



TROY RESOURCES LIMITED

# ASX ANNOUNCEMENT

29 November 2019

## KAROUNI GOLD MINE, GUYANA – OPERATIONAL UPDATE

Troy Resources Limited (**ASX: TRY**) (**Troy** or the **Company**) wishes to provide an update to the market as to the operations at the Company's Karouni Gold Mine in Guyana.

### Background

As shareholders are aware, the Company entered into a Trading Halt on 11 October 2019 and then into voluntary suspension on 15 October 2019.

This followed the tragic death of an employee on 8 October as a result of an incident at the Hicks 1 Extension Trench and, subsequently, on 10 October 2019, the receipt of a Cease Work Order being placed on the Company by a junior Minister within the Ministry of Social Protection.

Having received the Order, the Company had no option but to comply and, accordingly, ceased all mining and milling activities.

Given that the Company at that time did not know when, or if, approval would be given to resume mining activities, the Company took the step of standing down all site employees other than those undertaking security duties, exploration activities and those involved in preparing the processing plant for a full shut-down.

Under Guyanese Law, a Company is permitted to stand down a workforce without pay for up to six weeks in certain cases. It is important to note that the employees are not dismissed and can resume their normal duties if, or when, activities are able to resume.

Following the incident, none of the four parties investigating the death (ie the Guyana Geology & Mines Commission ("GGMC"), the Guyana Police Force, the Ministry of Social Protection and the Company) have notified of any cause against the Company or its safety practices.

### Recent Events

Following meetings between Troy and relevant officials of the Guyanese Government, on 8 November, 2019, the Ministry of Social Protection rescinded its Cease Work Order. However, despite this, there are several matters that need to be resolved before the Company can restart operations.

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With gold production from the Smarts 3 pit problematic in the short term (refer discussion below), thereby denying Troy of what had been its anticipated primary source of mill feed for the next twelve-month period, the Company considers that the Ohio Creek deposit is integral to any restart planning.

As shareholders would be aware, Troy, having fulfilled all the requirements for the grant of a title permit to undertake mining Ohio Creek some time ago, has been eagerly waiting the grant of the relevant permit.

A further matter that needs to be resolved in the near term concerns the Company's DIA, or letter allowing importation of certain goods without the imposition of VAT, which is part of the Minerals Agreement signed between the Company and the Government of Guyana. The reissuance of this is critical because supplies currently on the wharf in Guyana are not only required on-site but are incurring unnecessary demurrage and storage costs.

Troy has been working to finalise operating plans and a cash flow and budget for the recommencement of operations at Karouni. Given that operations have totally ceased, there is a minimum timeline for the restart of operations with mining operations required to commence several weeks before the mill is restarted to provide a sufficient and sustainable volume of feed. Once milling has recommenced, there is an additional period to rebuild gold in circuit before any gold can be shipped for sale. Overall, the time from the decision to restart to first revenue from gold sales is somewhere between six to eight weeks.

On 18 November, with the expiry of the six-week permitted stand down period fast approaching, the Company took the decision to retrench just over 200 workers. The decision was made as there was no work for them at that time. Pursuing this course enabled the Company to pay to the terminated workers one months' salary in lieu of notice plus all accrued benefits and provisions as required under the relevant employment laws. Given that we are in the lead-up into the Christmas period, this approach was considered to provide the better financial outcome for workers and their families.

A benefit to the Company is that, when the decision to restart has been made, the Company will be able to preferentially offer employment to former employees, thus enabling the streamlining of the workforce.

The Company is now looking at sources of finance for working capital to fund the restarting of the Karouni operations.

In relation to the Smarts 3 cutback, as advised in the announcement of 15 October 2019, the Company has encountered further wall stability issues. These issues were, in part, related to the high rainfall received during the last wet season. It had been Troy's intention to finish the cutback and complete mining of ore before the next wet season commenced to minimise potential loss of access from further slippages. With the current delay in mining activities, it is now very unlikely that Troy will be able to complete the remaining cutback and then the ore mining before the onset of the next wet season. If that timing is correct, any further time and money spent on the cutback now may all be "lost" in the next wet season. While planning is still underway on this, it may be prudent from both a safety and a financial position not to undertake any further work on the Smarts 3 pit until after the wet season whereupon an assessment can be made of the effect, if any, that the high rainfall had on the pit during this period.

The change to the timing of any further mining at Smarts 3 will, of course, have a significant impact on ore mined and gold production.

As a consequence of the shutdown, the Company has expended significant funds over the past six weeks on both care and maintenance activities and paying trade creditors.

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Therefore, the Company has assessed that it needs to source additional funding to enable it to operate through the start-up process.

In summary, before Troy is willing/ able to recommence activities, the following matters need to be sorted/ addressed:

- 1) Receipt of the title permit to undertake mining of Ohio Creek from GGMC;
- 2) Renewal of the DIA licence from the Government of Guyana;
- 3) The completion by Troy of a viable mine plan and budget for the next 12 to 24 months of operations, including assessment of the Smarts 3 operations; and
- 4) The Company securing sufficient funding to enable the restart of operations.

These matters are currently being worked through by the Company.

### **Clarification of Discussion Circulating in Guyana**

The Company takes the opportunity to make some additional comments.

There has been a significant amount of misinformation circulating within the Guyana press and on local social media. Statements are being reported from all manner of people, many of which are entirely without basis.

As noted previously, Troy, its Directors, management and supervisors, are strongly committed to the long-term health and safety of all its employees.

Troy has operated since 1984 (35 years) as a mining and exploration company. Over that time, Troy has developed a total of ten open pit mines, two underground mines and four processing plants, mostly in South America.

Troy also has a presence in Argentina, Brazil and Australia with the head office in Perth, Australia. The head office is manned by two full time and two part time staff such that the Company is very lean company in terms of overheads.

Prior to commencing operations in Guyana in 2014 following the takeover of Azimuth Resources Ltd in 2013, Troy spent an aggregate of approximately US\$76 million on plant and equipment and mine development before production commenced in 2015.

In a typical month, Troy's aggregate operating costs at Karouni amount to approximately US\$4.2 million per month plus (this excluded further costs of approximately US\$0.8 million per month that relate back to pre-Troy involvement). Of the US\$4.2 million, approximately US\$3 million per month is directly spent in the local Guyana economy through salaries and wages, taxes and royalties, consumables and other goods and services. The multiplier flow-on effect of this is significant in terms of the Guyana economy. Salaries alone account for approximately US\$1.2 million per month to a direct workforce of approximately 400 employees. In addition, Troy employs directly and indirectly a further 100 or so additional persons as contractors.

The Troy workforce is made up of 95% local Guyanese in all categories as workers and managers. Of these, approximately 40 employees are of Amerindian decent. Most of the expat employees are from Brazil and Argentina.

In total, Troy has spent an aggregate of approximately US\$180 million in Guyana over the past four years and a further US\$100 million (approximately) in external markets for the supply of chemicals and spare parts which, in most cases, are supplied through Guyanese representatives.

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It is correct that Troy has enjoyed some tax concessions covering capital equipment and some production related expenditure. These types of concessions are typical of almost all countries in order to attract investment in one of the highest financial risk undertakings which is capital intensive and reliant on world markets in terms of income. The return to Guyana is substantial as can be seen from the above.

In terms of the services and working and living conditions on-site, Troy provides essentially the same level of amenity to all its employees, regardless of their level within the Company. All employees are provided with air-conditioned accommodation, recreational facilities and sporting facilities, games room, gymnasium, a social recreation area for drinks after work, an onsite messing facility which provide three hot meals per day as well as barbeque areas where employees can prepare food for themselves. Troy operates on a two-weeks-on, one-week-off roster except for expats who normally work four-weeks-on (in some cases, six-weeks-on). Employees are sourced from around Guyana with the majority from the capital, Georgetown, travelling to and from site in modern aircraft. In summary, the amenity is of a comparable standard to any FIFO mining camp operating in Australia.

Based on a recent country-wide salary survey, Troy arguably pays the highest wages in Guyana. Troy employees, excluding expats, received an 18.5% salary increase over the last three years. Most expats employed by Troy received a far lesser increment.

Troy's medical facility at Karouni provides services to not only Company employees but the general public as well. For communities near the mine site, Troy's facility is the only medical care available for approximately tens of kilometres of jungle, and hence is utilised quite frequently. Troy arranges emergency medivacs as required. As Troy's safety record is excellent, almost 100% of medivacs concern non-employees. All medical services are provided free of charge.

Since the Company's establishment some 35 years ago, Troy has maintained relatively accident free operations in all jurisdictions and maintains a strong safety focus using modern methods and systems. The recent accident has, of course, made the Company look at how we can improve further. As a consequence, Troy has broken down the training modules on safety into smaller modules to assist in better retention of teachings. On re-start of operations, all returning employees will be re-trained in the basics as if they were new employees.

Notwithstanding that the last six weeks have been a very trying period for Troy, just as it has for employees, the Company sincerely hopes that operations can soon recommence at Karouni and that it can remain operating in Guyana long into the future.

## **Conclusion**

The Board of Troy is keen to recommence operations at Karouni as soon as practicable.

However, until such time as the outstanding matters referred to above are adequately addressed, definitive timing for a restart cannot be given.

Accordingly, Troy considers it appropriate that trading in its shares continue to be suspended.

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