TROY RESOURCES LIMITED
ABN: 33 006 243 750

# TROY RESOURCES LIMITED
# RESULTS FOR ANNOUNCEMENT TO THE MARKET
# FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

Appendix 4D, previous corresponding period, half-year ended 31 December 2012.

| **Revenue and Net Profit** | | **Percentage Change** | | **Amount $'000** |
|---|---|---|---|---|
| Revenue from ordinary activities | Down | 31% | to | 75,666 |
| Loss from ordinary activities after tax | Down | N/A | to | (6,853) |
| Net loss attributable to members | Down | N/A | to | (6,845) |

| **Dividend Information** | **Amount per security (cents)** | **Franked amount per security (cents)** | **Tax rate full franking credit** |
|---|---|---|---|

No interim dividend for the financial year 2014 has been declared.

| **Net tangible assets per security** | **Dec 2013 per share** | **Jun 2013 per share** |
|---|---|---|
| Net tangible assets per security | $1.49 | $1.59 |
| Common shares on issue at balance date | 168,486,562 | 91,468,649 |

Additional Appendix 4D disclosure requirements can be found in the Directors' Report and the 31 December 2013 half-year financial statements.

This report is based on the condensed consolidated 2013 half-year financial statements which have been reviewed by Deloitte Touche Tohmatsu, 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 2013 Annual Report.**

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TROY RESOURCES LIMITED

**ABN: 33 006 243 750**

# CONSOLIDATED FINANCIAL REPORT

# FOR THE HALF-YEAR ENDED

# 31 DECEMBER 2013

# DIRECTORS' REPORT

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 2013 ("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 are:

- Mr D R Dix, Non-Executive Chairman
- Mr P Benson, Chief Executive Officer and Managing Director
- Mr K K Nilsson, Executive Director of Project Development
- Mr F S Grimwade, Non-Executive Director
- Mr T S Harvey, Non-Executive Director
- Mr J L C Jones, Non-Executive Director
- Mr R Monti, Non-Executive Director
- Mr C R W Parish, Non-Executive Director
- Mr G R Chambers, Non-Executive Director (resigned 29 August 2013)

## REVIEW OF OPERATIONS

### (a) Production and Sales

Troy's total production for the half-year was 45,157 ounces of gold and 937,013 ounces of silver or 60,334 gold equivalent ounces (2012: 55,371 gold ounces and 605,059 silver ounces or 66,603 gold equivalent ounces).

Troy's wholly owned Casposo operation in San Juan Province, Argentina produced 29,590 ounces of gold (2012: 37,340) and 937,013 ounces of silver (2012: 605,059) for the half-year from the processing of 266,141 tonnes (2012: 195,768) of ore at an average gold grade of 3.79g/t (2012: 6.73g/t) and silver grade of 141.08g/t (2012: 120.10g/t).

Casposo cash costs on a by-product basis were US$663 per gold ounce net of silver credits (2012: US$532). Total gold equivalent ounces produced at Casposo were 44,767 (2012: 48,572) with cash costs on co-product basis of US$871 per ounce (2012: US$803).

Troy's wholly owned Andorinhas operation in Para State, Brazil produced 15,567 ounces of gold for the half-year (2012: 18,031 ounces) at an average cash cost of US$833 per ounce (2012: US$693). The decrease in gold production and higher costs were due to lower grades and lower productivity in the deeper stoping areas due to narrower and more complex ore structures.

Group sales for the half-year totalled 41,001 ounces of gold and 812,108 ounces of silver or 54,150 gold equivalent ounces (2012: 56,621 ounces of gold and 578,550 ounces of silver or 67,363 gold equivalent ounces).

Casposo doré in process at the Canadian refinery, forward sold at 31 December 2013 totalled 8,846 gold equivalent ounces which compares to 6,429 gold equivalent ounces at 30 June 2013 and 5,929 gold equivalent ounces at 31 December 2012.

As at 31 December 2013 the Group held cash of US$8.2 million (June 2013: US$8.5 million) from Argentine gold and silver sales with a major Canadian bank pending repatriation to Argentina before any surpluses are available for remittance to Australia.

### (b) Results

Total revenue decreased by 31% to $75,666,000 (2012: $108,934,000) resulting from 19.5% less gold equivalent ounces sold due to the treatment of lower grade material and the balance resulting from significant declines in the average gold and silver prices. The average gold price fell US$395 per ounce or 23% and the average silver price fell US$10.50 per ounce or 33%.

The consolidated loss from ordinary activities before tax and minority interests for the half-year was $15,816,000 (2012: profit $21,582,000). The net loss after tax was $6,853,000 (2012: profit $13,540,000).

The half-year loss reflected:

i) Expensing net exploration of $1,392,000 (2012: $5,116,000).

ii) Export tax incurred in Argentina of $2,574,000 (2012: $4,426,000).

iii) Amortisation and depreciation of $16,907,000 (2012: $17,102,000).

iv) Azimuth acquisition costs of $2,673,000 (2012: $Nil).

v) Income tax credit of $8,963,000 (2012: expense of $8,042,000).

The loss per share on a fully diluted basis is 4.2 cents, compared with earnings of 14.8 cents in 2012.

As at 31 December 2013, total shareholders' equity inclusive of non-controlling interest was $250,262,000 in comparison with $145,860,000 at 30 June 2013. Foreign exchange devaluations in Australian dollar terms of Troy's South American assets have negatively impacted the total shareholders' equity, while the acquisition of Azimuth group increased equity by $127,067,000. During the half-year the Australian dollar strengthened against the Argentinean Peso by 15% (2012: 11%) and the Brazilian Real by 2% (2012: 1%).

Operating cash net outflows totalled $11,737,000, representing a significant decrease from the inflow of $30,599,000 in 2012 due principally to reductions in gold and silver prices, and lower production.

**(c) Debt Facilities**

In June 2013 Troy entered into a new A$40.0 million debt facility with Investec Bank (Australia) Limited ("Investec"). This facility has two tranches, a Revolving Corporate Loan Facility ("RCF") with a limit of A$20 million to be used for general corporate and working capital purposes; and a Revolving Acquisition Loan Facility ("ALF") with a limit of A$20 million to assist with the costs associated with the Azimuth acquisition and ongoing work associated with completing studies for the West Omai project. The formal agreement was executed on 26 June 2013 and became available for draw down on 2 July 2013.

The balance drawn under the facility at 31 December 2013 was A$31.0 million, with $15.0m million drawn under the RCF and $16.0m under the ALF.

The RCF tranche has a three-year term and reduces by 25% instalments on 26 December 2014, 26 June 2015, 26 December 2015 and 26 June 2016; the ALF tranche has an eighteen month term repayable on 26 December 2014.

The Group also has A$2.1 million payable under the fully drawn 12.0 million peso debt facility with the Industrial and Commercial Bank of China (Argentina) S.A. (ICBC). This facility was entered into on 16 May 2013, and has a three year term. Quarterly principal repayments commence 17 May 2014 and conclude on 17 May 2016.

**(d) Dividends**

No dividend has been declared.

**(e) Azimuth Resources Acquisition Costs**

Troy gained effective control of Azimuth Resources on 2 July 2013 when it declared its takeover offer unconditional. Troy gained 100% control of Azimuth Resources by way of compulsory acquisition on 28 August 2013.

During the half-year, the Group incurred acquisition costs of $2,673,000, relating primarily to the investment bank success fee, legal fees, redundancies, listing fees and share registry costs, including the cost of the compulsory acquisition which have been expensed in the period. The Group also paid advisor fees and success fees of $1,520,000 during the period to the investment bank advising Azimuth which were fully provided for as part of the initial acquisition accounting.

**(f) Exploration**

Total exploration expenditure for the half-year totalled $8,941,000 (2012: $9,302,000).

In the current period $7,549,000 (2012: $Nil) was capitalised in relation to drilling and related costs confirming the likely economics of resources acquired at the West Omai deposit in Guyana. In the previous corresponding period $4,186,000 was capitalised in relation to the Kamila SE deposit at Casposo in Argentina (current half-year $Nil).

Net exploration costs expensed directly to the profit and loss for the half-year totalled $1,392,000 (2012: $5,116,000).

**(g) Subsequent Events**

For details of significant events subsequent to balance date please refer to Note 13 on page 19 of this half-year financial report.

**(h) Additional Information**

Additional information on the Company's activities during the half-year is available on its web site at www.troyres.com.au. Information available includes the detailed quarterly activities reports for the September and December 2013 periods, the 2013 Annual Report, Corporate Governance policies and other Company information and publications.

The auditor's independence declaration is included on page 4 of the half-year financial report.

## GOLD EQUIVALENT OUNCES

Gold equivalent ounces produced are the result of: i) converting silver ounces produced to an equivalent value of gold ounces using actual prices achieved; and adding that to: ii) actual gold ounces produced.

## ROUNDING OFF OF AMOUNTS

The Company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order 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 David R Dix**
Chairman of Directors
24 February 2014

Deloitte Touche Tohmatsu
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The Board of Directors
Troy Resources Limited
Unit 12, First Floor
11 Ventnor Avenue
West Perth, WA 6005

24 February 2014

Dear Board Members

**Auditor's Independence Declaration to Troy Resources Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Troy Resources Limited.

As lead audit partner for the review of the financial statements of Troy Resources Limited for the half-year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

**DELOITTE TOUCHE TOHMATSU**

D Newman.

**David Newman**
Partner
Chartered Accountants

## Condensed consolidated statement of profit or loss for the half-year ended 31 December 2013

| | Notes | Consolidated Half-year ended 31 Dec 2013 ($'000) | 31 Dec 2012 ($'000) |
|---|---|---|---|
| Revenue | 3 | **75,666** | 108,934 |
| Cost of Sales | | **(79,611)** | (76,093) |
| **Gross (Loss) / Profit** | | **(3,945)** | 32,841 |
| Other income | 3 | **204** | 369 |
| Exploration expenses (net) | 4 | **(1,392)** | (5,116) |
| Administration expenses | 4 | **(5,141)** | (4,108) |
| Other expenses – Corporate | 4 | **(942)** | (362) |
| Care and maintenance costs | | **-** | (736) |
| Finance costs | 4 | **(1,927)** | (1,306) |
| Azimuth acquisition costs | 4 | **(2,673)** | - |
| **(Loss) / Profit Before Income Tax Expense** | | **(15,816)** | 21,582 |
| Income tax benefit / (expense) | 5 | **8,963** | (8,042) |
| **(Loss) / Profit After Income Tax** | | **(6,853)** | 13,540 |
| Profit Attributable to: | | | |
| Owners of the Parent | | **(6,845)** | 13,543 |
| Non-controlling interests | | **(8)** | (3) |
| | | **(6,853)** | 13,540 |
| **(Loss) / Earnings Per Share (EPS)** | | | |
| Basic EPS (cents) | | (4.2) | 15.0 |
| Diluted EPS (cents) | | (4.2) | 14.8 |

*Notes to the condensed consolidated financial statements are included on pages 10 to 19.*

## Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2013

| | Notes | **31 Dec 2013 ($'000)** | 31 Dec 2012 ($'000) |
|---|---|---|---|
| ***(Loss) / Profit for the period*** | | **(6,853)** | 13,540 |
| **Other comprehensive income** | | | |
| ***Items that may be reclassified to Profit or Loss*** | | | |
| Changes in value of available for sale assets | | **62** | 1 |
| Exchange differences on translating foreign operations | | **(16,951)** | (7,162) |
| Other comprehensive income | | **(16,889)** | (7,161) |
| **Total comprehensive income for the period** | | **(23,742)** | 6,379 |
| Total comprehensive income attributable to: | | | |
| Owners of the Parent | | **(23,734)** | 6,382 |
| Non-controlling Interest | | **(8)** | (3) |
| | | **(23,742)** | 6,379 |

*Notes to the condensed consolidated financial statements are included on pages 10 to 19.*

## Condensed consolidated statement of financial position as at 31 December 2013

| | Notes | Consolidated as at 31 Dec 2013 ($'000) | Consolidated as at 30 Jun 2013 ($'000) |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | | **18,704** | 26,086 |
| Trade and other receivables | 6 | **25,508** | 23,854 |
| Inventories | | **24,720** | 20,363 |
| **TOTAL CURRENT ASSETS** | | **68,932** | 70,303 |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **50,046** | 57,159 |
| Mining properties | | **61,368** | 66,143 |
| Exploration properties | | **184,793** | - |
| Other receivables | 6 | **3,238** | 2,138 |
| Other financial assets | 12 | **74** | 10,256 |
| **TOTAL NON-CURRENT ASSETS** | | **299,519** | 135,696 |
| **TOTAL ASSETS** | | **368,451** | 205,999 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 7 | **27,691** | 32,722 |
| Current tax payables | | **348** | 9,881 |
| Provisions | | **4,444** | 3,034 |
| Borrowings | 9 | **21,693** | 270 |
| **TOTAL CURRENT LIABILITIES** | | **54,176** | 45,907 |
| **NON-CURRENT LIABILITIES** | | | |
| Other payables | | **3,947** | 860 |
| Deferred tax liabilities | | **43,353** | 6,151 |
| Provisions | | **6,549** | 5,058 |
| Borrowings | 9 | **10,164** | 2,163 |
| **TOTAL NON-CURRENT LIABILITIES** | | **64,013** | 14,232 |
| **TOTAL LIABILITIES** | | **118,189** | 60,139 |
| **NET ASSETS** | | **250,262** | 145,860 |
| **EQUITY** | | | |
| Issued capital | 10 | **237,622** | 109,695 |
| Reserves | | **(57,990)** | (41,349) |
| Retained earnings | | **70,897** | 77,773 |
| Parent interest | | **250,529** | 146,119 |
| Non-controlling interests | | **(267)** | (259) |
| **TOTAL EQUITY** | | **250,262** | 145,860 |

*Notes to the condensed consolidated financial statements are included on pages 10 to 19.*

## Condensed consolidated statement of changes in equity for the half-year ended 31 December 2013

| | Issued Capital | Available for Sale Reserve | Option Premium Reserve | Foreign Currency Translation Reserve | Retained Earnings | Attributable to Equity Holder of Parent | Non-controlling interest | TOTAL EQUITY |
|---|---|---|---|---|---|---|---|---|
| | ($,000) | ($,000) | ($,000) | ($,000) | ($,000) | ($,000) | ($,000) | ($,000) |
| **Balance at 1 July 2012** | **101,804** | **-** | **4,376** | **(41,877)** | **68,224** | **132,527** | **(255)** | **132,272** |
| Profit for the period | - | - | - | - | 13,543 | 13,543 | (3) | 13,540 |
| Changes in fair value of available-for-sale assets, net of tax | - | 1 | - | | - | 1 | - | 1 |
| Exchange rate differences on translation of foreign operations | - | - | - | (7,162) | - | (7,162) | - | (7,162) |
| ***Total comprehensive income for the half-year*** | **-** | **1** | **-** | **(7,162)** | **13,543** | **6,382** | **(3)** | **6,379** |
| Issue of fully paid shares on conversion of options | 5,218 | - | (1,428) | - | - | 3,790 | - | 3,790 |
| Issue of fully paid shares on conversion of employee performance rights | 29 | - | (29) | - | - | - | - | - |
| Issue of fully paid shares for dividend investment plan | 2,377 | - | - | - | - | 2,377 | - | 2,377 |
| Share-based payments | - | - | 362 | - | - | 362 | - | 362 |
| Dividends payable/paid | - | - | - | - | (9,046) | (9,046) | - | (9,046) |
| **Balance at 31 December 2012** | **109,428** | **1** | **3,281** | **(49,039)** | **72,721** | **136,392** | **(258)** | **136,134** |
| **Balance at 1 July 2013** | **109,695** | **(62)** | **4,932** | **(46,219)** | **77,773** | **146,089** | **(259)** | **145,830** |
| Profit for the period | - | - | - | - | (6,845) | (6,845) | (8) | (6,853) |
| Changes in fair value of available-for-sale assets, net of tax | - | 62 | - | - | - | 62 | - | 62 |
| Exchange rate differences on translation of foreign operations | - | - | - | (16,951) | - | (16,951) | - | (16,951) |
| ***Total comprehensive income for the half-year*** | **-** | **62** | **-** | **(16,951)** | **(6,845)** | **(23,734)** | **(8)** | **(23,742)** |
| Issue of fully paid shares on conversion of options | - | - | - | - | - | - | - | - |
| Issue of fully paid shares under employee bonus plan | 405 | - | - | - | - | 405 | - | 405 |
| Issue of fully paid shares to landholders | 559 | - | - | - | - | 559 | - | 559 |
| Issue of fully paid shares on acquisition of Azimuth Resources | 126,963 | - | 104 | - | - | 127,067 | - | 127,067 |
| Issue of fully paid shares for dividend investment plan | - | - | - | - | - | - | - | - |
| Share-based payments | - | - | 144 | - | - | 144 | - | 144 |
| Dividends payable/paid | - | - | - | - | - | - | - | - |
| **Balance at 31 December 2013** | **237,622** | **-** | **5,180** | **(63,170)** | **70,897** | **250,529** | **(267)** | **250,262** |

*Notes to the condensed consolidated financial statements are included on pages 10 to 19.*

## Condensed consolidated statement of cash flows for the half-year ended 31 December 2013

| | Notes | Consolidated Half-year ended 31 Dec 2013 ($'000) | 31 Dec 2012 ($'000) |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers | | **72,369** | 104,808 |
| Payments to suppliers and employees | | **(77,791)** | (65,531) |
| Proceeds from sundry income | | **68** | 48 |
| Export tax and government royalties paid | | **(5,034)** | (6,970) |
| Income taxes paid | | **(1,349)** | (1,756) |
| **NET CASH (USED IN) / PROVIDED BY OPERATING ACTIVITIES** | | **(11,737)** | 30,599 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payments for property, plant and equipment | | **(5,247)** | (11,008) |
| Payments for mine & development properties | | **(15,331)** | (13,913) |
| Payments for exploration properties capitalised | | **(7,549)** | (4,186) |
| Payments for power line commitments | | **(874)** | (781) |
| Cash acquired on acquisition of Azimuth group | 11 | **7,465** | - |
| Payments for Azimuth acquisition | | **(4,193)** | - |
| Proceeds on sale of property, plant and equipment | | **565** | 86 |
| Interest received | | **127** | 229 |
| **NET CASH (USED IN) INVESTING ACTIVITIES** | | **(25,019)** | (29,573) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from borrowings | | **31,000** | - |
| Repayments – Investec Bank (Australia) Limited | | **-** | (15,000) |
| Payments of financing costs | | **(1,473)** | (533) |
| Proceeds from issues of equity securities | | **-** | 3,790 |
| Dividends paid - members of parent entity | | **(4)** | (6,616) |
| **NET CASH PROVIDED BY / (USED IN) FINANCING ACTIVITIES** | | **29,524** | (18,359) |
| **Net (decrease) / increase in cash and cash equivalents** | | **(7,232)** | (17,333) |
| Cash and cash equivalents at the beginning of the period | | **26,086** | 58,922 |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | | **(150)** | (115) |
| **Cash and cash equivalents at end of the period** | | **18,704** | 41,474 |

*Notes to the condensed consolidated financial statements are included on pages 10 to 19.*

## Notes to the condensed consolidated financial statements for the half-year ended 31 December 2013

### 1. Significant accounting policies

**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.

**Basis of preparation**

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. 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 2013 annual financial report for the financial year ended 30 June 2013, 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.

The Group has adopted all of 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.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- Amendments to AASB 10, 11, 12, 127, 128, as a consequence of AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- Amendments to AASB 13, as a consequence of AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'
- Amendments to AASB 119 as a consequence of AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'

The adoption of the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and have no effect on the amounts reported for the current or prior half-years.

## 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 ended | | Segment Profit Half-year ended | |
|---|---|---|---|---|
| | **31 Dec 2013 ($'000)** | 31 Dec 2012 ($'000) | **31 Dec 2013 ($'000)** | 31 Dec 2012 ($'000) |
| **Producing Operations:** | | | | |
| Argentina | **54,862** | 78,480 | **(3,419)** | 28,187 |
| Brazil | **20,804** | 30,454 | **(526)** | 4,654 |
| **Total Operations** | **75,666** | 108,934 | **(3,945)** | 32,841 |
| **Exploration:** | | | | |
| Argentina | | | **(1,148)** | (8,592) |
| Capitalised Argentina | | | **-** | 4,186 |
| Brazil | | | **-** | (710) |
| Guyana | | | **(7,793)** | - |
| Capitalised Guyana | | | **7,549** | - |
| **Total Exploration** | | | **(1,392)** | (5,116) |
| **Total Segments** | | | **(5,337)** | 27,725 |
| Other income | | | **204** | 369 |
| Corporate administration | | | **(5,141)** | (4,108) |
| Corporate – other expenses | | | **(942)** | (362) |
| Care & maintenance costs | | | **-** | (736) |
| Finance costs | | | **(1,927)** | (1,306) |
| Azimuth acquisition costs | | | **(2,673)** | - |
| **Profit Before Tax** | | | **(15,816)** | 21,582 |
| Income tax benefit / (expense) from continuing operations | | | **8,963** | (8,042) |
| **Consolidated segment revenue and profit for the half-year** | **75,666** | 108,934 | **(6,853)** | 13,540 |

The revenue reported above represents revenue generated from external customers. There were no intersegment sales during the half-year.

Segment profit represents the profit earned by each segment without the allocation of corporate administration costs including Directors' salaries, other income, corporate finance costs, care and maintenance costs, and tax expense. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

## Notes to the condensed consolidated financial statements for the half-year ended 31 December 2013

### Segment Information (continued)

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

| Total Assets | Consolidated as at 31 Dec 2013 ($'000) | Consolidated as at 30 Jun 2013 ($'000) |
|---|---|---|
| **Continuing operations:** | | |
| Argentina | **149,073** | 153,309 |
| Brazil | **9,002** | 11,652 |
| Australia | **-** | 468 |
| Exploration / Guyana | **190,284** | - |
| **Total Segment Assets:** | **348,359** | 165,429 |
| Cash and cash equivalents(i) | **18,704** | 26,086 |
| Other financial assets(i) | **74** | 10,256 |
| Other assets(i) | **1,314** | 4,228 |
| **Total Assets** | **368,451** | 205,999 |

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

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

| Total Liabilities | Consolidated as at 31 Dec 2013 ($'000) | Consolidated as at 30 Jun 2013 ($'000) |
|---|---|---|
| **Continuing operations:** | | |
| Argentina | **28,267** | 38,271 |
| Brazil | **3,229** | 3,455 |
| Guyana | **9,082** | - |
| Australia | **-** | - |
| **Total Segment Liabilities:** | **40,578** | 41,726 |
| Income tax liabilities(ii) | **43,701** | 16,032 |
| Borrowings(ii) | **31,857** | - |
| Other liabilities(ii) | **2,053** | 2,381 |
| **Total Liabilities** | **118,189** | 60,139 |

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

## Notes to the condensed consolidated financial statements for the half-year ended 31 December 2013

### 3. Revenue

| Revenue | Consolidated Half-year ended 31 Dec 2013 ($'000) | 31 Dec 2012 ($'000) |
|---|---|---|
| **Operating Revenue** | | |
| Gold sales | **57,345** | 91,569 |
| Silver sales | **18,321** | 17,365 |
| | **75,666** | 108,934 |
| **Other Income** | | |
| Interest Received | **127** | 230 |
| Net foreign exchange gains | **-** | 41 |
| Other | **77** | 98 |
| | **204** | 369 |

### 4. Expenses

| | Consolidated Half-year ended 31 Dec 2013 ($'000) | 31 Dec 2012 ($'000) |
|---|---|---|
| **Exploration Expenditure** | | |
| Exploration expenditure | **8,941** | 9,302 |
| Exploration capitalised | **(7,549)** | (4,186) |
| Exploration expenditure (net) | **1,392** | 5,116 |
| **Administration Expenses** | | |
| Head office salaries, bonuses and on-costs | **1,241** | 1,164 |
| Expatriate salaries and bonuses | **315** | 270 |
| Guyana expatriate salaries | **218** | - |
| Directors' fees and on-costs | **268** | 268 |
| Other Brazil administration | **99** | 64 |
| Depreciation – furniture and equipment | **80** | 141 |
| Other Guyana office administration | **484** | - |
| Canadian office and administration | **576** | 423 |
| Other Head office administration [(i)] | **1,860** | 1,778 |
| | **5,141** | 4,108 |

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

| | | |
|---|---|---|
| **Other Expenses - Corporate** | | |
| Share based payments | **144** | 362 |
| Net foreign exchange loss | **790** | - |
| Loss on sale of plant and equipment | **8** | - |
| | **942** | 362 |
| **Finance costs** | **1,927** | 1,306 |
| **Azimuth Acquisition Costs** | | |
| Acquisition success fee | **1,623** | - |
| Legal fees | **63** | - |
| Salary and redundancy payouts | **602** | - |
| Listing fees ASX/TSX | **301** | - |
| Share registry and other | **84** | - |
| | **2,673** | - |

## 5. Taxation

**Export Tax / Government Royalties**
Export tax is incurred on the gross revenue of all gold and silver shipped out of Argentina at a rate of 5%. Government royalties are separate and are levied on production and infrastructure spending. Both of these costs are reported as part of costs of sales and disclosed in Note 4.

**Income Tax**
Income tax rates applicable for Corporations operating in Argentina, Brazil, Guyana and Australia are 35%, 34%, 30% and 30% respectively. Argentine export tax is deductible for Argentine income tax purposes.

| Tax (Benefit) and Effective Tax Rates | Consolidated Half-year ended 31 Dec 2013 ($'000) | % |
|---|---|---|
| Argentina | **(8,088)** | N/A [(a)] |
| Brazil | **(875)** | N/A [(a)] |
| Guyana | **-** | N/A [(b)] |
| Australia | **-** | N/A [(b)] |
| | **(8,963)** | - |

[(a)] The actual rate of tax differs from the nominal rate noted above due to losses in the current half year and additional taxation deductions reversing estimated current and deferred tax provided in the prior year. This difference between actual and prior year tax estimates for Brazil and Argentina arises because the tax year in these jurisdictions follows a calendar year, therefore requiring estimates of the actual effective tax rate to be made at 30 June. As at 30 June 2013, the effective tax rate applied assumed that these jurisdictions would continue to generate profits in the second half of the respective tax year which did not materialise due to the significant decrease in commodity prices during the half-year.

[(b)] Net costs incurred within Australia and Guyana do not have offsetting taxable income streams and therefore an income tax credit has not been recognised.

## 6. Trade and Other Receivables

| | Consolidated as at 31 Dec 2013 ($'000) | 30 Jun 2013 ($'000) |
|---|---|---|
| **Current** | | |
| Debtors and prepayments [(a)(b)] | **12,117** | 11,685 |
| Value added tax recoverable [(c)] | **13,391** | 12,169 |
| | **25,508** | 23,854 |
| **Non-Current** | | |
| Value added tax recoverable [(c)] | **3,238** | 2,138 |

[(a)] Trade debtors include accounts receivable in relation to bullion sales. Other receivables and prepayments primarily include advance payments to contractors and insurers and recovery of fuel and accommodation expenses incurred on the behalf of contractors. Where the collections of the receivables are doubtful an allowance for doubtful debts is recognised, with no allowance being recognised at either 31 December 2013 or 30 June 2013. Trade receivables operate on standard 30 to 45 day terms. No interest is charged for the first 45 days from the date of the invoice.

[(b)] As at 31 December 2013 no receivables are past due, or impaired (June 2013: Nil).

[(c)] Within Argentina, the Group has incurred value added tax as part of its purchases which are recoverable over time in proportion to the level of future export sales. During the half-year, $3,950,000 of VAT receivable was recovered (2012: $6,174,000).

## Notes to the condensed consolidated financial statements for the half-year ended 31 December 2013

### 7. Trade and Other Payables

| | Consolidated as at | |
|---|---|---|
| | **31 Dec 2013 ($'000)** | 30 Jun 2013 ($'000) |
| **Current** | | |
| Trade payables [a] | **16,897** | 17,753 |
| Accrued expenses [b] | **8,670** | 12,940 |
| Power Line payable [c] | **1,831** | 1,739 |
| Deferred consideration on acquisition [d] | **225** | 219 |
| Dividends [e] | **68** | 71 |
| | **27,691** | 32,722 |

(a) The standard credit period on purchases is 30 days from statement. No interest is usually chargeable on the trade payables for the first 45 to 60 days from the date of invoice. Thereafter, interest is typically 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.

(b) The balance principally relates to capital investment in the development of Casposo's underground.

(c) The Group has a contractual obligation to contribute to the upgrade and construction of power lines in the San Juan province, with the obligation being assumed as part of the Casposo Project purchase.

(d) As part of the agreement relating to the acquisition of Troy Resources Argentina Ltd and the Casposo project, US$0.2 million has been retained until satisfactory completion of outstanding items from the purchase agreement.

(e) The payable for dividends represents 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.

### 8. Contingent Liabilities

There are no contingent liabilities other than general bank guarantees to financial institutions that total $180,942 (June 2013: $168,103), of these $180,942 (June 2013:$106,103) are cash backed.

### 9. Borrowings

| | Consolidated as at | |
|---|---|---|
| | **31 Dec 2013 ($'000)** | 30 Jun 2013 ($'000) |
| **Debt facility** | | |
| Industrial and Commercial Bank of China (Argentina) S.A. – debt facility [i] | **2,079** | 2,433 |
| Investec Bank Australia – Revolving Corporate Loan Facility (RCF) [ii] | **15,000** | - |
| Investec Bank Australia – Revolving Acquisition Loan Facility (ALF) [ii] | **16,000** | - |
| Capitalised Borrowing costs | **(1,222)** | - |
| | **31,857** | 2,433 |
| | | |
| Current | **21,693** | 270 |
| Non-current | **10,164** | 2,163 |
| | **31,857** | 2,433 |

## Borrowings (continued)

**Summary of Borrowing Arrangements**

(i) **Industrial and Commercial Bank of China (Argentina) S.A.**

a. The consolidated entity has an Argentine Peso 12.0 million debt facility with Industrial and Commercial Bank of China (Argentina) S.A. (ICBC). The facility was entered into on 16 May 2013, the facility has a three year term, and was fully drawn as at 31 December 2013.

b. As per the facility agreement quarterly principal repayments commence 17 May 2014. Each repayment is equivalent to 11% of the facility limit and conclude on 17 May 2016.

c. The facility is unsecured.

(ii) **Investec –Debt Facility**

a. The consolidated entity has a $40.0 million debt facility with Investec. This facility was entered into on 26 June 2013. This debt facility has two available tranches:

   i. Revolving Corporate Loan Facility (RCF): has a limit of $20.0 million and was first available for draw down on 1 July 2013. It can be used for general corporate and working capital purposes.

   ii. Revolving Acquisition Loan Facility (ALF): has a limit of $20.0 million and was first available for draw down on 2 July 2013. The ALF can be used for costs associated with the Azimuth acquisition and preliminary development costs of the West Omai project.

b. The RCF was entered into on 26 June 2013. The facility has a three year term and reduces by 25% instalments on 26 December 2014, 26 June 2015, 26 December 2015 and 26 June 2016.

c. The ALF has an eighteen month term repayable in full on 26 December 2014.

d. Secured by mortgages over the Company’s shares in its subsidiaries, Troy Resources Argentina Ltd Reinarda Mineração Ltda and Azimuth group companies, all wholly owned.

e. On 26 June 2013, the consolidated entity issued 1,362,398 unlisted call options over Troy ordinary shares with an exercise price of $3.67 and expiring on 26 June 2016 to Investec as part consideration for the establishment of these loan facilities (non-cash).

## 10. Issued Capital

| Fully paid ordinary share capital | Consolidated Half-year ended 31 Dec 2013 No. ('000) | 31 Dec 2013 ($'000) | 30 Jun 2013 No. ('000) | 30 Jun 2013 ($'000) |
|---|---|---|---|---|
| Balance at the beginning of the financial year | **91,469** | **109,695** | 89,413 | 101,804 |
| Issue of fully paid shares on exercise of options | - | - | 1,511 | 5,485 |
| Issue of fully paid shares on vesting of performance rights | - | - | 16 | 29 |
| Issue of fully paid shares for dividend reinvestment plan | - | - | 529 | 2,377 |
| Issue of fully paid shares under employee bonus plan | 368 | 405 | - | - |
| Issue of fully paid shares to Guyana Landholders (i) | 476 | 559 | - | - |
| Issue of fully paid shares for the acquisition of Azimuth Resources Limited | 76,174 | 126,963 | - | - |
| | **168,487** | **237,622** | 91,469 | 109,695 |

(i) Issued pursuant to the terms of agreement between Azimuth Resources Limited ("Azimuth") and landholders in Guyana.

## 11. Business Combinations

### (a) Acquisition of Azimuth

Effective 2 July 2013 the Group waived the conditions precedent and acquired Azimuth Resources Limited. The compulsory acquisition of Azimuth was completed on 28 August.

| | Principal activity | Date of acquisition | Proportion of shares acquired (%) | Consideration transferred ($'000) |
|---|---|---|---|---|
| Azimuth Resources Limited | Exploration | 2/07/2013 | 100 | 127,067 |
| | | | | **127,067** |

Troy acquired Azimuth in order to gain exposure to the growth potential of the West Omai project and its related exploration ground in Guyana. This project will enable the Company to diversify its activities by operation and country and capitalise on its extensive experience in South American gold exploration and mine development.

### (b) Consideration transferred

| | Azimuth ($'000) |
|---|---|
| <u>Equity issued in Troy Resources Limited</u> | |
| Issue of fully paid ordinary shares on acquisition | 126,963 |
| Issue of options over ordinary shares exercisable at $0.569 on acquisition | 104 |
| | **127,067** |

Acquisition-related costs amounting to $2,673,000 have been excluded from the consideration transferred and have been recognised as an expense in profit or loss in the current period, within 'Acquisition costs' line item. Refer Note 4.

## Business Combinations (continued)

### (c) Assets acquired and liabilities assumed at the date of acquisition

| | Azimuth ($'000) |
|---|---|
| **Current Assets** | |
| Cash and cash equivalents | 7,465 |
| Trade and other receivables | 246 |
| Inventories | 539 |
| **Total Current Assets** | **8,250** |
| **Non-Current Assets** | |
| Plant and equipment | 2,644 |
| Exploration properties | 175,544 |
| **Total Non-Current Assets** | **178,188** |
| **Current Liabilities** | |
| Trade and other payables | 5,718 |
| **Total Current Liabilities** | **5,718** |
| **Non-Current Liabilities** | |
| Other payables | 2,655 |
| Other financial liabilities | 10,185 |
| Provisions | 1,225 |
| Deferred tax liabilities | 39,588 |
| **Total Non-Current Liabilities** | **53,653** |
| | **127,067** |

The initial accounting for the acquisition of Azimuth has only been provisionally determined at the end of the reporting period. For tax purposes, the tax values of Azimuth's assets are required to be based on market values. As at the date of these consolidated financial statements, the necessary market valuations and other calculations had not been finalised and they have therefore only been provisionally determined based on the Directors' best estimate of the likely tax values.

### (d) Net cash outflow on acquisition of subsidiary

The acquisition of Azimuth was a script for script takeover. No cash was provided as consideration to the former owners and directors of the company. Cash and cash equivalents of $7.5 million were acquired as part of the acquisition.

## 12. Financial Instruments

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

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 of 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).

At 31 December 2013 the only financial assets and liabilities that are measured on a recurring basis relate to the group's available for sale investment in Meritus Minerals Limited which has a carrying value of $74,000 as at 31 December 2013 and $135,000 as at 31 December 2012.

The fair value of listed shares has been based on the closing share price at the end of the financial period. At the end of the current year all listed shares are designated as available for sale.

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 2013 and 31 December 2012, the carrying amount of financial assets and financial liabilities for the Group is considered to approximate their fair values.

## 13. Subsequent Events

Subsequent to 31 December 2013, the Company had drawn an additional $5 million under the RCF and $4 million under the ALF debt facilities with Investec Bank. As at the date of this report, both debt facilities are fully drawn at A$20 million each.

On 18 February 2014, the Company announced the sale of its 70% interest in the Sertão Gold mine in Brazil.

Other than the above, there are no matters or circumstances that have arisen since 31 December 2013 that has 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
(ii) The consolidated entity's state of affairs in future financial years.

## Directors' declaration

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

**Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the Corporations Act 2001.**

**On behalf of the Directors**

**Mr David R Dix**
Chairman of Directors

Perth, Western Australia
Date: 24 February 2014

Deloitte.

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# Independent Auditor's Review Report to the members of Troy Resources Limited

We have reviewed the accompanying half-year financial report of Troy Resources Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2013, and the condensed consolidated statement of profit and loss, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 5 to 20.

*Directors' Responsibility for the Half-Year Financial Report*

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

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with 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 2013 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.

Deloitte.

*Auditor's Independence Declaration*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Troy Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

*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:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

D Newman.

**David Newman**
Partner
Chartered Accountants
Perth, 24 February 2014