



TROY RESOURCES LIMITED

QUARTERLY REPORT

FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2017

HIGHLIGHTS

- Gold production for the quarter was 12,885oz as compared to 15,411oz in the previous quarter, a decrease of approximately 18%. The decreased production is partly a reflection of changes to mining priorities to concentrate on remedial work to secure access to the Smarts 3 high grade orebody for future quarters.
- Access to Smarts 3 orebody achieved in late September and ROM Stockpiles increasing.
- Average head grade of ore treated for the quarter was 1.84g/t Au with a gold recovery rate of 91.3%.
- Throughput of 238,646 tonnes was 21% higher than the previous quarter and the highest throughput rate achieved for any quarter since commencement of operations at Karouni.
- AISC of US\$1,240/oz for the quarter.
- Sales revenue for the September quarter was US\$16.3 million.
- Investec loan was reduced by US\$4 million to approximately US\$23 million as of 30 September 2017.
- Loan facility agreement with Investec was varied.
- Cash & equivalents (gold inventories) totalled A\$6.4 million at the end of the quarter.
- Gold production guidance for the 2017/18 year remains unchanged and in the range of 60,000oz to 70,000oz.



Commenting on the results, Chief Executive Officer and Managing Director, Mr Ken Nilsson, stated:

“Although production slipped during the quarter, this was expected due to the change in mining sequencing required to progress the remediation of Smarts 3 pit and accelerate its return to production. Quarterly production over the year will vary but is expected to improve significantly from October as ore production from Smarts 3, which recommenced ahead of schedule in late September, is expected to have a strongly positive impact on production and particularly from November onwards.

“The previous gold production forecast for 2017/18 of 60,000oz to 70,000oz remains unchanged.

“The re-alignment of loan repayments and gold hedging and the update of ore body modelling will have a positive effect on operating results and cash flow going forward.

“Improved mining with lower strip ratios is evident with an increase in ROM stock piles and reducing mining equipment requirements. The ROM stockpiles as at 28 October stood at ~92,000 tonnes of ore. The aim is to maintain ore stocks equivalent to ~1 month of mill feed or around 80,000 tonnes.

“The immediate focus for the Company is to reduce the level of debt and creditors whilst still progressing growth through exploration and, potentially, project acquisition.

“Exploration will recommence in the December quarter with a series of targets already identified. The first target will be Spearpoint with an initial program of ~ 24 RC holes of 100 m length planned.

“Safety and environmental performance continued to excel during the quarter achieving or surpassing set targets.”



OPERATIONS

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

Results Summary

A summary of key operational parameters at Karouni for the September quarter and the two previous quarters is set out in the following table:-

Operations	March 2017 Quarter	June 2017 Quarter	September 2017 Quarter
Being Open Pit Mining			
Total mined (t)	1,769,587	1,495,685	1,988,435
Ore Mined (t)	203,117	183,405	276,915
Mine Grade (g/t)	1.99	2.15	1.72
Mill Production			
Processed (t)	210,228	196,765	238,646
Head Grade Gold (g/t)	1.97	2.54	1.84
Recovery Gold (%)	94.5	95.9	91.3
Gold Produced (oz.)	12,590	15,411	12,885
Gold Sold (oz.)	11,675	17,328	12,771
Cash Cost (US\$/oz.)	1,148	881	1,005
AISC (US\$/oz.)	1,539	1,208	1,240
Gold Price Realised (US\$/oz.) ⁽¹⁾	1,221	1,255	1,274

(1) Before impact of hedging.

During the quarter, a total of 1,988,435 tonnes of material were mined and 238,646 tonnes of ore processed.

The performance achieved in terms of mining during the quarter provides an increasing level of comfort in terms of the ability to operate in the high rainfall environment.

Mining activity priorities changed during the quarter with efforts refocussed towards the remediation of the Smarts 3 pit to gain access to its higher grade ore. This necessitated changes to mine sequencing which resulted in the production of higher volumes of lower grade ore. This had the inevitable flow on effect of reduced head grade to the mill and lower gold production for the quarter. Access to the higher grade portion of Smarts 3 was re-established in late September and will have a positive impact on ore grade and gold production in the December quarter.

As at 28 October 2017, ROM Ore Stockpiles were ~92,000 tonnes at an average grade of 2.2g/t.

Production from Karouni for the quarter was 12,885oz compared to 15,411oz the previous quarter.

This was achieved from the milling of 238,646 tonnes of ore at an average mill head grade of 1.84g/t Au and average gold recovery of 91.3%.

The throughput of 238,646 tonnes was 21% higher than the previous quarter and a new quarterly record in terms of processing since operations at Karouni commenced.



During the quarter, the Company's C1 operating costs were US\$1,005/oz, as compared to US\$881/oz in the previous quarter.

All-in-Sustaining-Costs ("AISC") for the September quarter were US\$1,240/oz, as compared to US\$1,208/oz in the previous quarter.

Continual work on training, monitoring and a focus on cost control is having a positive impact on operations.

Total site operating costs have continued to fall.

Gold sold for the quarter was 12,771oz.

A more detailed breakdown of costs is set out in the following table:-

	March 2017 Quarter	June 2017 Quarter	September 2017 Quarter
	US\$/oz	US\$/oz.	US\$/oz.
C1 Cash Cost	1,148	881	1,005
Refining and transport costs	6	5	5
Reclamation and remediation – amortisation	6	6	7
Royalties	105	129	105
Insurance	21	17	21
Exploration - sustaining	118	68	18
Corporate general and administration costs	71	48	46
Capital equipment	64	52	33
All-In Sustaining Cost (AISC)	1,539	1,208	1,240

Health and Safety

During the quarter, the site worked approximately 400,000 man-hours with one (1) lost time injury recorded, the same as for the previous quarter. Safety performance continues to improve on the basis of the industry standard Total Recordable Injury Frequency Rate ("TRIFR").

TRIFR at the end of the quarter was 7.4, down from 9.1 for the previous quarter. For comparison purposes, the TRIFR one year ago was 16.9.

The goal for TRIFR this year is 8.0 compared to last year's goal of 10.0. This latest quarter marks the first-time that the goal has been achieved. The result is a strong endorsement of the Company's efforts to achieve an accident-free work environment.

During the quarter, the Company continued to provide additional training in the work place. The Company's aim is to see all employees trained in critical aspects of safety in their respective work places by the end of the year.



Environment

No reportable environmental incidents occurred during the quarter in accordance with the Guyanese Environmental Protection Authority guidelines. Routine water and noise sampling did not show any significant anomalies.

All permits and licenses are up to date and the Company is in full compliance with its ongoing requirements.

During the quarter, the Company's environmental consultants completed an audit with no significant deficiencies identified. In addition, the Company completed a biodiversity study using external consultants as part of the Company's operating permits.

The Company has also initiated recycling of plastic water bottles. Probable future uses include in the nursery for seedlings, construction of housing in the community, and gardens.

During the quarter, the Company began working on its reclamation efforts whereby native plant specimens were collected with the help of the local indigenous community and several test plots were planted. Additional test plots will be sewn in the next quarter.

Community

The Company continues to work closely with the local Amerindian community and participates in local heritage activities. In addition members of the community are engaged in company activities on a semi regular basis providing additional labour as required and performing specific tasks. Troy also continues to provide assistance to the children going to school in other areas.

In general the level of direct assistance has been lower and exchanged for mutual activities and direct work related matters.

Troy continues to assist nearby communities with medical facilities through its medical centre and Doctors including providing medical evacuation facilities as required.

**CASPOSO, ARGENTINA** (Troy 30% - Austral Gold Limited (ASX:AGD) (Manager) 70%)**Results Summary**

A summary of key operational parameters at Casposo for the September quarter and the two previous quarters is set out in the following table.

	March 2017 Quarter	June 2017 Quarter	September 2017 Quarter
Ore processed (t)	48,602	65,124	65,481
Grade (g/t Au)	2.5	2.4	2.4
Grade (g/t Ag)	218	224	272
Gold recovery (%)	89%	89%	92%
Silver recovery (%)	85%	86%	86%
Gold produced (oz.)	3,487	4,360	4,396
Silver produced (oz.)	288,327	374,583	505,514
Cash cost (US\$/oz. Au Eq)	1,058	981	930
AISC (US\$/oz Au_Eq)	1,353	1,311	1,043

Troy currently holds a 30% equity interest in Casposo but does not receive any share of production or contribute to costs during Austral's earn-in period.



EXPLORATION

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

As previously advised, no exploration field activities were undertaken during the quarter due to the difficulties of operating during the wet season with the exploration team focusing on compiling and collating data, preparing drill programs and target generation.

Exploration will recommence in the December quarter with the first targets having already been identified. These include near mine prospects that will be the subject of infill drilling.

The first target is Spearpoint which has as an initial programme of ~ 24 RC holes of 100 m length planned. Spearpoint lies on the south east extension of the Smarts ore bodies along the Smarts main shear within a previously framework drilled strike length of ~ 800 m.

It is noted that Spearpoint is actually closer to the mill at Karouni than either Smarts or Hicks.

The Company is currently waiting for the arrival of an exploration RC drill to site. As funds become available the planned exploration program will be accelerated and extended in line with target generation work.

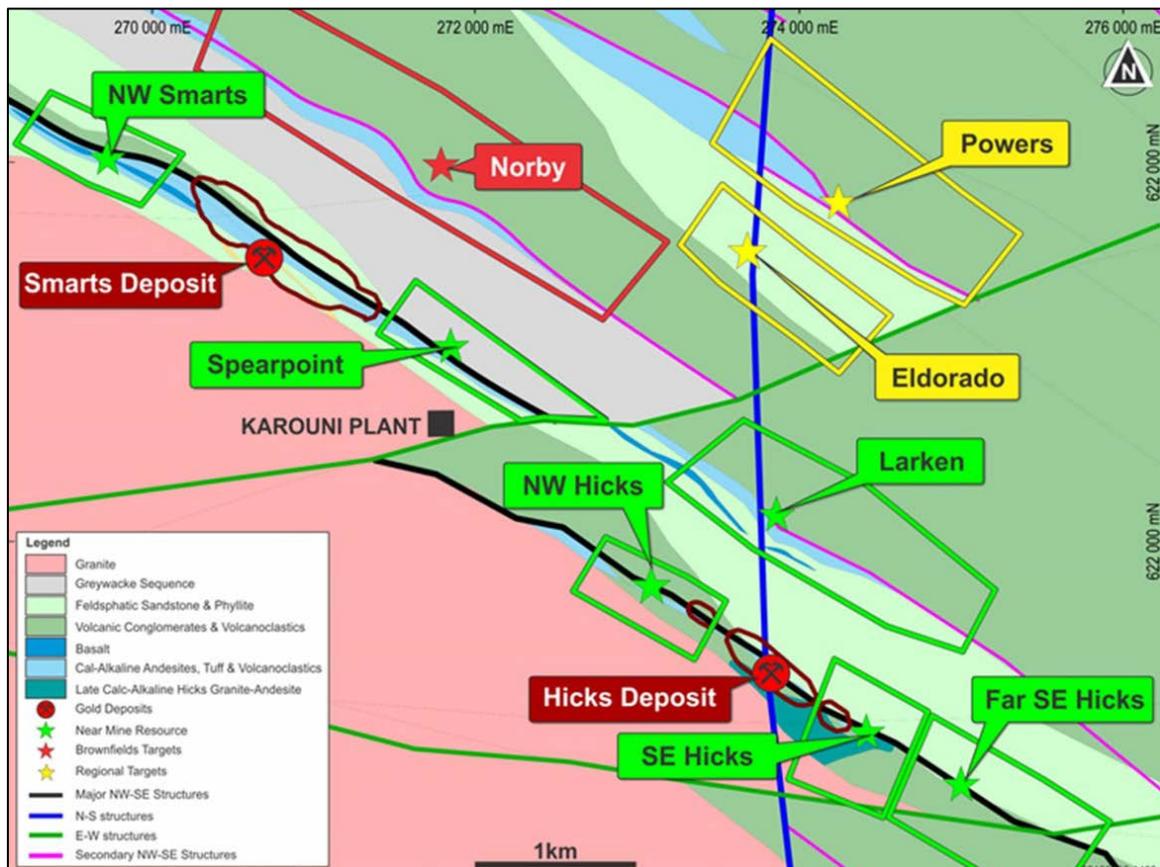


Figure 1: Potential Near Mine Drilling Targets



FINANCIAL INFORMATION

At the end of the quarter, the Company had total liquidity of \$6.4 million, including available cash of \$1.2 million and gold inventories at market value of \$5.2 million. Key movements in cash flow are illustrated in Figure 5 below.

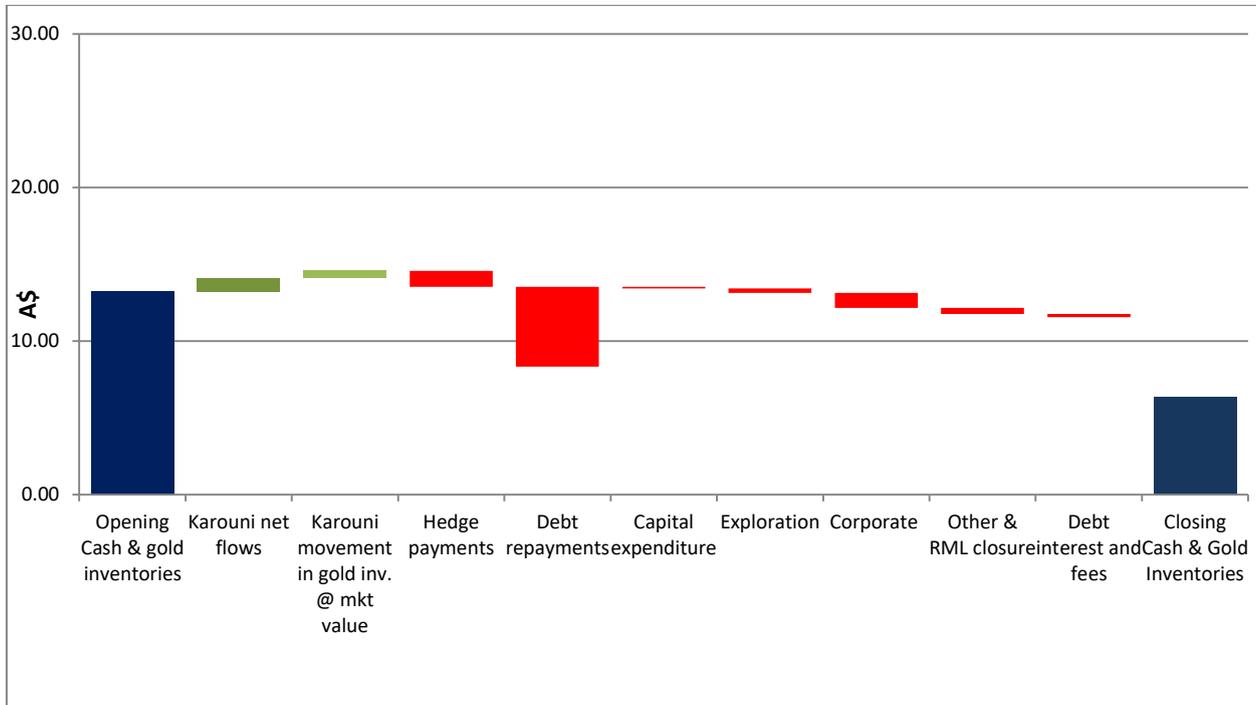


Figure 2: September Quarter Cash Movements

Notes:

1. Key movements - unaudited
2. Liquid assets include cash, gold doré and GIC at market value

Debt Facility

The Company repaid US\$4 million of its Debt Facility (**Facility**) with Investec during the quarter, US\$3 million in July and a further US\$1 million in September. The current loan balance is US\$23.192 million, a significant reduction from the peak loan balance of US\$71.6 million (A\$100 million).

During the quarter, Troy reached agreement with Investec to amend the terms and structure of the Facility.

The key amendments include:-

1. A reduction in the Minimum Liquidity requirement from A\$10 million to A\$5 million.
2. A reduction in the Minimum Tangible Net Worth requirement from A\$100 million to A\$50 million.
3. A reduction in the 30 September 2017 loan repayment amount from US\$3 million to US\$1 million (which has been paid) with the other US\$2 million deferred to later periods.



The revised repayment schedule is as follows:

Date	Existing Repayment Schedule		Amended Repayment Schedule	
	Facility Limit (US\$'000)	Repayment (US\$'000)	Facility Limit (US\$'000)	Repayment (US\$'000)
Current	24,192		24,192	
30-Sep-17	21,192	-3,000	23,192	-1,000
31-Dec-17	18,192	-3,000	20,192	-3,000
31-Mar-18	15,192	-3,000	16,192	-4,000
30-Jun-18	10,192	-5,000	11,192	-5,000
30-Sep-18	5,192	-5,000	5,192	-6,000
31-Dec-18	-	-5,192	-	-5,192

4. A restructuring of the hedge book such that the next hedge will mature in October 2017 and will extend over a longer period with lower monthly hedged amounts (refer to table below).

The result is that the level of monthly hedging will be more closely aligned to production levels from the Karouni Project and now covers a 12 month period instead of being excessively front-ended as it was previously.

5. The inclusion of a new Key Person covenant, under which it will be an Event of Default if any of the existing Troy Directors, Chief Executive Officer, Chief Operating Officer, or Chief Financial Officer or any equivalent person resigns or is replaced and such replacement does not (in Investec's opinion, acting reasonably) have the requisite skill, knowledge and experience.
6. The inclusion of a pre-payment fee if the Facility is pre-paid or refinanced at any time prior to the scheduled maturity date.

Hedging

A summary of the Company's gold hedging positions at 30 September 2017 is set out in the table below.

Settlement Period	Gold oz.	US\$/oz.
Dec Qtr. 17	13,000	\$1,183.65
March Qtr. 18	9,000	\$1,183.65
June Qtr. 18	9,000	\$1,183.65
Sept Qtr. 18	9,000	\$1,183.65
TOTAL	40,000	\$1,183.65

Exploration Expenditure

Exploration expenditure incurred during the quarter was A\$0.3 million.

Capital Expenditure

Expenditure incurred in relation to the plant and equipment and sustaining capital at Karouni during the quarter was A\$0.1 million.



CORPORATE

Board and Management

During the quarter, a substantial shareholder requisitioned a general meeting of the Company's shareholders to remove Mr Stern and Mr Jones as Directors of the Company, and to have 3 of its nominees elected to the Board.

The general meeting was held on 10 October 2017. None of the resolutions were passed with the result that Mr Stern and Mr Jones remain as Directors.

Capital Structure

Issued Capital (as at 30 September)	
Ordinary Shares	456,599,905
Employee Share Appreciation Rights	141,000
Options (\$0.18 exercise price; final expiry 20 April 2019)	27,780,000

On the 5th October 2017, Troy issued 2,943,569 fully paid shares to Investec in settlement of restructure fees applicable to the renegotiation and amendment of terms of its Facility.

Subsequent to quarter end, at a general meeting held on 10 October 2017, shareholders ratified the previous issue of shares and options to Investec referable to fees due from amendments to the Facility in April 2017.

For further information please contact:

Gerry Kaczmarek, CFO and Company Secretary

T: +61 8 9481 1277 | E: troy@troyres.com.au

Ken Nilsson, CEO and Managing Director

T: +61 8 9481 1277 | E: troy@troyres.com.au

Directors

Peter Stern, Non-Executive Chairman

Ken Nilsson, CEO and Managing Director

John Jones, Non-Executive Director

Competent Person's Statements

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements relating to drill results, mineral resource estimates or studies and that all material assumptions and technical parameters underpinning the drill results and estimates in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the relevant Competent Person's findings are presented here have not been materially modified from the original market announcements.