



TROY RESOURCES NL

ABN 33 006 243 750

QUARTERLY REPORT FOR THE THREE MONTHS ENDING 30 JUNE 2006

HIGHLIGHTS

JUNE 2006

Troy Resources NL
ABN 33 006 243 750

44 Ord Street
West Perth
Western Australia 6005

Tel: +61 8 9481 1277
Fax: +61 8 9321 8237
E: troy@trovres.com.au
W: www.try.com.au

Corporate Details

ASX Code: TRY

Issued Capital:
49.5M ordinary shares
6.0M partly paid
0.4M unlisted partly paid
1.5M unlisted options

Directors:

Chairman:
John Jones

Executive Directors:
Tommy McKeith
Ken Nilsson

Non-Executive Directors:
Dennis Clarke
John Dow
Alan Naylor

Tommy McKeith
CEO
31 July 2006

OPERATIONS

- Sandstone (Troy 100%) treated 121,525 tonnes of ore at 3.66 g/t Au to produce 13,286 oz of gold at a cash cost of A\$387 per ounce (US\$288). Gold production for the 2005/06 year was 67,934 oz.
- SML Project (Troy 70%) in Brazil treated 36,499 tonnes of ore at 6.55 g/t Au to produce 6,993 oz of gold at cash cost of A\$415 per ounce (US\$308). Gold production for the 2005/06 year was 59,306 oz.
- Attributable gold production of 18,181 ounces of gold for the June quarter.
- **Attributable gold production of 110,263 ounces for the 2005/06 year, which was ahead of forecast.**
- The average gold price received by the Troy group for the 2005/06 year was A\$687 per ounce (US\$510). The average cash cost of production for the year was A\$240 per ounce (US\$178) giving a Cash Margin of A\$447 per ounce (US\$332).

EXPLORATION – AUSTRALIA

- Encouraging RC drill intersections were received from the Blackman's Find Project. Better intercepts include: 5m @ 8.08g/t Au from 27m, 11m @ 3.22g/t Au from 62m and 8m @ 2.65g/t Au from 36m.
- At Sandstone reconnaissance RAB drilling tested a number of structural and geotechnical targets at the Detour Road, Henry South, Indomitable and Sandstone North Prospects. The best intercept was 5m @ 3.87g/t is from the Detour Road Prospect.

EXPLORATION – BRAZIL

- Channel sampling of the veins exposed in the old workings at the Serrita Project yielded encouraging gold assays including; 0.13m @ 56.48g/t, 0.2m @ 28.53g/t, 0.3m @ 25.01g/t, 0.5m @ 24.25g/t, 0.3m @ 14.33g/t, 0.45m @ 7.88g/t and 0.3m @ 15.29g/t.

EXPLORATION – MONGOLIA

- At Gutain Davaa, grid based soil sampling identified 4 new prospects: East, Uzuur, Fluorite and Naimt and extended the Toordogiin Shil Zone.

CORPORATE

- **Brazilian State tax claim dismissed at first hearing.**
- Strategic alliance with Birim Goldfields Inc. to explore and develop prospects in Ghana.
- Group cash and equivalent liquid assets of \$50.5 million.



OPERATIONS

SANDSTONE - AUSTRALIA (Troy 100%)

Production Summary

	June 2006 Qtr	June 2005 Qtr	12 mths To 30 June 2006	12 mths to 30 June 2005
Tonnes Milled	121,525	122,006	495,643	503,752
Head Grade g/t	3.66	1.24	4.52	1.26
Recovery %	92.9	93.4	94.3	93.8
Gold Produced oz	13,286	4,542	67,934	19,148
Cash cost per oz	A\$387	\$454	A\$241	\$437

"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

The site Safety Management Plan System is being revised by IFAP. Keith Lindbeck and Associates are due to visit the mine site next quarter to formulate an environmental restoration program.

Mining

Mining in the Lord Nelson pit occurred between RL 448.5 and RL 436 in both the Stage A and Stage B pits. A total of 408,434 bcms of material were mined during the quarter containing 236,705 tonnes of ore grading 3.25g/t. Mined grades exceeded reserve grade by about 20%.

Mining at the Lord Henry pit was stopped once the water table was reached. A proposal to dispose of ground water is currently being compiled and will be submitted to the Department of Environment next quarter.

The haul road was repaired during the quarter after being damaged in several places by heavy rain in the March quarter. Substantial ore stock piles have been built up at the mine

and extra road trains have been contracted to build a 100,000 tonne mill stockpile.

Processing

Mill throughput for the quarter was affected by the treatment of harder and lower grade Lord Henry ore. In the quarter, 121,525 tonnes of ore grading 3.66g/t was treated yielding 13,286 ounces of gold.

Gold production for the financial year was 67,934 ounces from the treatment of 495,643 tonnes of ore.

The raising of the tailings storage facility was completed during the quarter. The gold stripping section from our treatment plant located at Cobar is currently being refurbished and will be installed next quarter to meet an expected increase in gold production.

General

Resources and reserves are being examined by mining consultants, Snowden, in the light of higher gold prices. This exercise should be completed in the next quarter.

SERTÃO MINERAÇÃO LTDA ("SML") - BRAZIL (Troy 70%)

Production Summary 100%

	June 2006 Qtr	June 2005 Qtr	12 mths To 30 June 2006	12 mths to 30 June 2005
Tonnes Milled	36,499	24,360	102,960	98,820
Head Grade g/t	6.55	19.53	19.43	22.86
Recovery %	91.5	94.5	92.2	95.8
Gold Produced oz	6,993	14,448	59,306	69,580
Cash cost per oz	A\$415 (US\$308)	A\$141 (US\$107)	A\$232 (US\$172)	A\$129 (US\$98)

"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

During the quarter, one lost time injury was recorded when an employee sustained minor injuries in an accident whilst travelling to work. One work day was lost.

There were no reportable environmental incidents or accidents during the quarter and environmental monitoring and inspections continue to show compliance with all regulations.

Safety and first aid training for employees is continuing and is also being provided to schools in the local Faina District.

Mining

During the quarter, Stages 5 and 6 of the Sertão Mine were completed and this saw the cessation of mining at the Sertão deposit. Some lower grade material remains to be treated at a future date and makes up a contingency reserve in case of delivery problems from other deposits.

All activities are now focused on mining the Xupé Deposit which will provide 6 months of plant feed before switching to other deposits within the Antena Cluster. Mining at Xupé has resulted in higher tonnages and grades than modelled.

Near mine exploration is continuing the search for smaller ore pods within the immediate vicinity of the mine area.

Processing

Production was affected by heavy rains early in the quarter, which required milling of low grade contingency stockpiles.

During the quarter, a total of 36,499 tonnes of ore was processed at an average grade of 6.55g/t with a metallurgical recovery of 91.54% for production of 6,993 ounces of gold.

Gold production for the financial year was 59,306 ounces from the treatment of 102,960 tonnes of ore.

During the quarter a plant upgrade was completed and commissioned at 25 t/hr processing rate. This represents a doubling of capacity to counter the lower grades being mined from the Xupé Deposit. The upgrade

was commissioned without problems and recovery is within the forecasts predicted by metallurgical test work. A conventional tailings dam was also commissioned during the quarter.

EXPLORATION REPORT

EXPLORATION - AUSTRALIA

Sandstone Project (Troy 100%)

A 3D geological model of the Sandstone Region has identified the Shillington – Two Mile Fault Zone and the Bull Oak areas within the central portion of the Sandstone Greenstone Belt as priority targets. A number of conceptual targets in the northern portion of the belt have been identified as drill targets.

In addition, Southern Geoscience Consultants identified forty three priority targets with the completion of a detailed (1:10,000: scale) aeromagnetic interpretation focussed on the Edale Structural Corridor east of the Lords Deposits. Initial RAB drilling is planned to test targets associated with relic greenstones southeast from Lord Henry.

A reconnaissance RAB drill (7,260m) program tested a number of structural and geochemical targets at the Detour Road, Henry South, Indomitable and Sandstone North Prospects. The best intercept of 5m @ 3.87g/t Au from the Detour Road Prospect occurs to the south of a regional soil anomaly on the margin of a magnetic high. The gold mineralisation is hosted by gossanous quartz veins in a highly altered dolerite flanked by high magnesium basalts and shales. Further drill testing is planned.

Initial reconnaissance RAB drilling completed at Sandstone North at the apex of the Sandstone Greenstone Belt tested targets in an area of structural convergence between the regional Edale and Youanmi Faults. These targets are within the main structural corridors and/or associated with splay structures. Drilling intersected up to 20m of transported cover overlying a sequence of pyritic black shales with minor quartz veining, metabasalts, ultramafics and felsics.



Although the geochemical results were subdued, this work has enhanced our understanding of the geological setting in the area. This new geological data will be used to better assess geophysical targets resulting from the aeromagnetic interpretation of the Sandstone North Target. A more focussed drilling program is planned later this year.

Bronco Plains JV (Troy Earning 60%)

A soil survey program (385 samples) on 400m x 100m spacings extended gold-in-soil anomalism originally identified by Image Resources NL. The Southern Anomaly, which returned gold values up to 26ppb Au, is coincident with a magnetic low that may be indicative of an alteration halo and a flexure in a greenstone sequence along a major north-northwest trending shear zone.

The Southern Anomaly remains open to the south where further sampling is needed to better define the gold geochemical anomaly. Multi-client aeromagnetic data was acquired and is being interpreted as part of target assessment prior to drill testing.

Blackman's JV (Troy 22.5%)

Encouraging RC drill intersections were received from the Blackman's Find Project north of Mt Magnet, a joint venture with Mt Magnet Gold NL, (Operator). The drilling intersected a sequence of interbedded mafic and ultramafic lithologies beneath a 5m – 10m thickness of alluvial cover. The base of oxidation varies between 50m and 80m below surface, with only a few holes intersecting fresh rock at depths greater than 80m. Mineralised intervals are generally associated with zones of intense quartz veining. Within the oxidised zone, better grades appear to be associated with brick red colouration of the weathered rock, possibly reflecting sulphide weathering. The current interpretation is that there is at least one, and possibly as many as three, steeply west dipping quartz reefs within the wider shear system.

Better intercepts include: 5m @ 8.08g/t Au from 27m, 11m @ 3.22g/t Au from 62m and 8m @ 2.65 g/t Au from 36m. Significant intercepts are detailed in Table 1.

EXPLORATION BRAZIL

SML (Troy 70%)

A detailed ground magnetics survey over the **Digo Digo** area has identified a strong demagnetisation zone (interpreted as an alternative zone) within an overall magnetic high feature which is west-northwest trending and parallels the regional structural trend within the **Nena Prospect**. The magnetic low is 600m in length and underlies a number of old surface workings from which high-grade rock chip samples were previously reported. A number of west-northwest trending structures are associated with the magnetic low.

RAB drilling along the **Viuva Trend** has delineated a 1.4km long +0.20g/t Au anomaly. The anomaly remains open to the southeast through the **Nena Prospect**. A 400m long narrow zone of gold mineralisation within the larger Viuva Anomaly has been identified. Initial RAB drilling results include 3m @ 5.68g/t Au and 2m @ 5.26g/t Au associated with a biotite-silica altered zone with minor quartz veining and chalcopyrite. The entire Viuva Trend has now been tested using a combination of 320m x 20m and 160m x 20m drill spacings. Follow-up drilling will be undertaken after completion of the first phase of drilling at Nena.

A JV agreement covering the **Curral de Pedras** area, located 4km north of the Antena Cluster has been completed. Soil sampling has outlined a north-south striking zone of coincident anomalous arsenic and gold-in-soil anomalism parallel to a trend of garimpeiro/bandeirante workings in the area. The gold anomaly consists of several +200ppb, and up to 3.68g/t, samples coincident with anomalous arsenic values of up to 196ppm. Mapping of the prospect is complete and an initial RAB drill program focussed on the three targets will commence in the July:

- A 600m long north-northwest trending zone of garimpeiro/bandeirante workings with associated gold-in-soil anomalism up to 3.68g/t Au. A parallel trend, located to the immediate west, has a strike length of 250m and possibly represents a hangingwall zone of mineralisation.



- An 880m long northwest trending zone of coincident gold and arsenic-in-soil anomalism that lies to the southwest of the garimpeiro/bandeirante trend where rock-chip sampling has yielded gold assays up to 29.0g/t.
- A 500m long zone of coincident gold and arsenic-in-soil anomalism along strike from the previous anomaly.

Diamond drilling on the down plunge continuation of the **Xupé Orebody** has commenced in order to better define the orebody, which remains open to the west. Two diamond holes were completed and intersected strong zones of silica-sericite alteration associated with quartz veining and pyrite-arsenopyrite metasomatism over widths from 4.2m to 6.4m. Results are pending.

A single, deep RAB hole at **Antena Sul**, collared at the northern end of the zone has intersected low-grade gold mineralisation (23m @ 0.40g/t Au from 107m) associated with minor silica-sericite-pyrite +/- arsenopyrite alteration. Further diamond drilling to test the extent of the new zone is planned for the September quarter.

Horizonte Minerals has agreed to terms for a joint venture covering the **Lavrinhas** area. SML will have the right to earn up to a 70% interest in the property by sole funding an aggregate of US\$650,000 of exploration expenditure over two years. The joint venture encompasses 25km of strike of prospective greenstone between the Digo Digo tenements and an area immediately south of the Sertão gold mine. The area has seen little exploration in the last 20 years. Initial reconnaissance soil and rock chip sampling will commence in the September quarter.

Serrita Project (Troy earning 75%)

Exploration work continued at the Serrita Project where geological mapping, and channel sampling focused on the nine largest garimpeiro areas. The best gold grades reported from channel sampling of the veins exposed in the old workings included: 0.13m @ 56.48g/t, 0.2m @ 28.53g/t, 0.3m @ 25.01g/t @ 24.25g/t, 0.3m @ 14.33g/t, 0.45m @ 7.88g/t and 0.3m @ 15.29g/t. The mapped workings are clustered within a 1.7km x 3.0km area, where 9 parallel, shear hosted quartz veins have been mapped. These lines of workings

remain open to the northeast and southwest and require further mapping and delineation. All the quartz veins occur in east-northeast trending shear zones, with north-northwest dips varying between 40° to vertical. The gold mineralisation is associated with boxwork sulphides and iron oxides that occur along the quartz vein margins. A 3,600m RC drill program focussed on assessing the lateral and vertical extent of mineralisation will commence in the September quarter, targeting five of the better prospects.

Rio Piranga Project (Troy earning 100%)

A 2,500m shallow drilling program will commence early in the September quarter, designed to confirm the presence of mineralisation within the river terrace gravels. Bulk drill samples will be analyzed by gravity and amalgamation methods to determine the nature and character of the alluvial gold as well as determine the recoverable gold grade.

EXPLORATION - MONGOLIA

Gutain Davaa Project (Troy earning 80%)

A structural re-interpretation of Gutain Davaa ("GD") drilling data was completed in conjunction with detailed mapping and rock sampling. Screen fire assays confirmed the coarse nature of the gold associated with quartz veins hosted in a quartz-sericite-pyrite altered granite along a northwest trending shear zone.

During the quarter, field work resumed with prospecting and detailed mapping and rock chip sampling focused on structural targets. Property wide, grid based soil sampling has identified 4 new prospects: **East**, **Uzuur**, **Fluorite** and **Naimt** and extended the **Toordogiin Shil Zone**.

The **East Prospect** is located in an area underlain by Mesozoic granite. Mapping has delineated two epithermal quartz vein breccia zones and 3 quartz-arsenopyrite veins situated within northwest trending structures and associated with altered granite.

The veins are up to 1.0m wide with strike lengths ranging from 50m to 1,500m. Grab samples from epithermal veins yielded gold grades up to 4.05g/t with elevated arsenic values.



Samples from the quartz-arsenopyrite veins returned gold assays ranging from 1.01g/t and 2.19g/t with elevated arsenic values.

The **Fluorite Prospect** is hosted within older Lower Carboniferous sediments. East-west striking, brecciated epithermal quartz-fluorite veins up to 2m in width extend up to 400m along strike. Soil sampling returned anomalous gold values ranging from 16ppb-167ppb Au, while rock grab samples yielded results up to 4.0g/t Au. Detailed infill sampling focused on the new targets will commence in July and will be followed by bulldozer trenching to delineate drill targets for the proposed September drill program.

EXPLORATION - FINLAND

Oijärvi Project (Troy 50%)

Drilling has commenced in the Oijärvi area of northern Finland, where Troy and joint-venture partners Agnico Eagle Mines Ltd (formerly Riddarhyttan Resources AB) will complete a 3,000m program focussed on extensional targets at the **Kylmäkangas** gold-silver occurrence. Earlier drilling by the Geological Survey of Finland, and in 2001-2002 by the Troy-Riddarhyttan Resources JV, identified a high grade gold-silver bearing quartz lode (3.8m wide and 150m long) associated with copper, lead and zinc sulphides. The drilling will test the eastern plunge-continuation of the mineralisation to a depth of 230m below surface (5 holes), and the western continuation of the mineralisation (2 holes). Drilling is expected to be completed during the September quarter. Assay results are pending.

EXPLORATION - AUSTRIA

Rotgulden Project

Troy has withdrawn from the Rotgulden Exploration Project in Austria. The tenements have been returned to the vendors.

CORPORATE

BIRIM ALLIANCE

During the quarter, Troy formed a strategic alliance with Birim Goldfields Inc. ("Birim") for the exploration and development of selected gold mining projects in Ghana. As part of this alliance, Troy took a placement in Birim of 5,000,000 shares (and 2,500,000 free attaching warrants) at a price of C\$0.55 per share for a total investment of C\$2.75 million (approximately \$3.3 million), and will receive various property rights including a first right of refusal and offer on all of Birim's properties. Troy now owns about 8.3% of Birim's issued and outstanding common shares and if all of Troy's warrants are exercised, Troy will own about 11.97% of Birim's enlarged capital. Birim Goldfields Inc. is an exploration company listed on the Toronto Stock Exchange under the symbol "BGI".

Birim has a large tenement position (+2,500km²) on the Bui Belt and four properties on the Yamfo-Sefwi Belt along strike from Newmont's Ahafo development. The Bui Belt tenements comprise a series of Prospecting Licenses which cover the majority of the Belt. Work completed under the Bui Reconnaissance License has defined a series of drill-ready targets which will be drill tested under the Prospecting Licenses.

BRAZILIAN TAX CLAIM

In September 2005, Sertão Mineração Ltda ("SML"), Troy's 70% owned Brazilian subsidiary, received a demand for payment of R\$7.5 million (approximately A\$4.6 million) from the Goais State Tax Department.

At a recent internal departmental hearing undertaken by a Judge of the Goais State Tax Department, the demand against SML was dismissed.

The state tax authority has lodged an appeal against the decision.

SML's legal counsel believes that the company has a very high probability of successfully defending the appeal.



CASH POSITION

As at 30 June 2006, Troy **within Australia** held \$27.1 million in cash, plus equity investments with a market value of \$12.2 million and 4,458 ounces of gold awaiting sale (\$3.7 million). This equates to a total of about approximately \$43.0 million of liquid assets.

Troy's wholly owned **Brazilian and European subsidiaries** held cash deposits of A\$0.9 million. At quarter end, Sertão Mineração Ltda ("SML") Troy's 70% Brazilian subsidiary, had the equivalent of \$5.3 million in cash (Troy's share). In addition, SML held 2,364 ounces of gold inventory, which approximates to \$1.3 million of revenue based on a gold price of \$807 per ounce (Troy's share).

The Troy group equity share of cash and liquid assets is approximately \$50.5 million as at 30 June 2006.

GOLD SALES

Gold sales from the Sandstone operation for the quarter were 9,095 ounces at an average price of \$824 per ounce. The average Cash Cost was A\$387 per ounce which gives a **Cash Margin of \$437** per ounce for the quarter.

During the quarter, SML sold 7,999 ounces of gold at an average price of US\$625 per ounce. The average Cash Cost was US\$308 per ounce, which gives a **Cash Margin of US\$317 per ounce** for the quarter.

HEDGING

During the quarter, Troy closed out 10,000 ounces of gold hedging contracts at a cost of \$1,090,000.

At the end of the quarter, the Company had fixed forward gold hedge contracts for 10,000 ounces at \$700.00/oz for delivery on 29 December 2006. This hedging is allocated to protecting low grade resources and stockpiles. At 30 June 2006 the hedge has a negative mark-to-market value of \$1,285,000. Of this amount, \$932,000 was taken as an expense into the Income Statement at 31 December 2005.

EXPLORATION EXPENDITURE

During the quarter, exploration expenditure incurred was \$596,000 in Australia, \$260,000 in Mongolia, \$342,000 in Brazil and \$645,000 by SML.

Capital and development expenditure in Australia during the quarter was \$583,000.



FURTHER INFORMATION

T D McKeith Chief Executive Officer

J L C Jones Chairman

Telephone: +61 (0)8 9481 1277

Email: troy@troyres.com.au

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 Web site: www.troy.com.au

Table 1

Blackman's Project RC Drill Intersections								
Hole ID	AMG East	AMG North	Dip/ Azimuth	Total Hole Depth (m)	From (m)	To (m)	Length (m)	Grade Au g/t
BFP0062	582581	6924799	090/-60	80	7	10	3	2.71
					36	44	8	2.65
					49	50	1	3.73
BFP0063	582640	6924802	090/-60	100	31	33	2	6.62
BFP0064	582601	6924903	090/-60	80	8	10	2	1.81
					42	43	1	1.09
					56	60	4	0.61
					63	66	3	5.65
BFP0065	582651	6924902	090/-60	80	7	13	6	1.28
					20	23	3	2.93
					27	32	5	8.08
					36	40	4	0.78
					49	50	1	1.34
BFP0066	582560	6924699	090/-60	100	31	35	4	0.75
					62	73	11	3.22
					77	82	5	1.67
BFP0067	582590	6924700	090/-60	100	4	7	3	6.04