



TROY RESOURCES LIMITED

# ASX ANNOUNCEMENT

25 July 2022

## CHAIRMAN'S ADDRESS - 2021 ANNUAL GENERAL MEETING

Troy Resources Limited (**ASX: TRY**) (**Troy** or the **Company**) is pleased to provide a transcript of the Chairman's Address to be delivered at today's 2021 Annual General Meeting.

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Welcome everyone.

My Chairman's Address at the Annual General Meeting in previous years has by and large encompassed a review of the activities for the relevant financial period.

In view of both the substantial amount of formal business to conduct and time constraints, today's Address won't so much be a look back at 2021. For that, we refer you to both the Chairman's Review and the Operations section in the Annual Report.

Rather, today I will focus on some key matters, essentially all of which occurred after year's end, as well as a brief look at the path ahead.

We were shocked and deeply saddened by the death of three Troy employees in quick succession.

On 20 September 2021, we announced the sudden passing of the Company's Chief Executive Officer and Managing Director, Mr Ken Nilsson, after failing to recover from a medical procedure.

Ken's contribution to Troy over the years was immense. He joined the Company in 1997 and was appointed Managing Director for the first time in 1998.

Ken developed and managed many mining operations for Troy. Much business success was enjoyed as a result of Ken's efforts.

When Troy first encountered operational issues at Karouni in mid 2016, followed shortly thereafter by the resignation of the Company's then Managing Director, Ken again assumed the main role even though he was content undertaking the less demanding role of Business Development Director.

Ken's attributes for leading a mining company were second to none. He was extremely competent in his profession and a great leader of people, amongst many other wonderful attributes.

More than that, Ken was both a fine man and a dear friend. He is sorely missed by us all.

The Company was also deeply saddened by the death of two employees onsite, the first by way of an accident that occurred in August 2021, and the second by natural causes in November 2021.

Our thoughts continue to be with the family and friends of all three gentlemen.



From an operational perspective, the 2021 year was characterised by many challenges as we struggled to deliver ore in sufficient volume and grade to the Karouni Mill.

For various reasons, prevailing ore sources such as Hicks and Spearpoint depleted somewhat sooner than had been expected.

Potential new ore sources such as Ohio Creek and Goldstar did not prove up as had been anticipated.

Smarts Underground, which I will talk more about shortly, has proven to be an attractive opportunity. However, it wasn't possible to access ore from this project as initially thought before other ore sources were exhausted.

The upshot was that, by July 2021, just after year's end, the Company had no choice but to put the Karouni Mill on care and maintenance.

With considerable debt and without operating cashflow, on 31 August 2021, the securities of Troy were suspended from quotation on the ASX, the only prudent course for the Board to take.

The fact that it's now nearly twelve months hence reflects the gravity of the situation and the extent of work required to remedy it.

On 5 January 2022, we announced a recapitalisation involving a series of transactions which, subject to receipt of the various shareholder approvals in the General Meeting which follows shortly, will see new cash raised and debt converted at a price of 2.2 cents per Troy share pursuant to a series of placements and, in due course, a rights issue.

Specifically:

- Our gold loan financier, Asian Investment Management Services (AIMS), agreed to convert essentially all of its loan in the amount of approximately \$13.8 million to equity – and, in so doing, will become our largest shareholder
- Our current two largest shareholders, M&G Investments (M&G) and Ruffer, agreed to subscribe for further shares in the aggregate amount of approximately \$4.2 million
- Exploservice, our largest trade creditor, agreed to convert half of its outstanding credit balance – approximately \$4.6 million – to shares
- RiverFort Global Capital (RiverFort) has come on-board as a new financier, agreeing to provide \$0.5 million as equity and \$2 million by way of a convertible note facility, with the potential for an additional \$3 million

On 1 February, we announced that Exploservice had agreed to convert the additional amount of approximately \$2.6 million from debt to equity for an aggregate conversion of approximately \$7.2 million.

Together, these transactions will see:

- The retirement of debt and liabilities in the amount of approximately \$20.7 million
- The raising of cash in the amount of approximately \$7.2 million

We subsequently reached agreement with certain other trade creditors which saw us secure more favourable repayment terms. We also sold some equipment and supplies at Karouni that were surplus to requirements.

On 22 April, Troy announced the lease and assignment of certain non-core mining rights held in Brazil known to host iron ore minerals for which we will receive in staged payments the amount of US\$4 million, noting that we will have to pay liabilities in the aggregate amount of approximately US\$1.7 million – so a net US\$2.3 million to the Company.



What these various transactions have done/ will do is restore the Company to a positive Net Assets position.

As a result, Troy was able to obtain sign off from our auditor, PwC, as a going concern and, hence, we were recently able to lodge with the ASX the 2021 Annual Report and the 2022 Half Yearly Report.

On 11 May, ASX advised that it could see no reason why the securities of Troy should not be reinstated to official quotation subject, essentially, to shareholders approving all the recapitalisation resolutions, certain further routine disclosures and completion of the rights issue.

On 23 June, 16 million shares were issued to AIMS under the Company's existing placement capacity raising the additional amount of approximately \$350,000.

Although not a substantial amount, this last raise was significant in that it overcame the final hurdle in satisfying the requirements of all parties to the recapitalisation transactions.

On 24 June, Notices of Meeting in respect of both this Annual General Meeting and the General Meeting for the recapitalisation which follows were lodged with the ASX.

And so, finally, here we are today.

The Board is mindful that the recapitalisation transactions involve the issue of a relatively large number of shares priced at a discount to the last traded share price and, hence, are dilutionary for current shareholders.

However, we assure you that the position of the Company as a result of both the recapitalisation and other transactions represents a far better outcome than both the alternative recapitalisation proposal that was put to us and the situation as it would have been had there been no recapitalisation.

Indeed, if the recapitalisation does not occur, Troy will face significant challenges, to the point that it may not be able to continue as a going concern.

The fact that Troy trades on is important because, despite the current situation, the Board sincerely believes that, with the balance sheet largely repaired, the Company potentially has a bright future.

As has been stated previously, Troy acquired the Karouni project not for the now-exhausted Smarts and Hicks Mineral Resources but, rather, for the significant exploration potential of the accompanying area under lease. The fact that a regionally significant crustal shear zone – the Makapa Kuribrong Shear Zone – which hosts many substantial gold accumulations along its length passes through our ground position provides all the more reason for optimism.

Because Troy has been significantly undercapitalised since acquiring Karouni and, accordingly, has spent relatively limited funds on exploration, its relatively underexplored status largely remains.

The exploration potential could not be better vindicated than by the fact that, on 1 July 2021, Barrick Gold Corporation, the second largest gold mining company in the world, farmed into various Troy tenements.

I note that, in an announcement to the NYSE dated 4 February 2019, Barrick stated “...the Guiana Shield [was] a significantly underexplored region and one of the most prospective in the world for large scale gold discoveries.”

Barrick's work is underway and its expenditure commitments, US\$5 million over six years, are significant.

In Smarts Underground, Troy has an ore source located immediately adjacent to the Karouni Mill. This project isn't – and will likely never be – a company maker. But we have already mapped approximately 89,000 ounces in Ore Reserves, there is good upside potential, and the project is essentially already approved by the Guyanese authorities.



Moreover, with a currently estimated capital cost to bring Smarts Underground into production of a relatively modest US\$7 million, it is not a stretch to envisage Troy returning to producer status in the medium term, subject of course to satisfactory completion of the remaining work and evaluation, and receipt of final approvals. Work to achieve this will ramp up once the recapitalisation is completed.

We would also need to finance the US\$7 million capital requirement, for which we can report that we have already held discussions with an interested financier, with discussions to recommence shortly.

Being the largest independent mill operator in Guyana provides Troy with the opportunity to toll treat gold deposits owned by other parties. Discussions with a number of such parties are ongoing.

More generally, the fact that Guyana, a developing country, has an estimated 11 billion barrels of recoverable oil, and is forecast to become one of the world's major producers, is likely to see considerable wealth generated, bearing in mind that the country has a relatively small population of approximately 800,000 persons.

As infrastructure such as a modern road system is established, along with subsidised energy presumably, Guyana will increasingly become a preferred destination for both exploration and the development of mining operations.

On top of that, being English speaking, with English based law, a modern mining act and stable Government, Guyana is an attractive jurisdiction for many of the world's mining companies.

In summary, the fact that Troy is based in an attractive jurisdiction, has highly prospective exploration acreage in a highly underexplored mining district, an operating mill together with an advanced development asset, and a farm-in with Barrick, arguably renders Troy as an attractive strategic opportunity for both companies already in Guyana and those considering entering.

Troy will shortly undertake a rights issue which will enable shareholders to add to their holdings at the same share price as the parties who participated in the recapitalisation transactions. If you see the same potential in the Company as we have outlined here, we encourage you to participate.

Earlier in the year, prior to the recapitalisation, John Jones resigned as a Director of Troy. John's contribution to the Company for more than thirty years, for many of them as Chairman, was substantial. We thank John sincerely.

Without the support of many, we would not have been able to achieve the recapitalisation.

The support of the various parties I've named earlier – AIMS, M&G, Ruffer, Exploservice and RiverFort – was substantial.

We also had great assistance from our corporate adviser, Azure Capital, our equity capital markets firm, CED Capital, and our legal adviser, Thomson Geer. Thanks also to PwC, the ASX and the Government of Guyana for their forbearance.

Activities in Guyana have been expertly managed since Ken's passing by Richard Beazley, who stepped up from his former role as Non-Executive Director to the role of Interim CEO and Managing Director.

We are fortunate that Andrew Barclay joined the Board as a Non-Executive Director at the same time as when John Jones retired from the Board. Andrew is an experienced corporate lawyer and has experience as a director of ASX listed companies, and so was well credentialled to assist Troy.

I would particularly like to acknowledge the efforts of Rebecca Broughton, Chief Financial Officer and Company Secretary, who has done a power of work, day and night, weekdays and weekends, getting us to where we are today.

Rebecca was ably supported by both Andrea Bissett, Group Accountant, and Jeremy Creech, Finance and Administration Manager, Guyana, who, after travelling from Queensland just a few days prior to Christmas, pulled together the accounts in Guyana to complete the audit process over the most recent Christmas/ New Year period.



We also pass on sincere thanks to other employees, contractors, consultants, suppliers, partners and stakeholders.

Finally, our biggest thanks are reserved for you our shareholders for all your ongoing support, patience and loyalty.

Be assured that the Board remains committed to maximizing shareholder value and to achieving for you the best possible outcome.

## **Peter Stern | Chairman**

*This announcement has been authorised for release by the Chairman.*

**ENDS**

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