



# TROY RESOURCES NL

ABN 33 006 243 750

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## QUARTERLY REPORT FOR THE SECOND QUARTER ENDING 31 DECEMBER 2007

### HIGHLIGHTS

31 December 2007

Troy Resources NL  
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#### Corporate Details

ASX Code: TRY  
TSX Code: TRY

Issued Capital:  
60,302,533 ordinary shares  
4,889,045 partly paid  
350,000 unlisted partly paid  
1,933,333 unlisted options

#### Directors:

##### Non-Executive Chairman:

John Jones

##### Executive Directors:

Paul Benson

Ken Nilsson

##### Non-Executive Directors:

Denis Clarke

John Dow

Alan Naylor

Tommy McKeith

Paul Benson  
CEO  
31 January 2008

### OVERVIEW

- **The Andorinhas project commenced commissioning in December and is on time and budget with first gold scheduled to be poured in February, 2008.**
- As advised in the October Quarterly report, the second half of calendar 2007 is a period of transition with minimal gold production coming from Brazil as we await the low cost production from our new Andorinhas mine. During the quarter, Sandstone produced 8,616 oz at a cash cost of A\$633 per ounce.
- During the quarter Troy signed two exploration joint ventures giving it the right to earn 100% interests in prospective areas surrounding our Andorinhas mine. These triple Troy's land position in the region and are within trucking distance of our processing plant. Troy continues to capitalize on its first mover advantage and build its land position in this highly prospective area.
- Troy announced commencement of a scoping study to evaluate the potential of exploiting the iron ore found on the Andorinhas leases. The results of the scoping study are due in June, 2008.
- Mining finished at Sandstone during the quarter. The plant will however continue processing low grade stockpiles until at least December 2008. An aggressive exploration program was commenced during the quarter on the Sandstone leases with the aim of discovering additional ore to allow mining to recommence. The results of the program should be known by the end of the current financial year.
- Greenfields exploration continued in Mongolia, Australia and Brazil during the quarter.
- Troy formally listed on the TSX on 25 January 2008.

### OPERATIONS

- The Sandstone Mill (Troy 100%) treated 110,821 tonnes of ore at 2.6g/t Au to produce 8,616oz of gold at a cash cost of A\$633 per ounce.
- Total attributable gold for the 6 months to 31 December 2007 was 19,496 ounces.

### PROJECT DEVELOPMENT

- Development of the Lagao Seca open cut progressed well with a stockpile of 93,175t of material at 3.48 g/t established.
- An aggressive exploration program commenced during the quarter aiming to build the resource base to extend the mine life past the initial five years assumed in the feasibility study.



## EXPLORATION

### Brazil – Andorinhas

- The Andorinhas regional airborne magnetics and radiometrics survey was completed.
- Drilling of **Melechete East target** produced intercepts of **3.0m @ 25.77g/t gold** from 87m and **1m @ 77.1g/t gold** from 47m.
- At **Babaçu** results included: **3m @ 7.38g/t gold from 60m; 1m @ 15.7g/t gold from 83m and 1m @ 19.7g/t gold from 37m.**

### Australia – Sandstone

- Troy and Western Areas NL signed a Letter of Intent with respect to a nickel focused earn-in exploration JV at Sandstone.
- Significant gold assays the recent drill program included: **Indomitable 6m @18.13g/t gold from 77m and 8m @5.60g/t gold from 107m; Musketeer North Prospect - 8m @26.6 g/t gold from 40m and Musketeer South Prospect -12m @4.56g/t gold from 48m.**

## CORPORATE

- A preliminary Prospectus was lodged in Canada in December 2007.
- Fully franked dividend of 7.5 cents per share paid in October.
- Bonus share issue to existing shareholders completed in October.



## **CORPORATE**

### **TSX LISTING**

The Company's fully paid ordinary shares commenced trading on the Toronto Stock Exchange ("TSX") on Friday 25 January 2008 under the code "TRY", which is the same code that Troy trades under on the ASX.

### **PROSPECTUS ISSUED IN CANADA**

A preliminary prospectus was lodged in Canada on 9 December 2007. Troy filed and received a receipt for its preliminary prospectus in respect of a public offering of fully paid ordinary shares in each of the provinces in Canada. The number of ordinary shares to be offered and the price per share will be determined prior to the filing of the final prospectus.

The offer will be made by a syndicate of agents led by Scotia Capital Inc. and including Macquarie Capital Markets Canada Ltd, National Bank Financial Inc. and RBC Capital Markets.

## **OPERATIONS**

### **SANDSTONE – AUSTRALIA (Troy 100%)**

#### **Production Summary**

	<b>December 2007 Quarter</b>	December 2006 Quarter	<b>6 months to December 2007</b>	6 months to December 2006
<b>Tonnes Milled</b>	<b>110,821</b>	136,452	<b>230,814</b>	285,110
<b>Head Grade g/t</b>	<b>2.61</b>	5.11	<b>2.64</b>	5.43
<b>Recovery %</b>	<b>92.4</b>	94.6	<b>92.1</b>	94.3
<b>Gold Produced oz</b>	<b>8,616</b>	21,232	<b>18,051</b>	46,911
<b>Cash cost per oz</b>	<b>A\$ 633</b>	A\$ 298	<b>A\$ 649</b>	A\$ 281

#### **Health, Safety & Environment**

There was one LTI recorded during the quarter when a dump truck driver for the mining contractor suffered a jarred back.

Our environmental consultant visited the site to inspect the rehabilitation work in progress on the open pits and waste dumps.

#### **Mining**

Mining was completed at the Lord Henry Pit on 23 December 2007. The hardness of the rock, the ingress of water and confined space in the lower levels of the pit delayed the completion of mining operations from the original schedule. High drill and blast costs because of the hardness of the rock and the large volumes of in-pit water contributed to the high mining costs for the period.

A total of 149,340bcms of material was mined from the Lord Henry pit during the quarter; which included 119,956 tonnes of ore grading 3.32g/t gold.



## **Processing**

The Sandstone plant milled 110,821 tonnes of ore at a grade of 2.64g/t gold yielding 8,616 ounces of gold. Mill throughput was restricted due to the increased hardness and abrasive nature of the rock. The current Bond Walk Index is 25.2% higher than the test work indicated.

The hard and abrasive ore led to higher power usage and lower throughput leading to increased unit costs. Due to the lower grades it is expected that unit costs will remain around the same while ore stockpiles are treated

## **PROJECT DEVELOPMENT**

### **ANDORINHAS PROJECT – BRAZIL (Troy 100% through Reinarda Mineração Ltda)**

#### **Health, Safety and Environment**

A total of 175,347 man hours were worked on site which recorded one lost time injury of a minor nature involving a hand tool. The Safety Department now has a Safety Engineer, a Safety Technician and two qualified emergency trained Nurses ensuring adequate cover. The First Aid facility includes two equipped ambulances of which one is suitable for underground use. An additional Safety Technician with underground experience is being sourced.

There were no environmental issues or incidents recorded during the quarter. Rehabilitation work both at Lagoa Seca and the Mamão site is progressing with a plant nursery being established at Lagoa Seca. An Agronomist and Biologist/Environmental specialist has been contracted to assist with formulating the best process for rehabilitating the tenements and to assist in picking suitable plants and seeds.

#### **Mine Development**

Development of the Lagoa Seca open pit continued during the quarter with total material movement of 229,913 bcm's mined comprising 6,771t of ore at 13.05 g/t, 10,138t of ore at 6.3 g/t and 65,461t at 2.19 g/t. A total of 185,943 bcm's of waste were removed.

A total of 16,075t of low grade material (2.18 g/t) was transported to the processing plant and used to build the crusher feed pad. This material will also be used for the initial start up and commissioning process.

At the end of the quarter stockpiles totalled 93,175t of material at 3.48 g/t.

#### **Construction**

During the quarter the majority of the plant construction work was completed and commissioning of the crushers started on 16 December and will continue through January. The additional ball mill is expected to be brought on line in March.

#### **Permitting**

The process of obtaining the full mining permit is ongoing and three public hearings were conducted during the quarter. These hearings are mandatory for the issue of the final Environmental permit and in all cases the public showed strong support for the project. The Company expects to receive the first stage full Environmental permit for the license in the March quarter.



## **Administration**

The administrative accounting and HR personnel were transferred from the Sertão Operation to the Andorinhas project. This department is also being retained in Goiás for the moment. The Assay laboratory continues to operate at the closed down Sertão site until the new facilities are ready for use at Andorinhas, with an expected transfer by end of January.

## **General**

During the quarter the site was visited by representatives from the Environmental Agency, (SECTAM) the Mines Department (DNPM) and the Department of Lands (IBAMA) without any adverse comments.

Relations with the public and the local Government remains very good and the Company is building a good public foundation for the future.

## **EXPLORATION REPORT**

### **ANDORINHAS PROJECT – BRAZIL**

During the quarter Troy concluded two new exploration joint venture deals to triple the Andorinhas Project area.

In November, Troy signed an exploration Joint Venture Earn-in and Option Agreement with Brazmin Ltda, a subsidiary of TSX Listed Talon Metals Corp, for the exploration and development of the Rio Maria Project (5 tenements totalling 43,379 hectares) that borders the Andorinhas Project. Under the terms of the agreement, RML can earn a 51% interest in the Rio Maria Project by paying Brazmin Ltda a total of US\$150,000 and incurring exploration expenditures of US\$100,000 over the first twelve months. RML can then increase its ownership of the Rio Maria Project to 100% by incurring additional exploration expenditures totalling US\$250,000 over the next 2 years and making an additional US\$200,000 cash payment. A 2% NSR royalty is payable to Brazmin on all production from the Project. One half of the 2% NSR (i.e. 1%) can be purchased by RML for a one time payment of US\$1,000,000.

The Rio Maria Project geology is dominated by the Andorinhas syncline, with clastic metasedimentary rocks overlying dacite, mafic to ultramafic metavolcanic rocks and iron formations of the Andorinhas Group. Exploration on the property from 1995 - 1997 focused on the gold potential of the Andorinhas Group, yielding potentially economic gold values in saprolite trenches. The most significant result from this program includes **2.40g/t gold over 8.80m**. Regional rock, soil and stream sediment sampling outlined a 10km gold anomalous trend (Rufino Gold Trend) located on the southern limb of the Andorinhas syncline.

In December, Troy signed an exploration Joint Venture Earn-in and Option Agreement with Horizonte Minerals plc ("HM") (AIM Listed) for the exploration of the Tangará Project (7 tenements totalling 37,662ha) located about 20km north - northwest of the Andorinhas Project. Under the terms of the agreement, RML can earn a 100% interest in the Tangará Project by paying HM a total of US\$800,000 in option payments and incurring exploration expenditures of US\$2,000,000 over a three year period. If RML exercises the option, it will pay HM US\$2,000,000 cash and pay a Production Royalty of US\$30 per oz of gold up to 500,000oz of production. Thereafter, a 1% NSR Royalty is payable to HM for any ounces produced between 500,000 and 1,000,000 oz. The NSR royalty increases to 2% on production above 1,000,000 oz.



The property geology consists of Archaean aged mafic to ultramafic volcanics of the Rio Maria Greenstone Belt intruded by small late stage felsic intrusives. Mineralisation is related to magmatic hydrothermal fluids associated with the post-tectonic felsic intrusive activity. The mineralisation is found in a variety of forms ranging from quartz veinlets and disseminated sulphides in shear zones, quartz / base metal veins, replacement quartz, sericite sulphide bodies to zones of disseminated sulphides associated with bleaching and silicification.

Horizonte has been active in the area for 2 years and has carried out approximately 3,000m of DC drilling as well as extensive stream, soil, mapping and geophysical programs that have defined 14 high priority targets. These include the **Malvinas Trend**, a 5km zone with multiple sub-parallel structures that are associated with garimpeiro pits/workings and geochemical anomalies. Only 3 of the 14 priority targets have been the focus of preliminary drilling.

At Andorinhas a total of **195 holes (12,940m)** were completed during the reporting period including; 86 Rotary Air Blast (RAB) for 4658m; 89 Reverse Circulation (RC) for 5432m and 20 Diamond Core (DC) for 2850m. The regional airborne magnetics and radiometrics survey was completed just before Christmas. Data processing and interpretation is underway with processed data expected in early February.

**Lagoa Seca West Exploration:** RAB drilling has yielded zones of pyrite with strong albitization and silicification overprinting meta-sediments. Ultramafics occur near the mineralised intersections. An RC/DC drilling program to test a 200m strike length of 800m Lagoa Seca West resource target is underway.

At **Lagoa Seca Deeps**, a limited 8 hole (1,304.70m) DC drilling program targeted the depth extensions of the Lagoa Seca mineralisation below the current modelled pit. Most of assays from target zones yielded only slightly anomalous gold results. The pit mineralisation appears to pinch out at depth or has been off-set. A more detailed structural logging of the core is required to plan further drilling at depth and/or to target any structural offsets.

**Lagoa Seca East:** Previous exploration work east of the Lagoa Seca Pit outlined gold-in-soil (auger) anomaly in 3 holes. Six new RAB holes were drilled to check the strike continuity of the anomalous zone to a depth of 45m. This drilling confirmed with the presence of a shallow altered zone with pyrite. Best assays reported included; **3m @2.16g/t gold from 5m and 2m @1.64g/t gold reported in Hole LSB10**. Follow-up drilling is planned.

**Mamão Area** exploration consisted of RC drilling focussed on the shallow upper portions of the **Mandioca (M2) Lode, Arame Lode and Melechete Lode**. The purpose of this work is to better define the upper extensions of these lodes outside the modelled resource. In October, 6 RC drill holes; (445m) were drilled to better define the upper portion of the M2 Lode (See Table 1). Drilling is ongoing.

**Dona Onça** is a shallow old garimpeiro pit located 300m southwest of the **Melechete Lode**. This mineralisation is associated with the shear zone that controls the **Arame Lode**. Ten drill holes (430m) were completed and intercepted a shear zone with strong silicification, biotitisation, minor carbonatisation, quartz veins and pyrite were also reported. Assays from Dona Onça drilling produced a number of hits within the shallow western portions of the **Melechete Lode** that included; **MAB013; 1m @3.53g/t gold from 24m; MAC041; 1m @20.92g/t gold from 56m; MAC043: 1m @7.24g/t Au from 42m; MAC044 1m @9.0g/t gold from 31m & 1m @11.98g/t gold from 75m; MAR048; 2m @3.64g/t gold from 12m and MAR049; 3m @2.94g/t gold from 5m** (See Table 1).

Twelve RC holes were completed to better define the east portion of old garimpeiro underground workings at **Melechete East**. The best intercepts reported to date at Melechete East are MAC061 yielded **3.0m @ 25.77g/t gold** from 87m. This intersection together with a previous result in MAC054 of **1m @ 77.1g/t gold** from 47m opens up the Melechete ore surface to the east outside the modelled resource (See Table 2).



**Mamão – Babaçu Corridor (Luiza, F8 and Xuxa Prospects):** The **Xuxa Prospect** is the second biggest garimpo in the **Babaçu** area. Ten “first pass” RC holes were drilled to test the Xuxa mineralisation at depth. Much of this initial test focussed on the shallow Eastern side of the old workings. Quartz veins were intercepted in the saprolitic zone. The gold assay results received to date have been disappointing with the best value reported being **2m @ 2.60g/t gold from 41m**. Further work will test the Xuxa main pit where earlier drilling by Golden Star identified a 50m zone of anomalous gold.

The **F8 Prospect** is an old garimpo pit located 450m from Mamão, on the Mamão – Babaçu Corridor. Preliminary RAB drilling identified several mineralised zones that require additional drilling. The holes cut metasediments and metabasalts with zones of moderate to weak hydrothermal alteration of silica, biotite, and minor pyrite. The mineralisation intercepted is narrow and the best result was **1m @ 15.33g/t gold from 44m** (See Table 3). Additional assays are pending and this campaign will continue in January 2008.

At **Babaçu** the main focus of drilling effort was the **Luiza Zone**. Earlier RAB drilling produced gold including 5m @4.52g/t gold from 62m; 2m @7.17g/t gold from 79m; 1m @7.09g/t gold from 71m and 1m @36.78g/t gold from 64m. Follow-up drilling consisting of 6 DC holes and 10 RC holes were drilled and all drill holes intercepted mineralized shear zones (quartz veins with hydrothermal assemblage of chlorite-biotite-carbonate-pyrite). These distinct lodes have been identified as Luiza 1, Luiza 2 and Luiza 3. At Luiza, the mineralisation plunges -30 degrees to northeast, has an average lode width of 1.7m. The ore zone is open to east and at depth. An RC drilling program is planned.

### **Iron Ore Exploration**

In late November Troy announced that it would start an evaluation and conceptual study to determine the viability of mining colluvial iron ore at Andorinhas in January 2008. Earlier work by the previous property owner Agincourt included a limited program of selected rock “float” sampling over the colluvial iron ore target that identified significant amounts of coarse colluvium ore as boulders assaying up to 69% iron. Agincourt focused on the area adjacent to and along strike from the **Floresta do Araguaia Colluvial Iron Ore Mine (Big Mac Iron Mine)** located northeast of Troy’s Andorinhas Project and owned by MFA Sidepar, a Brazilian company.

Exploration, mapping between **Babaçu Prospect** and **Big Mack Iron Mine** was carried out on 200m spaced lines. At least part of Andorinhas Ridge (highest topographic feature) hosts banded iron formation (BIF) layers. Most of this BIF comprises as layers intercalated with quartz and hematite. The mapping confirmed that primary BIF in outcrop is about 50m thick. The BIFs are overlain by the Rio Fresco metasediments. In December trial excavator test pitting program began focused on an easily accessible 700m strike length of the 4km long colluvial iron ore target zone. Nineteen pits were completed with the aim to map the colluvial section and 100kg panel samples were collected for total iron assay. Seventy-five RAB drill holes (547m) were drilled to define the depth of the colluvial section. This preliminary work has confirmed the soil profile that hosts the colluvial iron ore (hematite rich) boulders varies from 3m – 5m in depth. Assays are pending.



## EXPLORATION – AUSTRALIA

### Sandstone Project (Troy 100%)

Troy Resources NL (“Troy”) and Western Areas NL (“Western Areas”) have signed a letter of Intent with respect to a nickel focused earn-in exploration and development joint venture at Sandstone. Western Areas has the right to earn up to a 51% interest in the nickel rights on Troy’s Sandstone Project by sole funding \$4M expenditure on exploration over a four year period with a minimum first year expenditure of A\$500,000. Western Areas can then elect to earn an additional 19% interest by sole funding to completion of a Bankable Feasibility Study and decision to mine. If Western Areas earn a total of 70% and a decision to mine is made Troy can elect to contribute to JV expenditure pro rata to Troy’s 30% interest or elect to dilute to a royalty. Troy will retain ownership of the tenements and all rights to gold and other minerals excluding nickel.

The last nickel focused exploration effort at Sandstone was completed by Kennecott Exploration Incorporated between 1969 and 1972. Recent work by the Geological Survey of Western Australia and a study by the Centre for Exploration Targeting at the University of Western Australia funded by Troy has highlighted the prospectivity for nickel in the southern portion of the greenstone belt.

During this quarter a (3089m / 25 hole) RC drill program was completed that targeted the **Indomitable, Musketeer North, Hacks, Oroya and Lord Henry Targets**.

Twelve RC holes were completed at **Indomitable** for a total of 1086m. Significant gold intercepts in residual laterite include **3m @ 1.26g/t gold from 18m (TRC577)** and **5m @0.99 g/t gold from 15m (TRC579)**. Low grade intersections 2m – 5m wide were common in the highly weathered upper saprolite, however a wider zone of **14m @1.72g/t gold from 23m** was intersected in weathered clay and pisolites in **TRC580**.

The best gold intersections at Indomitable were at depth and associated with strongly iron altered gossanous zones, secondary chalcedonic silica and fuchsite including **6m @18.13g/t gold from 77m (TRC576)** and **8m @5.60g/t gold from 107m (TRC578)**. Drill holes in this southern portion of Indomitable Prospect often terminated still within highly oxidised gossanous saprolite (see Table 4).

Thirteen RC holes for 1062m were completed at **Musketeer North**. Fresh rock intersected at the base of several holes consisted of sericite or fuchsite altered mafic rock, extensively quartz veined and containing pyrite and arsenopyrite. This rock is weakly mineralised with gold and the extensive nature of this highly altered zone within the Musketeer Structural Corridor suggests proximity to a major gold deposit within the primary zone. The mineralised zone at Musketeer North is interpreted to be a tabular zone dipping -40 degrees to the west. However the best mineralisation occurs over a limited cross strike extent at about the same elevation within the clay zone on each section suggesting a supergene effect at that depth or concentration within a north south striking alluvial channel (See Table 5).

At **Musketeer South** a 10m to 30m thick layer of transported cover consisting of lateritic gravel and pisolites extends throughout the area. The current RC drill program intersected **12ms @2.02 g/t gold from 15m** within pisolitic laterite in drill hole **TRC624**.

Deeper saprolite and primary mineralisation dips at about -40 degrees west. Alteration within the primary zone consists of broad areas of fuchsite (or massive sericite) and disseminated pyrite and arsenopyrite. Additional RC holes have been planned along the western side of the prospect to follow up intersections of **12m @4.56 g/t gold from 48m in TRC623** and **11m @2.68g/t gold from 50m in historical hole TRC536**. A further five RC holes are planned to test the mineralisation to the south.





The extensive nature of the gold zone within the **Musketeer-Indomitable Corridor** suggests there is good potential for the discovery of a gold deposit in the area (See Table 6).

At **Phoenix Prospect** the mineralisation intersected is associated with quartz veining within weathered mafic and ultramafic rocks. Grades and widths were slightly lower than anticipated. All RC holes intersected the target zone at or near the anticipated position except for the southernmost drill section. On the southernmost section line drilling failed to intersect any significant mineralisation effectively defining the southern boundary of the zone. As the northern extent of the deposit is restricted by the Nungarra cemetery reserve, the potential tonnage and contained ounces of gold in the Phoenix Prospect is severely restricted (See Table 9).

Four RC holes (838m) were completed at the **Hacks Deposit** targeting the **Hack's Main Lode** and the **Hack's Northern Lode** at depth. All holes intersected the target at or near the anticipated depth however there were no significant gold results. Host rock in all of the holes targeting the Hack's Main Lode consisted of medium to coarse grained dolerite. In TRC630 the quartz lode was about 1m thick with a 2m wide shear zone above in the hanging wall and 1m of hydraulically fractured breccia consisting of quartz and altered metadolerite in the footwall. The zone carried some sulphides and chlorite alteration. In TRC632 the quartz lode was 4m thick with quartz stringers in foliated metadolerite over a 1m interval in the hanging wall. The quartz lode in TRC629 occurred between 273m – 275m within foliated and weakly pyritic metadolerite in the footwall and hangingwall.

RC Hole TRC631 targeted the **Hack's Northern Lode**. The entire hole consisted of metabasalt and intersected the quartz lode between 216m – 217m downhole. The lode consisted of quartz veins with pyrite and fuchsite within a broader alteration halo of quartz and pyrite. In general gold assays were disappointing.

### **Daly River Project – Northern Territory (Troy 100%)**

The aeromagnetic survey of the northern portion of the project area was completed in January 2008.

## **EXPLORATION – MONGOLIA**

### **Dornogovi Coal JV Project (Troy 100% - Rio Tinto Earning - in)**

Rio Tinto Mongolia (RTM) advised that a short drilling programme has been carried out in order to determine the presence of Lower Cretaceous coal-bearing strata within the Altanshiree basin. The targets were previously identified through satellite interpretation, reconnaissance mapping, and evaluation of previous work, including reviewing regional water exploration logs.

Two vertical holes totalling 406m were completed in November.



### **Gutain Davaa Gold JV Project (Troy earning 80%)**

A 12 hole (1,482m) Diamond Core (DC) drill program to test the new structural model for the **Toordogiin Shil "TS" Prospect** completed in October 2007. Significant gold assays from this latest round of drilling included: **Hole GDDD-54: 5m @ 7.45g/t (50m - 55m), and 2m @ 10.51g/t (62m - 64m); Hole GDDD-56: 17m @ 3.53g/t (52m-69m) including; 2m @ 11.99g/t (56m - 58m), & 6m @ 10.19g/t (103m - 109m) and Hole GDDD-61: 6m @ 7.93g/t (41m - 47m) including 2m @ 23.22g/t (42m - 44m).** A full table of the drill results was included in the Company's ASX announcement dated 26 November 2007.

The current geological interpretation is a "folded shoot target" consisting of a northeast – southeast trending fold axis that plunges to the northwest. The mineralised quartz veins are hosted within a strongly tectonized and folded, pervasively quartz-sericite-pyrite +/- arsenopyrite altered medium grained, Mesozoic granodiorite and black schist. Visible gold and bonanza gold grades are associated with the strongly sheared margins of the quartz veins.

TMAR has now completed all the earn-in requirements stipulated in the joint venture agreement with U & B Mining and has now earned an 80% interest in the property. The current plan is for field work to recommence in May 2008 with a program of infill soil sampling, detailed ground magnetics, excavator trenching, rock sampling and geological mapping followed by drilling.

## **SITE CLOSURE**

### **SERTÃO MINERAÇÃO LTD ("SML") BRAZIL – (Troy 70%)**

During the December quarter the Sertão operation continued to be wound down with re-habilitation work continuing. Final surveys for environmental reporting purposes were started to finalise the Environmental Rehabilitation Report in early 2008.

At the end of the quarter SML retained three active employees involved with re-habilitation work and monitoring as required. The Company will monitor re-habilitation work for two years including water quality checks and so on. The office facilities in Goias have now been transferred to Andorinhas. All of SML's tenements are being marketed for sale.

## **FINANCIAL REPORT**

### **CASH POSITION**

As at 31 December 2007, Troy within Australia held \$3.5M in cash, plus equity investments with a market value of \$57.6M and 1,420 ounces of gold awaiting sale which approximates to \$1.3M based on a gold price of A\$928 per ounce. This equates to a total of approximately \$62.4M of liquid assets.

Troy's wholly owned Brazilian and European subsidiaries held cash deposits of A\$4.0M. At quarter end, Sertão Mineração Ltda ("SML"), Troy's 70% owned Brazilian subsidiary, had the equivalent of \$3.2M in cash (Troy's share).

**The Troy group equity share of cash marketable securities and liquid assets is approximately \$69.6 million as at 31 December 2007.**

During the quarter, the Company purchased 73,388 of its own shares under an approved On Market Share Buy-Back at an average price of \$3.00 for a total outlay of \$220,155.

In October, the Company paid a fully franked dividend of 7.5 cents per share to its shareholders which totalled \$4.7 million. In December the Company paid \$6.9 million in taxes.



## **GOLD SALES**

Gold sales from the Sandstone operation for the quarter were 9,668 ounces at an average price of A\$882 per ounce. The average Cash Cost was \$633 per ounce which gives a Cash Margin of \$249 per ounce for the quarter.

## **HEDGING**

The Company is totally unhedged, and debt free.

## **EXPLORATION EXPENDITURE**

During the quarter, exploration expenditure incurred was \$1,002,000 in Australia, \$320,000 in Mongolia and \$210,000 in Brazil. Troy's total exploration expenditure for the quarter was therefore \$1,560,000.

Capital and development expenditure in Australia during the quarter was \$0.2 million and \$6.7 million on the Andorinhas Project in Brazil.

## **FURTHER INFORMATION**

Mr Paul Benson  
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Perth, Western Australia  
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*Information of a scientific or technical nature in this report was prepared under the supervision of Peter J. Doyle, Vice President Exploration and Business Development of Troy, a "qualified person" under National Instrument 43-101 – "Standards of Disclosure for Mineral Projects", a member of the Australasian Institute of Mining and Metallurgy. Mr. Doyle has sufficient experience, which is relevant to the style of mineralization and type of deposit under consideration, and to the activity 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". Mr. Doyle has reviewed and approved the information contained in this report. For further information regarding the Andorinhas or Sandstone project, including a description of Troy's quality assurance program, quality control measures, the geology, samples collected and testing procedures in respect of the Andorinhas project and Sandstone project please refer to the technical report entitled "Troy Resources NL: Technical Report on Andorinhas Gold Project, Para State, Brazil" dated November 2007 and the technical report entitled "Troy Resources NL: Sandstone Gold project, Mid West Region Western Australia" dated June 2007, which in each case, is available under the Company's profile at [www.sedar.com](http://www.sedar.com).*

*This report contains forward-looking statements. These forward-looking statements reflect management's current beliefs based on information currently available to management and are based on what management believes to be reasonable assumptions. A number of factors could cause actual results, performance, or achievements to differ materially from the results expressed or implied in the forward looking statements. Such factors include, among others, future prices of gold, the actual results of current production, development and/or exploration activities, changes in project parameters as plans continue to be refined, variations in ore grade or recovery rates, plant and/or equipment failure, delays in obtaining governmental approvals or in the commencement of operations.*

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**This Quarterly Report is available on Troy's Website: [www.troy.com.au](http://www.troy.com.au)**

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<b>Table 1: Andorinhas Project Mamao Shallow Extensional Reverse Circulation "RC" Drilling Drill Assay Results – Gold Intersections</b>										
Hole ID	Easting (m)	Northing (m)	Azimuth°	Dip°	Hole Depth (m)	From (m)	To (m)	Length (m)	Gold (g/t) Au	Lode
MAC016	630560.2	9175159.194	N000°E	-90	75.00	62.00	63.00	1.00	11.04	Melechete
MAC025	630501.932	9175141.714	N000°E	-90	73.00	59.00	62.00	3.00	11.43	Melechete
MAC026	630520.285	9175144.195	N000°E	-90	72.00	56.00	59.00	3.00	4.21	Melechete
MAC027	630560.272	9175137.197	N000°E	-90	64.00	43.00	45.00	2.00	2.22	Melechete
MAC029	630499.315	9175120.264	N000°E	-90	60.00	45.00	46.00	1.00	5.11	Melechete
MAC030	630518.994	9175143.446	N180°E	-50	97.00	49.00	51.00	2.00	2.92	Melechete
MAC033	630561.521	9175117.815	N000°E	-90	35.00	28.00	30.00	2.00	6.95	Melechete
MAC040	630560.847	9175081.778	N000°E	-90	72.00	54.00	55.00	1.00	14.16	Arame
MAB002	630500.588	9175040.091	N000°E	-90	23.00	3.00	7.00	4.00	3.36	Arame
MAC018	630656.078	9175430.123	N000°E	-90	75.00	57.00	60.00	3.00	14.25	M2
MAC044	630371.54	9175108.24	N000°E	-90	90.00	31.00	32.00	1.00	9.00	Dona Onça
MAR048	630349.47	9175079.75	N090°E	-60	85.00	12.00	14.00	2.00	3.64	Dona Onça
MAC049	630539.48	9175377.92	N000°E	-90	86.00	52.00	53.00	1.00	5.36	M2
MAC050	630539.23	9175358.02	N000°E	-90	59.00	43.00	44.00	1.00	14.50	M2
MAB013	630319.92	9175039.99	N000°E	-90	40.00	24.00	25.00	1.00	3.53	Dona Onça
MAC041	630319.65	9175080.32	N000°E	-90	70.00	56.00	57.00	1.00	20.92	Dona Onça
MAC043	630319.93	9175060.57	N000°E	-90	60.00	42.00	43.00	1.00	7.24	Dona Onça
MAC044	630371.54	9175108.24	N000°E	-90	90.00	75.00	76.00	1.00	11.98	Dona Onça

<b>Table 2: Andorinhas Project Mamão - Melechete East Reverse Circulation "RC" Drilling Drill Assay Results - Gold Intersections</b>									
Hole ID	Easting (m)	Northing (m)	Azimuth°	Dip°	Hole Depth (m)	From (m)	To (m)	Length (m)	Gold (g/t) Au
MAC054	630736.17	9175180.34	N000°E	-90	49.00	45.00	46.00	1.00	2.05
and	-	-	-	-	-	47.00	48.00	1.00	77.08
MAC059	630765.27	9175201.84	N000°E	-90	90.00	74.00	75.00	1.00	1.68
MAC061	630764.31	9175220.97	N000°E	-90	91.00	87.00	90.00	3.00	25.77
MAC063	630805.58	9175181.56	N000°E	-90	70.00	35.00	36.00	1.00	2.08
MAC064	630788.01	9175160.36	N000°E	-90	60.00	32.00	33.00	1.00	1.32
MAC065	630638.71	9175441.38	N000°E	-90	90.00	68.00	70.00	2.00	1.79

<b>Table 3: Andorinhas Project Mamão - Babaçu Corridor F8 Prospect Rotary Air Blast "RAB" Drilling Drill Assay Results - Gold Intersections</b>									
Hole ID	Easting (m)	Northing (m)	Azimuth°	Hole Depth (m)	Dip°	From (m)	To (m)	Length (m)	Gold (g/t) Au
MAB037	630290.21	9174978.01	N180°E	75.00	-60	17.00	19.00	2.00	5.70
and	-	-	-	-	-	33.00	34.00	1.00	2.29
MAB039	631391.33	9175619.97	N210°E	70.00	-60	44.00	45.00	1.00	15.33
MAB044	631424.5	9175636.73	N210°E	87.00	-60	25.00	27.00	2.00	2.34



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TABLE 4: Sandstone Project - Indomitable Prospect Reverse Circulation "RC" Drilling Drill Assay Results - Gold Intersections									
Hole ID	Easting E_MGA94_50 (m)	Northing N_MGA94_50 (m)	Dip °	Azimuth °	Hole Depth (m)	From (m)	To (m)	Width (m)	Gold (g/t) Au
TRC574	733267	6892211	-60	N090°E	113.00	63.00	64.00	1.00	7.63
and	-	-	-	-	-	82.00	83.00	1.00	2.46
TRC575	733316	6892212	-60	N090 °E	125.00	48.00	49.00	1.00	2.24
TRC576	733220	6892252	-60	N090°E	93.00	47.00	50	3.00	1.19
and	-	-	-	-	-	77.00	83.00	6.00	18.13
TRC577	733259	6892253	-60	N090°E	89.00	44.00	45.00	1.00	4.01
-	-	-	-	-	-	57.00	59.00	2.00	4.51
TRC578	733209	6892312	-60	N090°E	126.00	107.00	115.00	8.00	5.60
TRC579	733250	6892313	-60	N090°E	112.00	15.00	20.00	5.00	0.99
-	-	-	-	-	-	59.00	61.00	2.00	4.35
TRC580	733299	6892313	-60	N090°E	85.00	23.00	37.00	14.00	1.72
including	-	-	-	-	-	31.00	35.00	4.00	3.87
and	-	-	-	-	-	62.00	64.00	2.00	2.63
TRC581	733112	6892413	-60	N090°E	65.00	44.00	46.00	2.00	2.00
TRC583	733267	6892652	-60	N090°E	99.00	45.00	58.00	13.00	0.98
and	-	-	-	-	-	72.00	99.00	27.00	1.22
including	-	-	-	-	-	73.00	75.00	2.00	8.29
TRC584	733276	6892973	-60	N090°E	95.00	47.00	59.00	12.00	1.38
including	-	-	-	-	-	56.00	58.00	2.00	5.56
TRC585	733081	6893052	-60	N090°E	89.00	43.00	49.00	6.00	1.20

TABLE 5: Sandstone Project - Musketeer North Prospect Reverse Circulation "RC" Drilling Drill Assay Results - Gold Intersections									
Hole ID	Easting E_MGA94_50 (m)	Northing N_MGA94_50 (m)	Dip °	Azimuth °	Hole Depth (m)	From (m)	To (m)	Width (m)	Gold (g/t) Au
TRC606	732491	6891252	-60	N090°E	117.00	79.00	80.00	1.00	4.51
TRC607	732538	6891202	-60	N090°E	60.00	43.00	48.00	5.00	3.22
TRC608	732497	6891202	-60	N090°E	90.00	82.0	69.00	7.00	1.90
TRC614	732491	6891122	-60	N090°E	85.00	40.0	48.00	8.00	26.60
including	-	-	-	-	-	40.0	43.00	3.00	69.04
including	-	-	-	-	-	40.0	41.00	1.00	201.90
TRC615	732474	6891122	-60	N090°E	69.00	51.00	54.00	3.00	3.59

TABLE 6: Sandstone Project - Musketeer South Prospect Reverse Circulation "RC" Drilling Drill Assay Results - Gold Intersections									
Hole ID	Easting E_MGA94_50 (m)	Northing N_MGA94_50 (m)	Dip °	Azimuth °	Hole Depth (m)	From (m)	To (m)	Width (m)	Gold (g/t) Au
TRC618	732339	6890642	-60	N090°E	45.00	26.00	28.00	2.00	2.04
TRC619	732269	6890642	-60	N090°E	85.00	45.00	48.00	3.00	2.12
TRC621	732285	6890582	-60	N090°E	60.00	14.00	15.00	1.00	1.18
TRC622	732201	6890592	-60	N090°E	96.00	60.00	62.00	2.00	1.46
TRC623	732208	6890552	-60	N090°E	70.00	48.00	60.00	12.00	4.56
TRC624	732263	6890475	-60	N090°E	51.00	15.00	27.00	12.00	2.02