



TROY RESOURCES NL

ABN 33 006 243 750

QUARTERLY REPORT FOR THE THREE MONTHS ENDING 31 DECEMBER 2006

HIGHLIGHTS

DECEMBER 2006

Troy Resources NL
ABN 33 006 243 750

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Corporate Details

ASX Code: TRY

Issued Capital:
53,431,253 ordinary shares
5,365,486 partly paid
350,000 unlisted partly paid
1,389,500 unlisted options

Directors:

Chairman:
John Jones

Executive Directors:
Tommy McKeith
Ken Nilsson

Non-Executive Directors:
Denis Clarke
John Dow
Alan Naylor

Tommy McKeith
CEO
31 December 2006

NEW BUSINESS

- Two major acquisitions totalling approximately A\$40 Million completed during the quarter.
- Acquired the Andorinhas Project in Brazil for US\$10.14 million (approximately A\$13 million). The Andorinhas Project has JORC defined resources of 430,000oz.
- Acquired 19.4% shareholding in Comaplex Minerals Corporation for a total consideration of approximately A\$27 million. Comaplex has a major interest in the Meliadine Properties, located in Canada, with attributable resources of approximately 2.98 million ounces.

OPERATIONS

- The Sandstone Mill (Troy 100%) treated 136,452 tonnes of ore at 5.1g/t Au to produce 21,232oz of gold at a cash cost of A\$298 per ounce.
- The SML Mill (Troy 70%) in Brazil treated 53,614 tonnes of ore at 3.25g/t Au to produce 4,899oz of gold at a cash cost of A\$517 per ounce (US\$408).
- Total attributable gold production 24,661 ounces for the December quarter.
- Attributable gold production 55,121 ounces for the six months to 31 December 2006 which is in line with budget.

EXPLORATION – AUSTRALIA

- A new 1.7km long, gold-in-soil anomaly has been defined by an infill sampling program.
- Gold mineralisation was intersected in 4 holes situated 200m south along strike from some shallow old workings near the Bulletin Prospect.

EXPLORATION – BRAZIL

- RAB drilling at the **Viuva Prospect (Digo Digo Trend)** has extended the strike length of mineralisation to 1.25km.

EXPLORATION – MONGOLIA

- At **Gutain Davaa**, a drill program was completed at **Toordogiin Shil prospect** returned gold assays including: 1m @ 35.47 g/t; 0.7m @ 42.34 g/t gold; 0.7m @ 38.42 g/t gold and 0.9m @ 67.83 g/t gold.

CORPORATE

- Total cash and equivalents of A\$53.1m.
- Closed out all outstanding gold hedging contracts and now totally unhedged.
- Fully franked dividend of 7 cents per share paid in October.



NEW BUSINESS

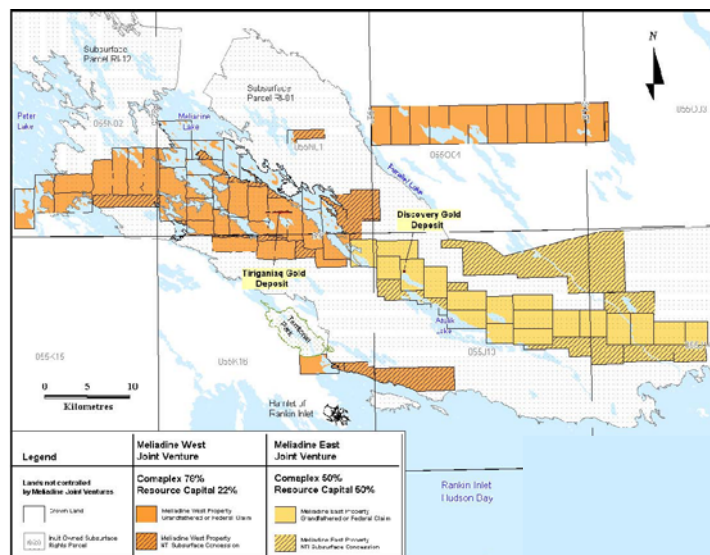
Comaplex Minerals Corporation

In December, Troy purchased a 19.4% equity stake in Comaplex Minerals Corporation (“Comaplex”) from Gold Fields Limited (“Gold Fields”) valued at approximately A\$27 million. Troy purchased 7,628,571 Comaplex shares for a cash payment of C\$16,274,285 and by issuing 3,250,000 Troy shares to Gold Fields. Comaplex is a junior listed Canadian resource company that holds a 78% interest in the **Meliadine West Gold Project** and 50% in the **Meliadine East Gold Project** both located in Nunavut Territory of Canada.



The minority interest in the joint ventures is owned by Resource Capital Funds.

The **Meliadine Properties** are located near the north western shore of Hudson Bay with the centre of the property situated about 24km north of Rankin Inlet. The Meliadine Properties extend over 80km with total land holdings of over 65,000ha.





Attributable resources for the Meliadine Properties total approximately **2.98 million contained gold ounces** with the majority of the resources located in the Tiriganiaq Deposit.

The Tiriganiaq deposit was first drilled in 1993. WMC spent over C\$60m on exploration on the Meliadine West Project from 1995 to 2003 before selling its interest to Complex when WMC exited its gold business.

As part of the N143-101 report on the Tiriganiaq Deposit, completed by Snowden Mining Consultants ("Snowden") in January 2006, a preliminary mine planning and cost estimation study using a US\$450/oz gold price classified the resource based on cut-off and relative level (Table 4). Above a 9,900m level (i.e. 150m from surface) it was thought that an open pit operation was likely and a cut-off grade of 2.5g/t was used. Below the 9,900m level bulk underground mining is expected and a cut off grade of 6.5g/t was used.

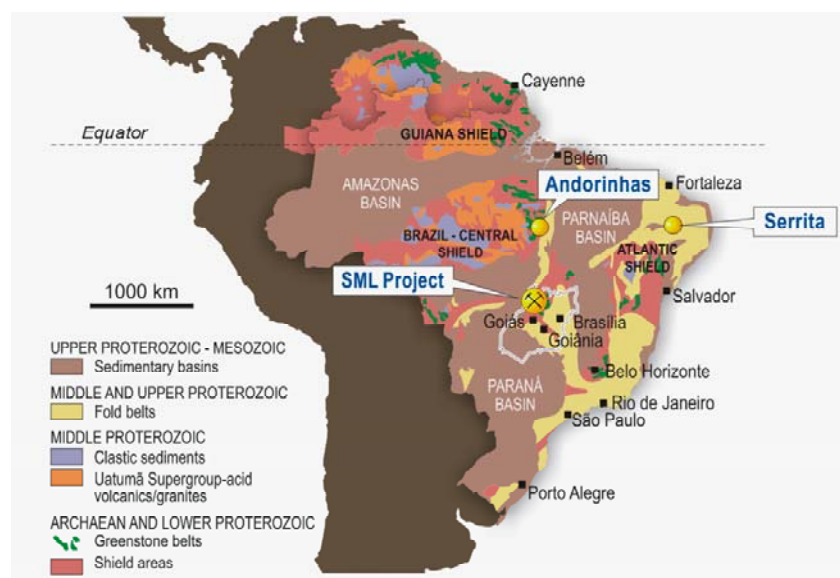
This acquisition is consistent with Troy's strategy of securing an interest in large and prospective gold projects capable of developing into long life mining operations.

Andorinhas Project – Brazil

In November 2006, Troy Resources acquired the **Andorinhas Gold Project** ("Andorinhas") in Brazil from Agincourt Resources Limited ("Agincourt"). Under the agreement Troy purchased all the shares in Agincourt Resources do Brasil Ltda which holds the mining leases of the Andorinhas Project (see Project Development Report). The purchase price was US\$10.14 million cash of which US\$9.14 million was paid on 30th November 2006 and the final US\$1.0 million will be paid after completion of all transfers and approvals.

The project has a JORC defined resource, calculated by Snowden Mining Industry Consultants ("Snowden") of 4 million tonnes @ 3.4g/t for 435,000 ounces. This equates to an acquisition cost of just over US\$20 per resource ounce – as very competitive price in today's market. Troy believes the project area offers considerable exploration potential and we are hopeful of adding further resources in the medium term.

The Andorinhas Project incorporates two mining concessions covering an area of about 200km² in Para State in north central Brazil.





The main resource in the **Mamão Deposit** which comprises two main lodes, the Melechete and the M2. The Melechete lode was worked down to 150m below surface by Garimpeiros (artisanal miners) in the 1980's. The M2 lode is narrower than the Melechete lode and has been drilled to 200m below surface and remains open in depth. Significant mineralisation exists both along strike and down dip from these lodes.

The **Lagoa Seca Deposit** is located about 6km west of the **Mamão Deposit**. It was originally mined as a small open pit by Garimpeiros to a depth of 20m. Gold mineralisation is associated with a 30m wide shear zone which comprises three high grade tabular zones over a strike length of 200m. Previous drilling has returned some excellent intercepts including 53.5m @ 4.5g/t gold from 31.5m and 33m @ 4.8g/t gold from 23m.

A Scoping Study was completed by Snowden in October 2006 which concluded that the Project could sustain a 5 year life operation at an annual production rate of 50,000 to 60,000 ounces per annum. The preliminary mining studies incorporate a decline access to the underground **Mamão Deposit** and an open pit operation at the **Lagoa Seca Deposit**. Metallurgical test work indicates that the ore is free milling and gold recoveries above 90% can be achieved via a conventional CIL plant.

Troy Resources is assessing the previous work and will design a development plan for the deposit during the March quarter.

OPERATIONS

SANDSTONE – AUSTRALIA (Troy 100%)

Production Summary

	December 2006 Quarter	December 2005 Quarter	6 months to 31 December 2006	6 months to 31 December 2005
Tonnes Milled	136,452	121,997	285,010	249,163
Head Grade g/t	5.11	7.50	5.43	5.45
Recovery %	94.6	95.3	94.3	94.5
Gold Produced oz	21,232	28,029	46,911	41,231
Cash cost per oz	A\$298	A\$164	A\$281	A\$181

"Cash Costs" are defined to include all expenditures directly incurred on mining and milling, plus overheads and outgoings net of movements in deferred mining costs and stockpiles, but exclude Government gold royalty payments.

Health, Safety & Environment

With the completion of the Site Management Plan, a revised induction program has been introduced at Sandstone Operations. All current personnel are being re-inducted using the new program.

An Employee Assistance Program has been introduced for Troy employees and their families to assist them with any stress related issues.

A number of employees have completed their first aid training and two Health & Safety representatives have been sent to Perth to complete their course.



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Mining

Mining continued in the Lord Nelson pit between RL 431m and RL 416m. A total of 272,808 bcm's of material was mined containing 163,364 tonnes of gold ore averaging 5.48 g/t Au. The contained gold in the ore mined is 32% above the amount calculated in the Resource Model. A major slip on the east wall in the Nelson Pit severely affected the mining of ore in October. This, combined with rain events and associated ground water problems, restricted mine production during the quarter. The eastern wall has been redesigned in line with the recommendations of our geotechnical expert from Coffey and Associates and mining of the cutback commenced in December.

Approval was obtained from the Department of Environment and Conservation to lay a pipe line for dewatering of the Lord Henry Pit. Approval is still awaited for ground water disposal.

Processing

The mill treated 136,452 tonnes of ore grading 4.84 g/t Au during the quarter to produce 21,232 ounces of gold.

Mill throughput in the quarter was reduced due to the treatment of harder Lord Henry Ore and repairs to the ball mill and the two SAG mills. A preventative maintenance program is now in place and all tanks are being inspected and refurbishment will commence next quarter.

SERTÃO MINERAÇÃO LTDA (“SML”) BRAZIL – (Troy 70%)

Production Summary 100%

	December 2006 Quarter	December 2005 Quarter	6 months to 31 December 2006	6 months to 31 December 2005
Tonnes Milled	53,614	21,791	109,755	45,158
Head Grade g/t	3.25	29.62	3.63	30.68
Recovery %	87.4	89.8	91.6	93.2
Gold Produced oz	4,899	18,640	11,729	41,450
Cash Cost per oz	A\$517 US\$408	A\$191 US\$140	A\$434 US\$342	A\$161 US\$118

“Cash Costs” are defined to include all expenditures directly incurred on mining and milling, plus overheads and outgoings net of movements in deferred mining costs and stockpiles, but exclude Government gold royalty payments

Health, Safety & Environment

There was one lost time injury recorded during the quarter when a contractor lost his footing during a violent storm resulting in a broken ankle. No other serious injuries or incidents occurred during the period. Safety awareness is of a high level with the workforce fully involved in the system and continuing to make improvements.

There were no recorded environmental accidents or incidents during the quarter and SML is currently conducting a re-habilitation program on the exploration areas surrounding the Antena cluster.

Mining

Mining was completed at Xupé during the period. Delays in receiving the operating permit for Antena delayed start up of this pit until late December.

During the intervening period, the plant continued to process stockpiled ore. Delivery of Antena ore to the processing plant commenced in January. It is expected that final mining approval will be received in time to commence mining of the Antena Sul deposit when Antena is exhausted. The mining operations continued at an acceptable level for this time of year (the wet season) with no stability or abnormal operating problems.



Production

Gold production was in line with budget with above budget mill throughput rates compensating for lower than budget grades. The rate of processing is in excess of 200,000 tpa on an annualized basis with a total 53,614 dry tonnes processed for 4,608oz during the quarter. Plant performance was at budget level despite a mill motor bearing change being completed. The plant was also subjected to the normal seasonal power disruptions.

Administration

Company staff turnover remains very low. Rationalisation of purchasing/supplier activities is ongoing with resultant cost savings in this area.

EXPLORATION REPORT

EXPLORATION - AUSTRALIA

Sandstone Project (Troy 100%)

Bulletin Prospect: Thirty three angled Rotary Air Blast ("RAB") holes were drilled at the Bulletin Prospect. A 1.7km drill traverse was completed to the east of the historic workings where a sequence of BIF and mafics, parallel to the Bulletin line of workings, attenuates a similar northwest trending package. Anomalous gold assays were detected in the four westernmost holes (TAR2261-2264, spaced 100m apart) located 200m south along strike from some shallow old workings. Mineralisation in TAR2262 occurs over a length of 20m within western dipping sequence of BIF, chert and foliated basalt. Additional infill drilling is planned to test both continuity along strike and the potential for higher grade zones.

Gold mineralisation in holes TAR2263864 is related to discontinuous, gossanous quartz veinlets common in the Bulletin area and possibly of limited potential. Further anomalism (5m @ 0.42g/t gold) was intersected along strike on the main west-northwest trending structure comprising of sheared metabasalts, BIF and chert that have been intruded by thin sills of intermediates porphyry. This target remains open along strike to the southeast. Significant intercepts are listed in Table 1 attached.

Coombs Bore Target: A new 1.7km long, northwest trending gold-in-soil anomaly to the north of Coomb Bore Prospect has been more accurately defined by a 50mx100m infill soil sampling program covering an area of 2km². The anomaly lies within gneissic terrane parallel to the Edale shear zone. Due to the shallow depth of weathering in the area, some reconnaissance Reverse Circulation (RC) drilling may be required to locate the source.

RAB drilling traverses were completed at the **Sandstone North**, the **Lord Nelson East**, the **Iron Knob**, the **Atley** and **Caravan Reserve** Targets. Results were disappointing and no more work is envisaged.

Bronco Plains JV (Troy Earning 60%)

Southern Geoscience Consultants modelling of the aeromagnetic data confirmed the depth of Permian cover is highly variable with the interpreted depth to top of Archean basement ranging from 40m to 490m. There maybe limited residual potential in the northern portion of the property where several targets related to a northeast trending shear zone may lie under shallower cover. The magnetics processing, modeling and interpretation has significantly diminished the gold potential of the Bronco Plains property.



EXPLORATION BRAZIL

SML (Troy 70%)

RAB drilling at **Curral de Pedra** targeting high-grade gold bearing quartz veins beneath the garimpo workings intersected weak alteration along the structure but no significant gold mineralisation.

In the Target 2 area, follow-up RAB drilling has defined a limited strike extent of 100m for the gold anomaly.

Follow up RAB drilling at the **Viuva Prospect (Digo Digo Trend)** has extended strike length of a zone of chalcopyrite – pyrrhotite – pyrite mineralisation with associated high grade gold values to 1,250m. This anomaly remains open to the southeast where a result of 3m @ 2.01g/t gold was reported in earlier RAB drilling. Analytical testwork focused on the contribution of “coarse gold” is underway on RC drill samples to accurately determine gold grades. Diamond drilling indicates the gold mineralisation occurs in a series of narrow quartz veins containing massive chalcopyrite and pyrrhotite within a package of volcanogenic rocks.

Drilling at the **Nena Prospect (Digo Digo Trend)** has defined a 480m long zone of +1g/t gold anomalism. This includes an intersection of 2m @ 211.92g/t gold in saprolitic material. A program of infill RC drilling will be completed in the next quarter.

EXPLORATION – MONGOLIA

Gutain Davaa (GD) Project (Troy earning 80%)

In November 2006, Troy completed a combined diamond core and RC drilling program at Gutain Davaa totalling 1986.6m in 22 holes that included 676.5m in 8 diamond holes and 1310m in 14 RC holes. This program was a follow up to a summer program of geological mapping soil sampling, costeaning and rock sampling. Most of the drilling was focused on the **Toordogiin Shil prospect** where an initial 6 hole RC drill program in February 2006 had produced several encouraging gold intercepts. The best drill intercepts from the November program were 4.2m @ 13.3g/t and 2.4m @ 50.82g/t gold (see Table 3).

This recent drilling targeted a northwest – southeast striking structural corridor with a coincident gold-in soil anomaly. Preliminary analysis of our drilling data indicates that any mineralised zone oriented along a northwest – southeast strike trend will likely be narrow and discontinuous. A post-drilling data review has identified the possibility that the darker grey iron-oxide stained gold bearing quartz veins may be oriented along a strike northeast – southwest strike and dip steeply south that would not have been adequately tested with the most recent drilling.

A detailed review of all the available data is underway to evaluate this alternate shoot orientation. This new shoot orientation model could explain the significant difference in mineralized vein widths encountered in the February drilling versus our November drilling. Further data compilation work is planned in an attempt to validate the alternate shoot orientation idea at Toordogiin Shil.



Tsagaan Chuluut (TC) Project (Troy 100%)

A recently completed ground magnetics survey has contributed significantly to the interpretation of the structural setting of the **TC East quartz vein target**. Earlier geological mapping and rock sampling had yielded anomalous rock grab sample assays of 17.49g/t, 55.95g/t and 213.6g/t gold.

The principal structural trends interpreted from the magnetics were northeast – southwest and northwest – southeast. The better rock sampling gold values are associated both structural orientations. The next phase of field work will focus on areas where the main structural trends intersect.

Altanshree (ASH) Project (Troy earning 80%)

During the quarter, Troy concluded two agreements to acquire a majority interest in two tenement blocks known as the **Altanshree Project**, which is located in the Dornogovi region in southeast Mongolia, approximately 450km south-southeast of Ulaanbaatar. Troy can acquire a 100% interest in the **Altanshree South Tsagan Tolgoi exploration license** (1,081Ha), which is the southern tenement block, by making three staged payments for a total of US\$125,000 within 12 months. TMAR also acquired the right to earn an 80% interest in the **Altanshree North Tenuun Baigali exploration license** (2,384Ha), the northern tenement block, by sole funding US\$300,000 of exploration activity and making staged cash payments for a total of US\$33,000 over a 3 year period.

At Altanshree, structurally controlled quartz vein hosted gold occurrences are associated with regional northeast – southwest trending faults. On the southern block TMAR has identified an outcropping 500m long northeast striking quartz vein with significant visible gold. Preliminary rock chip sampling has produced gold assays up to 57.5g/t. The better gold grades are associated with zones of disseminated sulphides including pyrite, galena and chalcopyrite.

At Altanshree South a 1,292m (20 hole) RC drilling program was completed in November – December and focused on the **Quartz Vein #13 Target**. Unfortunately the drilling did not yield any significant gold intercepts. The best assay value was 1m @ 1.22g/t gold.

Detailed geological mapping and sampling follow up work is planned to commence at Altanshree North in May 2007.

Huren Tolgoi (HT) Project (Troy earning 80%)

The **Huren Tolgoi Project** is located in the Ovorkhangai Aimag about 440km southwest of Ulaanbaatar. Troy concluded a joint venture agreement to acquire up to an 80% interest in the exploration license by sole funding US\$200,000 of exploration expenditure over 3 years and making cash payments of US\$15,000. Troy has conducted a limited rock chip sampling program along three quartz veins with a best gold assay of 17.82g/t Au. The veins, which outcrop for about 100m, contain visible gold. In November a ground magnetics survey was completed.

The field survey clearly identified a series of northwest – southeast and north – south structural trends that mirror the margin of the granite intrusion and the strike trend of the host rock stratigraphy.

Some of these interpreted structures appear to be attributable to dykes and veins. Field work is expected to resume with a program of detailed mapping and sampling in late April or early May.



CORPORATE REPORT

CASH POSITION

As at 31 December 2006, Troy within Australia held \$23.3 million in cash, plus equity investments with a market value of \$15.5 million and 10,044 ounces of gold awaiting sale (\$8.1m). This equates to a total of approximately \$46.9 million of liquid assets.

Troy's wholly owned Brazilian and European subsidiaries held cash deposits of A\$0.2 million. At quarter end, Sertão Mineração Ltda ("SML"), Troy's 70% owned Brazilian subsidiary, had the equivalent of \$3.9 million in cash (Troy's share). In addition, SML held 3,800 ounces of gold inventory, which approximates to \$2.1 million of revenue based on a gold price of \$806 per ounce (Troy's share).

The Troy group equity share of cash and liquid assets is approximately \$53.1 million as at 31 December 2006.

During the quarter, Troy paid out \$3.9m in dividends and \$11.8m for the purchase of the Andorinhas Project in Brazil.

GOLD SALES

Gold sales from the Sandstone operation for the quarter were 17,389 ounces at an average price of \$805 per ounce. The average Cash Cost was \$298 per ounce which gives a Cash Margin of \$507 per ounce for the quarter.

During the quarter, SML sold 4,400 ounces of gold at an average price of US\$610 per ounce. The average Cash Cost was US\$408 per ounce, which gives a Cash Margin of US\$202 per ounce for the quarter.

HEDGING

During the quarter, the Company closed out its gold hedging contract and is now totally unhedged.

EXPLORATION EXPENDITURE

During the quarter, exploration expenditure incurred was \$486,000 in Australia, \$487,000 in Mongolia, \$293,000 in Brazil and \$800,000 by SML (Troy share \$560,000). Troy's exploration expenditure for the quarter was therefore \$1.8m.

Capital and development expenditure in Australia during the quarter was \$0.2m.



FURTHER INFORMATION

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Geological information in this Report has been compiled by Troy's Vice President Exploration & Business Development, Peter Doyle, who:

- Is a full time employee of Troy Resources NL
- Has sufficient experience which is relevant to the type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'
- Is a Member of the Australasian Institute of Mining and Metallurgy
- Has consented in writing to the inclusion of this data

This Quarterly Report is available on Troy's Website: www.try.com.au

Table 1
Australia – Sandstone Exploration Bulletin RAB Drill Results

Hole ID	EM	NM	From (m)	To (m)	Width (m)	Au g/t
TAR2199	741506	68906636	31	32	1.0	1.99
TAR2202	741591	6890519	51	54	3.0	3.97
TAR2206	741656	6890442	29	30	1.0	2.66
TAR2212	741610	6890254	53	54	1.0	1.34
TAR2235	741708	6890147	28	29	1.0	1.12
TAR2236	741658	6890148	25	26	1.0	1.22
			32	33	1.0	2.23
TAR2241	741808	6890248	54	55	1.0	2.00
TAR2261	742108	6890548	30	35	5.0	0.14
TAR2262	742008	6890548	55	60	5.0	0.79
TAR2263	741908	6890548	80	85	5.0	0.25
TAR2264	741808	6890548	40	45	5.0	0.78



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Table 2
Andorinhas Gold Project Resource Statement

	Indicated			Inferred			Total		
	Tonnes '000	Gold Gpt	Oz '000	Tonnes '000	Gold Gpt	Oz '000	Tonnes '000	Gold Gpt	Oz '000
Lagoa Seca	700	2.8	63	-	-	-	700	2.8	63
Mamão	816	9.9	260	81	6.4	17	897	9.5	277
Lagoa Seca West	800	1.1	28	1,600	1.3	67	2,400	1.2	95
Total	2,316	4.7	351	1,681	1.6	84	3,997	3.4	435

At Mamão a lower cut of 2g/t to 4g/t was applied and a top cut of 66g/t and 5g/t was applied to the high grade and low grade domains respectively. At Lagoa Seca a lower cut of 0.8g/t was applied and a top cut of 35g/t and 4.9g/t for respective high grade and low grade domains.

Table 3
Mongolia – Gutain Davaa TS Zone Diamond Core Drilling

Hole ID	AMG East	AMG North	Dip / Azimuth	Depth (m)	From (m)	To (m)	Length (m)	Au g/t
GDDD-29	448289.5	5414107.5	45	52.1	19.3	20.3	1	33.50
					22.4	23.5	1.1	8.19
					45.3	46.3	1	35.47
					46.3	47.0	0.7	42.34
GDDD-30	448289.5	5414107.5	45	101.1	47.0	47.7	0.7	38.42
					37.2	38.1	0.9	67.63
					38.1	39.1	1.0	5.50
					47.0	47.9	0.9	17.39
					47.9	48.9	1.0	9.82
					91.6	92.6	1.0	1.21

Table 4
Tiriganiaq Classified Resource (Snowden January 2006)

	Above 9,900m (c/o 2.5g/t)			Below 9,900m (c/o 6.5g/t)		
	Tonnes (kt)	Grade (g/t)	Ounces (Koz)	Tonnes (Kt)	Grade (g/t)	Ounces (Koz)
Measured and Indicated	4,200	7.5	1,009	507	11.3	184
Inferred	3,244	4.1	432	3,188	10.9	1,120
Total	7,444	6.0	1,441	3,695	11.0	1,304