cyanide not being utilised at the plant and the closure of the onsite lab, monitoring was not required. The previous full spectrum water sampling regime was carried out in late 2021. No significant variances were identified in the results. TRGI is working with environmental consultants and has achieved a reduced monitoring program granted by the Environmental Protection Agency (EPA). The amended frequencies have reduced unnecessary capital to be expended within the operation's current status of care and maintenance.



All reporting has been submitted as per permit requirements.

Rainfall for the period was above the season average; however, it did not impact the operations negatively. Ongoing infrastructure maintenance continues with additional water dispersion drains were developed to account for the additional rainfall experienced at the end of the quarter.

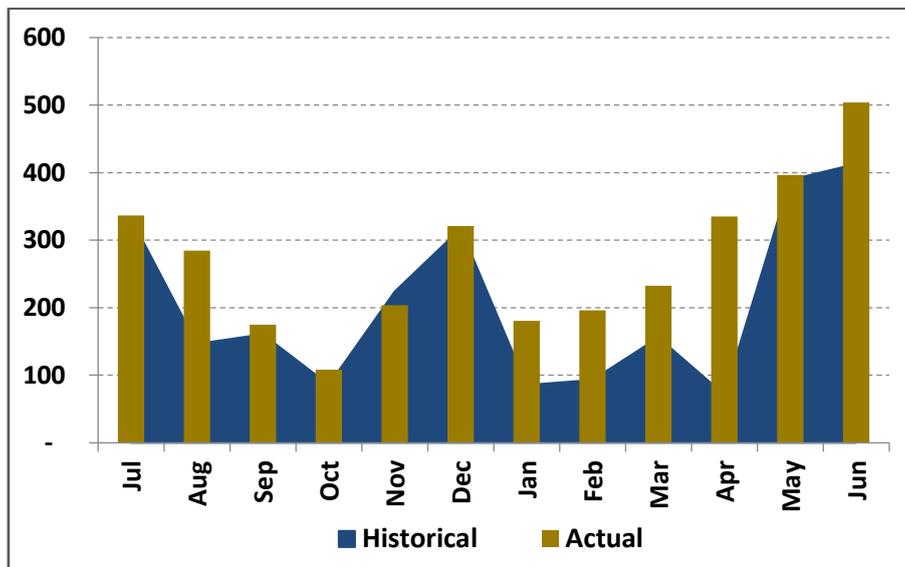


Table 2: Historic Average vs. 2021/22 Rain Fall

### HR and Community

The reduced workforce was maintained throughout the quarter to match operational requirements. As at 30 June 2022, the total TRGI workforce was 28 at site and 13 at the Georgetown office. Minor restructuring was implemented within the business, with additional support and operational skillset mobilised to site. A minimal manpower compliment continues to provide security, maintenance, and camp support services. All non-essential contractors have been demobilized except for those required for catering, fuel management, and medical services.

The Site Medical Centre remained in operation during the quarter and continued to provide medical services to the local communities. Approximately 47 community individuals were attended to during the reporting period. A majority of the community visits were related to testing for malaria and other tropical diseases. TRGI continues to retain one medical resource on site at all times – alternating between a doctor and a medic and remains as the only medically capable facility within the region.

During the quarter, illegal mining activity continues to occur across the site daily, in both Smarts and Spearpoint pits. TRGI has engaged the Ministry of Natural Resources (MNR) to assist with the managing of illegal mining within the current leased areas by the business. The MNR has dispersed two wardens to the Karouni project on a permanent bases for the near future, aiding in the ability to seize illegal mining equipment and issue legal proceedings for the Ministry. This introduction of the wardens has seen positive influence in mitigating the risk of illegal mining at the Karouni Project. TRGI will continue to engage with the government agencies regarding this problem and has implemented new security protocols to better manage the situation.



## Coronavirus

As at 30 June 2022, TRGI and associated contractors experienced zero cases of COVID-19.

At the end of March, the government removed restrictions requiring masks to be worn in public places. However, TRGI continues to implement preventive controls and measures across the site. Pre-flight antigen testing was re-instated in early January in response to increased case numbers in Guyana; however, the protocol was removed again in late March.

Overall, our COVID safety measures and risk management have been successful in preventing and / or limiting its affect, despite levels of COVID-19 infection in Guyana increasing during this period. To combat this trend, Troy continues to engage in active management of the COVID risk; preventative measures such as pre-flight screenings, wearing of masks and social distancing remain in effect and enforced for protection of employees, contractors and visitors.

## DEVELOPMENT

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### SMARTS UNDERGROUND, GUYANA (Troy 100% through Troy Resources Guyana Inc.)

All pre-development work at the Smarts area was halted in September 2021 including dewatering of the pit.

Review of the geotechnical and mine design has been ongoing with opportunities for improvement in the stope designs and ventilation system identified.

## EXPLORATION

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### KAROUNI, GUYANA (Troy 100% through Troy Resources Guyana Inc.)

No exploration activities of substance were undertaken by Troy during the quarter.

Barrick Gold Corporation (Barrick) continued to undertake exploration activities over the quarter. Barrick's activities during the quarter consisted of geological mapping, rock chip sampling, air core drilling, and establishment of access tracks in anticipation of further drilling, with work to date focussing on the Potaro area of interest. Refer to the ASX announcement of 20 June 2022 for further information regarding Barrick's activities over the fourth quarter of 2021 and the first quarter of 2022.



## FINANCIAL INFORMATION

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At the end of the quarter, the Company had total cash of \$0.34 million. Key movements in cash flow are detailed in the attached Appendix 4C.

### ***Capital Raising***

On 23 June 2022, the Company issued 16 million shares at \$0.022 per share raising \$352,000 before costs.

### ***Exploration Expenditure***

Whilst no exploration activities were undertaken during the quarter by the Company, the cash flow includes expenditure on annual tenement rents.

### ***Capital Expenditure***

There was no capital expenditure incurred in relation to plant and equipment and sustaining capital at Karouni during the quarter.

### ***Voluntary Suspension***

During the quarter, the Company requested that the voluntary suspension be extended until the earlier of the completion of the actions as described in the Company's Notice of General Meeting, dated 23 June 2022, Section 2.9 and 14 of September 2022.

### ***Payments to Related Parties***

During the quarter, there were no payments by the Company to executives for salaries. Amounts paid to non-executives have been accrued since November 2021, as the Directors resolved to conserve available cash until the recapitalisation of the Company is completed.



## CORPORATE

### Capital Structure

The Company's capital structure as at 30 June 2022 was as follows:

Issued Capital and Equity Structure as at 30 June 2022	
Ordinary Shares	870,907,117
Options (\$0.10 exercise price expiring 16 January 2023)	6,000,000
Options (\$0.15 exercise price expiring 10 December 2023)	12,000,000
Options (\$0.055 exercise price expiring 1 June 2024)	3,800,000
Performance Rights expiring 30 June 2025 <sup>1</sup>	1,200,000
Performance Rights expiring 30 June 2025 <sup>2</sup>	7,000,000
Performance Rights expiring 30 June 2026	7,000,000

<sup>1</sup> Following quarter end, 326,715 Performance Rights converted into fully paid ordinary shares due certain performance conditions being met and the remaining 873,285 lapsed due to performance conditions not being met.

<sup>2</sup> Following quarter end, 7,000,000 Performance Rights lapsed due to performance conditions not being met.

### Recapitalisation

The Company issued its Notice of General Meeting on 24 June 2022, for shareholders to vote on its proposed recapitalisation transactions.

The recapitalisation plan involves a series of transactions that, if approved by shareholders, will see the company issue a number of fully paid ordinary shares at a price of \$0.022 per share in exchange for the receipt of cash or the extinguishment of debt.

The transactions include:

- AIMS converting essentially all of its gold loan, in two stages, into approximately 627 million shares, in so doing, becoming Troy's largest shareholder.
- Exploservice Guyana Inc, the company's largest trade creditor, converting approximately 62% of its debt into approximately 323 million shares, with a standstill on its remaining debt until April 2023.
- M&G plc, Troy's current largest shareholder, subscribing for approximately 122 million shares, raising approximately \$2.7 million.
- Ruffer LLP, Troy's current second largest shareholder, subscribing for approximately 68 million shares, raising approximately \$1.5 million.



- RiverFort Global Capital Ltd (RiverFort), a London-headquartered investment services firm, subscribing for approximately 23 million shares, raising approximately \$0.5 million.
- RiverFort providing the company with convertible note funding up to \$5 million.

The support of all these organisations is gratefully acknowledged.

The aforementioned transactions will see Troy raise approximately \$7.2 million in cash and retire approximately \$20.7 million of net debt.

In addition, the company is intending to offer all shareholders an opportunity to participate in a 1 for 1 rights issue at the same issue price as the placement.

### ***Lease and Assignment of Mineral Rights***

During the quarter, the Company, through its wholly owned subsidiary Reinarda Mineração Ltda (RML), entered into a Definitive Agreement with PST Empreendimentos e Participações Ltda (PST) for the lease and assignment of certain mining rights held by RML, which are known to host iron ore minerals.

Under this Definitive Agreement, PST is to pay RML US\$3.5 million in six instalments. The first instalment of US\$200k has already been received and the remaining instalments as follows:

1. US\$500,000 payable within 90 working days from the date of signing the Definitive Agreement subject to the registration by the Brazilian Mining Agency (ANM) of the lease agreement of the Mining Rights and the Authorisations;
2. US\$300,000 payable within 90 working days from the date of signing the Definitive Agreement subject to the approval and issuance of the environmental licence, by Secretaria de Meio Ambiente e Sustentabilidade – SEMAS/PA for the exploitation of the Mining Rights and the Authorisations;
3. US\$500,000 payable within 180 working days from the date of signing the Definitive Agreement subject to the approval, issue and publication by the ANM of the Exceptional Authorisation to Exploit the iron ore for the Mining Rights;
4. US\$500,000 payable within 360 working days of the date of signing the Definitive Agreement subject to the first commercial sale of the iron ore resulting exclusively from the exploitation of the Mining Rights;
5. US\$1,500,000 payable twelve months after the first commercial sale of the iron ore resulting exclusively from the exploitation of the Mining Rights.

Instalments 1 and 2 above are also subject to the following (together, the Authorisations):

- a) RML obtaining all environmental authorisations and licences necessary for the start of mining of iron ore; and
- b) RML obtaining access to the buildings covered by the Mining Rights area to carry out field work.

A further purchase option has been granted whereby PST can purchase the mining rights for up to one year following the payment of the 5<sup>th</sup> instalment above once RML confirms in writing that it has paid liabilities owing of approximately US\$2.3m.



*This announcement has been authorised for release by the Board of Directors.*

**ENDS**

***Directors***

**Peter Stern**, Non-Executive Chairman

**Richard Beazley**, Interim CEO and Managing Director

**Andrew Barclay**, Non-Executive Director

For further information please contact:

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## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

TROY RESOURCES LIMITED

**ABN**

33 006 243 750

**Quarter ended ("current quarter")**

30 June 2022

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	3,493
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,115)	(6,722)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(69)	(550)
(f) administration and corporate costs	(66)	(1,091)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other - Exploration	(8)	(1,172)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,258)</b>	<b>(6,041)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(230)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	(12)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	403	1,604
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other current & non-current assets	684	553
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>1,087</b>	<b>1,915</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	352	2,886
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(37)	(227)
3.5	Proceeds from borrowings	-	443
3.6	Repayment of borrowings	(150)	(413)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>165</b>	<b>2,689</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	379	1,776
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,258)	(6,041)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	1,087	1,915

Appendix 4C  
**Quarterly cash flow report for entities subject to Listing Rule 4.7B**

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	165	2,689
4.5	Effect of movement in exchange rates on cash held	(5)	29
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>368</b>	<b>368</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	340	379
5.2	Call deposits	28	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>368</b>	<b>379</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	-
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

*Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.*

7.	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	12,360	12,360
7.2	Credit standby arrangements	-	-
7.3	Other (please specify) – Finance Leases		
7.3	Other (please specify) – Insurance Funding	44	44
7.4	<b>Total financing facilities</b>	12,404	12,404
7.5	<b>Unused financing facilities available at quarter end</b>		0
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p><b>Asian Investment Management Services Limited (AIMS) - Gold Loan</b></p> <p>In January 2020 the Company entered into a gold loan facility 5,200 ounces with AIMS, a Malaysian based investment fund (Facility). The Facility had an initial 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. On 17 May 2021, the Company and AIMS reached an agreement for a further extension of the maturity date until 16 June 2023. The effective interest rate is 16%.</p> <p>On 5 January 2022, the Company announced that it had entered into a number of recapitalisation agreements to issue to shares for cash and conversion of debt to equity. The plan involves a series of transactions that include AIMS converting essentially all of its gold loan, in two stages, into approximately 627 million shares, subject to the ASX and shareholder approval.</p> <p><b>Insurance Premium Funding</b></p> <p>The Company entered into premium funding agreements in January 2022 to fund the insurances for head office and the subsidiary in Guyana, South America. These loan funds totalled \$443,000 and are repayable monthly at approximately \$50,000 per month until July 2022. As at 30 June 2022 the loan balance has been reduced to \$44,000.</p>		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,258)
8.2 Cash and cash equivalents at quarter end (item 4.6)	368
8.3 Unused finance facilities available at quarter end (item 7.5)	0
8.4 Total available funding (item 8.2 + item 8.3)	368
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	-
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: No, the Karouni mine site entered into care & maintenance in August 2021. This had resulted in reduced ongoing costs.	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: On 5 January 2022, the Company announced that it had entered into a number of recapitalisation agreements to issue to shares for cash and conversion of debt to equity, subject to the ASX and shareholder approval. The transactions would convert approximately \$20.9 million of current debt (trade payables and the gold loan) to equity and raise new funds of approximately \$7.2 million.  The Company received gross proceeds of approximately \$352,000 from the issue of 16 million shares at an issue price of \$0.022 on 23 June 2022.	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: Yes, subject to the Company's Shareholders approving the recapitalisation transactions detailed in the June 2022 Quarterly.	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 21 July 2022



Authorised by: By the Company Secretary

(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg *Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.