

Troy Resources Limited : Casposo Mineral Reserve Update Gold Equivalent Production to Grow by 40%

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PERTH, WESTERN AUSTRALIA -- (Marketwire - May 29, 2012) - [Troy Resources Limited](#) (ASX:TRY) (TSX:TRY) -

Highlights

- Increasing production guidance for Casposo for FY2012 to 90,000 ounces gold equivalent (formerly 80,000 gold equivalent (Au_Eq) ounces).
- Development of the portal for the underground mine to access high grade ore commenced in May 2012.
- Introduction of high grade Inca 2 ore to increase Casposo production in FY2013 to 115,000 ounces gold equivalent.
- Forecast production of 130,000 ounces gold equivalent in FY2014 and FY2015.
- Since acquiring Casposo in May 2009 Troy has increased the gold equivalent Mineral Reserve by 50% adding 192,100 gold equivalent ounces.
- \$25m exploration budget committed over the next two years to continue to grow the high grade Resource and Reserve inventory.

Dividend paying gold producer, [Troy Resources Limited](#) (ASX:TRY) (TSX:TRY) is pleased to advise that the new Mineral Reserve and associated mine plan at its 100% owned Casposo Mine in Argentina will support a more than 40% increase in gold equivalent production from FY2012 to FY2014.

The new Casposo mine plan is expected to see production of 115,000 Au_Eq ounces in FY2013 and increasing to 130,000 Au_Eq ounces in FY2014 and FY2015. This, together with the Andorinhas mine, is expected to see the Company's combined annual production jump to around 160,000 Au_Eq ounces in FY2013.

Since Troy acquired the deposit some 192,100 Au_Eq ounces (plus depletion by mining), have been added to the Casposo Mineral Reserve. As of 29 February 2012 the Mineral Reserve contained 574,600 Au_Eq ounces with total Open Cut and Underground Reserves of 2,047,100t grading 4.8g/t gold, 236.1g/t silver or 8.7g/t Au_Eq containing 315,500oz gold and 15,542,000oz silver.

The new Mineral Reserve and associated mining plan incorporate the high grade INCA 2 discovery announced in 2011. Development of the underground mine has been brought forward from 2014. Work on the portal commenced earlier this month and decline development is scheduled to commence in July. First high-grade ore from the underground mine is expected to enter the mill blend early in CY2013.

The Company believes there is very good potential to add to the site's Mineral Reserves and Resources to extend Casposo's mine life, and has committed an exploration budget of \$25 million over the next two years to continue testing the numerous outcropping vein and geophysical targets on the property and neighbouring joint venture ground.

An updated NI43-101 Technical Report will be available on the company's web site and SEDAR website within the statutory period from the date of this announcement.

Commenting on the Update, Troy's CEO Paul Benson said, "This is a significant increase in our forecast

production made possible by the discovery last year of the very high grade INCA 2 Zone.

By bringing forward development of the underground mine we will be able to introduce high grade underground ore into the blend in early calendar 2013. Not only is this expected to see Casposo production rise to 115,000 Au_Eq ounces in FY2013 and 130,000 Au_Eq ounces in 2014 and 2015, it will give the site significant blending flexibility from multiple ore sources.

This is also an example of the company delivering on its strategy. When we announced the construction of Casposo we said we hoped we would avoid the drop off in production that occurred in years three and four of the schedule due to lower grades in the bottom of the open pit. We noted at the time this would need the discovery of higher grade material to feed the mill. This schedule shows we have not only avoided that drop in production, we will now see an increase in production in FY2014 and 2015.

We also said at that time we believe we will be able to extend the mine life by the discovery of additional ounces and that belief still remains. Due to the prospectivity of the site and the numerous drill ready targets we are confident we will continue to add ounces to the Mineral Reserves and Resources over coming years. To this end, we have committed to spending \$25 million dollars on exploration at Casposo and the two nearby joint venture properties over the coming two years. Our aim will be to maintain the production levels near 130,000oz pa Au_Eq and extend the mine life.

The new plan has a degree of conservatism in that test work on the high grade INCA 2 material indicates higher metallurgical recovery than the 80% silver recovery assumed in the mine plan. We also expect to convert some of the Julieta, SEXT and B - Vein Resources to Mineral Reserves in the future.

Casposo's production increase will see Troy's combined annual gold equivalent production reach 160,000 ounces in FY2013, in keeping with our stated growth strategy."

RESERVES AND RESOURCES

When Troy acquired the Casposo project in May 2009 the Probable Mineral Reserve stood at 1,734,000t grading 5.16g/t gold, 120g/t silver or 6.86g/t Au_Eq that contained 287,600oz gold and 6,695,500oz silver or 382,500 Au_Eq ounces.

Current Probable Reserves stand at 2,047,100t grading 4.8g/t gold, 236.1g/t silver or 8.7g/t Au_Eq that contains 315,500oz gold and 15,542,000oz silver or 574,600 Au_Eq ounces, (see Table 1) representing a 50% increase in Mineral Reserves. In addition, since mining commenced the operation has produced 79,047 Au_Eq ounces through to 29 February 2012.

To view graph, "Casposo Project Reserve Growth in Gold Equivalent Ounces", please visit the following link: <http://media3.marketwire.com/docs/try530b.jpg>.

Exploration Diamond Core drilling that commenced in January 2011 has resulted in significant Resource Growth. Current Mineral Resources inclusive of Mineral Reserves are: Measured and Indicated Mineral Resources of 2,340,000t grading 4.25g/t gold, 259g/t silver or 8.57g/t Au_Eq (655,200 Au_Eq ounces) and Inferred Mineral Resources of 812,000t grading 3.7g/t gold, 129g/t silver or 5.9g/t Au_Eq (152,900 Au_Eq ounces) compared with the - Resource inventory when Troy acquired Casposo in May 2009 consisting of Indicated Mineral Resources of 2,076,200t grading 5.07g/t gold, 136g/t silver or 6.81g/t Au_Eq (454,900 Au_Eq ounces) and Inferred Mineral Resources of 24,600t grading 4.47g/t gold, 193g/t silver or 6.96g/t Au_Eq (5,400 Au_Eq ounces) (see Table 2). In terms of Measured & Indicated Mineral Resource Au_Eq ounces the current Resources estimate represent a 44% increase.

PRODUCTION

The discovery of the high grade INCA 2 Zone supports the accelerated development of the underground mine at Casposo. Originally the decline was scheduled to commence in year three of the mine life bringing high grade ore into the mill feed in year four. With a near doubling of the underground Resource with the inclusion of INCA 2, the optimum scenario sees the accelerated development of the underground mine.

To view graph, "Casposo Open Cut, Underground and Processed Tonnes", please visit the following link: <http://media3.marketwire.com/docs/try530c.jpg>.

Construction and excavation of the portal area commenced in May 2012 and mining of the access decline will commence in July. Currently first high grade underground material is scheduled to enter the mill feed blend in early calendar 2013. To maximise blending flexibility and minimise the risk to delivery, the open cut

and underground will continue to produce in tandem until the current open pit Mineral Reserve is exhausted in 2015.

To view photo, "Initial development of the underground portal - May 2012", please visit the following link: <http://media3.marketwire.com/docs/try530d.jpg>.

The initial portal development is being completed by BTZ Mining, a local Argentinean contractor. The portal is located in the completed "B Vein" Pit, to the Southeast of the main Kamila Pit. Underground development and production will be completed by Redpath Mining, a Canadian based international mine contractor.

To view diagram, "Schematic View of Casposo Mine Design", please visit the following link: <http://media3.marketwire.com/docs/try530e.jpg>.

Access to the high grade INCA 2 Zone will elevate mill feed grade allowing a significant increase in mine production. FY2013 forecast production of 115,000 Au_Eq ounces increasing to 130,000 Au_Eq ounces in both FY2014 and FY2015.

To view graph, "Recovered Gold Equivalent Production Ounces", please visit the following link: <http://media3.marketwire.com/docs/try530f.jpg>.

This Reserve and production increase is also an example of the company delivering on its strategy. When Troy announced the construction of Casposo, we said we hoped we would avoid the drop off in production that occurred in years three and four of the schedule due to lower grades in the bottom of the open pit. We noted at the time this would need the discovery of higher grade material to feed the mill.

The chart below shows a broad comparison between the original 2010 production schedule that was the basis of the mine development and the new 2012 schedule.

To view graph, "Comparison between Previous (2010) Production Schedule and The New (2012) Schedule - Gold Equivalent Ounces", please visit the following link: <http://media3.marketwire.com/docs/try530g.jpg>.

The two schedules are not exactly comparable as the 2010 schedule was delayed due to the slow ramp up to full production. Also there was a change in basis for converting silver to gold equivalent from 70:1 (2010) to 60:1 (2012) and realised conversions for actual FY2012 production year to date due to variations in the gold and silver prices.

Although not exactly comparable the schedule shows we have not only avoided that drop in production, we will now see an increase in production in FY2014 and 2015.

CASH COSTS

Due to the changing nature of the Casposo mineralisation, silver increases in importance with depth. Because of this Troy has, and will continue, to report its unit cash operating costs using both the By-Product and Co-Product methodologies. The C1 unit operating cash costs exclude royalties, taxes and capital expenditure for stope access.

By-Product Costing focuses on the dominant metal (Gold) and credits the minor metal (silver) revenue against the cost base. Thus production and costs are reported as ounces of gold produced at a unit cash cost per ounce of gold net of silver credits.

Co-Product Costing is more common when one metal does not dominate the revenue stream. In this instance the second metal (silver) is converted into an equivalent of the other metal (gold equivalent). Using this method production is reported as ounces of gold equivalent at a unit cash cost per ounce of gold equivalent. This method results in more units at a higher cash cost per ounce of gold equivalent but the same ultimate cash margin.

The table below shows the forecast unit cash costs for Casposo which assumes gold and silver prices of US\$1500 and US\$28 per ounce respectively. Prices and costs are in flat real US dollars. For nominal outcomes to equate to the forecast US dollar costs the Argentinean exchange rate will need to continue to depreciate against the US dollar to offset Argentinean inflation.

Cash Cost: By-Product Silver Credits	FY2013	FY2014	FY2015	FY2016	FY2017
Gold Produced oz	81,475	75,040	55,649	30,522	14,795
Unit Cash Cost net of Silver Credits USD / Oz (Au) (net Ag credits)	277	(104)	(844)	(58)	586
Silver Produced oz	1,806,676	2,954,977	3,993,817	2,473,941	840,148

Cash Cost: Co-Products, Gold & Silver FY2013 FY2014 FY2015 FY2016 FY2017
Equivalent Gold Produced oz 115,200 130,200 130,200 76,703 30,478
Equivalent Gold unit cash cost USD / Oz (Au + AuAg) 635 576 498 880 1,056

CAPITAL EXPENDITURE

The table below shows the key capital items required to mine the current mine Reserve. The majority is for the "capital" waste decline development to reach the resource and ventilation drives and rises. In-ore development and ore mining is expensed.

The majority of the capital is to do with the underground mine which included over 18kms of waste decline development and associated equipment. The other major item, winterisation of the plant reflects the construction of infrastructure (buildings, pipe coverings, heaters etc) to minimise the impact of extreme cold weather and other plant improvements.

SUMMARY OF REMAINING CAPITAL COSTS (US\$ MILLION)

Description	Total
Plant - Winterization & Improvements	6.20
Underground Development	60.21
Underground Equipment	11.60
Power Line Commitments (remaining)	4.88
Sustaining Capital	6.50
Total Cost	89.39

EXPLORATION PROSPECTIVITY AND UPSIDE

The production schedule is conservative in a number of areas. Metallurgical test work has indicated that silver metallurgical recovery of INCA 2 ore may exceed 90%. At this stage the plan assumes the currently achieved 80% while further test work and analysis is completed.

The company has Mineral Resources at the Julieta Deposit as well as the SEXT Vein/B-Vein Extensions in the hangingwall of the INCA structure above the operating cut-off grade. These targets are still open and a portion of each is currently expected to be converted to Mineral Reserves at a later date. Drilling is underway on the SEXT/B Vein target.

The Casposo leases and the nearby Castaño Nuevo and Don David Joint Ventures remain very prospective. At Casposo, in addition to the numerous outcropping veins located within a few kilometres north of the plant that are anomalous in gold and need to be drilled at depth, there is a 4km section of the main mineralised corridor at Casposo that is covered with a thin layer (10m to 20m) of volcanoclastic material. To date no drilling, mapping or sampling has been completed in the covered area. Troy has recently completed geophysical surveys of the area which will allow prioritisation of drilling.

The Board and Management of Troy are very confident the Company will continue to grow the Casposo Mineral Reserves and Resources through exploration and have committed at least US\$25m to fund an aggressive exploration program over the next two years.

To view graph, "Casposo Recovered Gold Equivalent Production Ounces", please visit the following link:
<http://media3.marketwire.com/docs/try530h.jpg>.

To view Tables 1 and 2, the Statement of Qualified Person and a Map of Project Locations, please visit the following link:
<http://media3.marketwire.com/docs/TRY530l.pdf>.

ABOUT TROY RESOURCES

[Troy Resources Limited](#) (ASX:TRY) (TSX:TRY) is a dividend-paying gold producer, with a clear growth strategy. The Company has two producing gold operations; Andorinhas Mine in Para State, Brazil and the Casposo gold and silver mine, in San Juan province, Argentina.

Troy has an experienced Board and management team with a track record of successful, fast-track mine

development and low-cost operations.

Troy has an annual exploration budget of \$15 million and a demonstrated track record in exploration discoveries and strategic acquisitions.

Following the development of the Casposo project in Argentina, Troy has entered a renewed growth phase with production forecast to exceed 130,000 ounces of gold equivalent in FY2012.

The Company is well positioned to continue its path of strong growth and profitable operations, and on track to achieve its vision of becoming a highly profitable mid-tier gold producer with a portfolio of quality long-life assets.

The Company maintains a robust balance sheet and forecasts continued strong cash flow from its current assets. Troy's gold production is unhedged; allowing its shareholders access to the full benefit of current and future gold price upside.

Troy is a responsible corporate citizen, committed to the best practice of health and safety, environmental stewardship and social responsibility.

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