ANNUAL REPORT 2006

ABN 33 006 243 750

TROY RESOURCES NL

Gold Production History	1
Highlights	1
Three Year Summary	2
Chairman's Review	3
CEO's Report	5
Mining – Australia	8
Mining – Brazil	9
Exploration – Australia	11
Exploration – Brazil	14
Exploration – Mongolia	18
Exploration – Finland	21
Exploration – Austria	21
Reserves and Resources	22
Directors' Report	23
Auditor's Independence Declaration	35
Income Statement	36
Balance Sheet	37
Statement of Changes in Equity	38
Statement of Cash Flows	39
Notes to the Financial Statements	40
Directors' Declaration	86
Auditors Report to Shareholders	87
Corporate Governance	89
Shareholders' Statistics	94
Corporate Information	97

CORPORATE PROFILE

Troy is a highly profitable junior gold producer with operations at Sandstone in Western Australia and Goiás in Brazil. The Company has a track record of fast-track mine development, low cost operations, accretive acquisitions and exploration discovery. Troy has a strong commitment to health & safety, environmental stewardship and social responsibility.

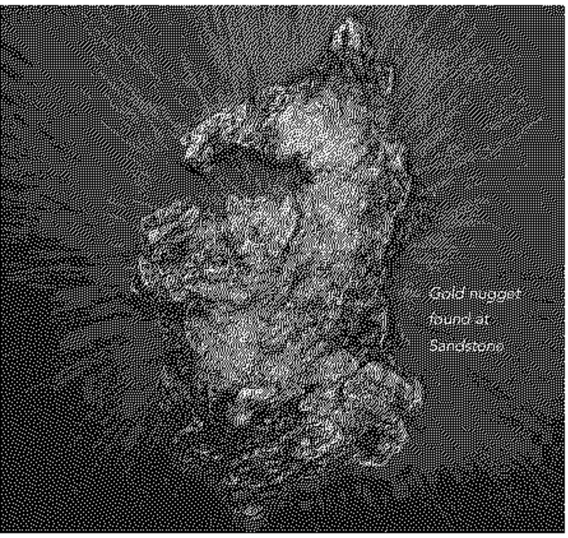
Total production from Troy's operations has consistently grown to over 100,000 ounces of gold per annum. The forecast production for FY 2007 is 100,000oz at a cash cost of $330/oz.

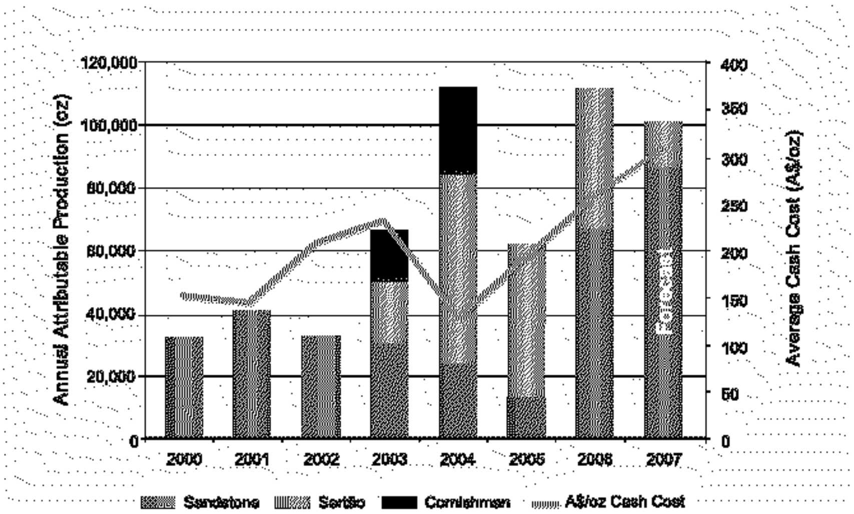
The Company is positioned for growth. Our vision is to reposition Troy as a growing highly profitable mid-tier gold producer which operates multiple high margin mines, with over 10 years life, in prospective exploration districts.

The Company's near-term strategic goal is to replace and grow its reserves through mine site exploration at its operations, secure a quality development or operating project that will give it a 10-year production horizon, follow-up the discovery drilling at our Gutain Davaa greenfields exploration project in Mongolia and continue to build the team that will achieve our vision.

Troy will continue its path of strong growth and profitable operations. The Company maintains a robust balance sheet and our existing mines will continue to generate strong cash flow. Troy's gold production is unhedged providing 100 percent of the gold price upside to shareholders while protecting against downside risk with low operating costs.

GOLD PRODUCTION HISTORY





HIGHLIGHTS

OPERATIONS

- Over 110,000oz gold produced at a cash cost of $240/oz
- Increased production capacity at Sandstone by 100,000 tpa to 600,000 tpa
- Increased production capacity at Sertao by 140,000 tpa to 240,000 tpa
- Started mining at Xupé in Brazil

GROWTH

- Over $7M in exploration expenditure
- Positive initial drilling results at Gutain Davaa, Mongolia
- Exploration focussed on minesite discovery

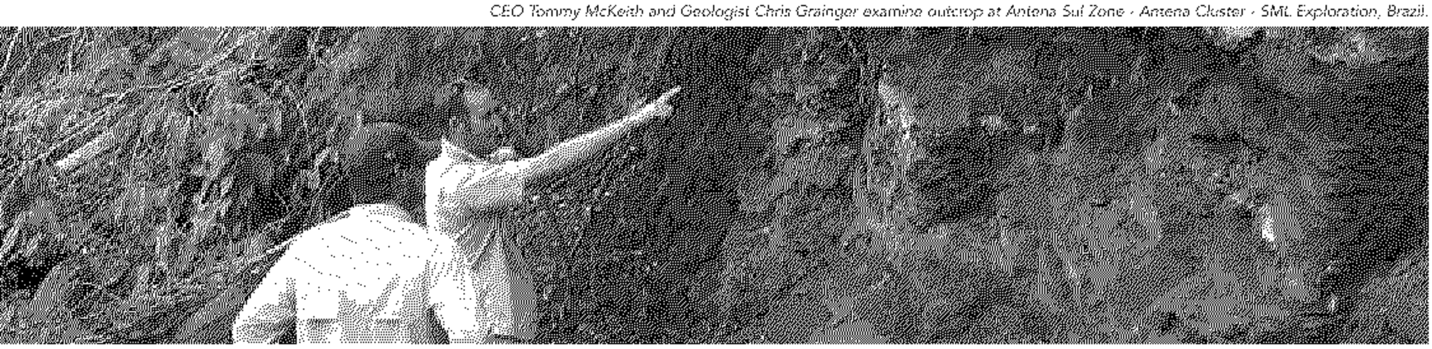
HSE & COMMUNITY

- No reportable safety or environmental incidents
- Construction of school buildings at Faina in Brazil
- Support of Flying Doctor Service in Australia
- Established Intensive Care Unit at Goiás Hospital

FINANCIAL

- Record full year after tax profit of $16.1M
- Over $50M in cash and equivalents
- 7c per share fully franked dividend

CEO Tommy McKeith and Geologist Chris Grainger examine outcrop at Antena Sul Zone - Antena Cluster - SML Exploration, Brazil.



Placer Gold - Gutain Davaa, Mongolia.

THREE YEAR SUMMARY

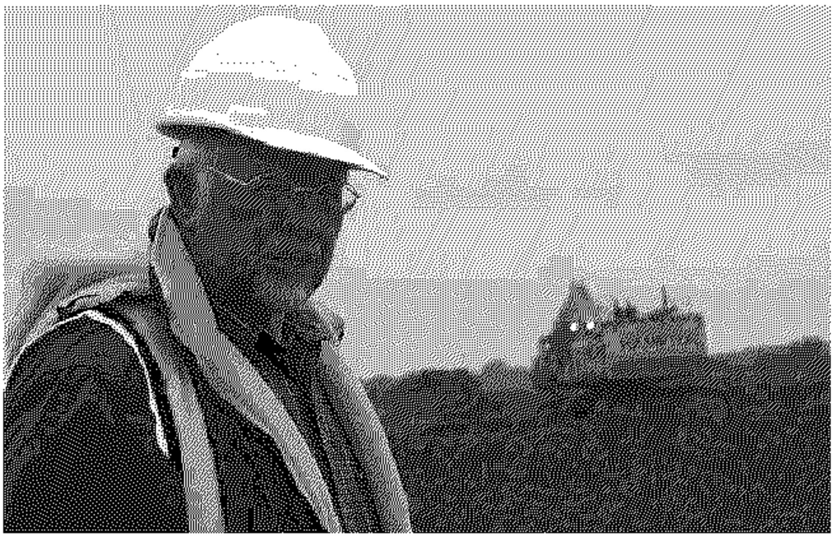
Operations		12 Months to 30 June 2006	12 Months to 30 June 2005	12 Months to 30 June 2004
Gold Produced	(Ounces)	110,263	71,851	122,531
Gold Price Realised	($/oz)	687	563	548
Sales Revenue	($ million)	86	55	85
Profit before tax (extraordinary)	($ million)	32	15	23
Net Profit after tax (attributable) to members of the company	($ million)	16	9	14
Capital Expenditure	($ million)	7	5	1
Exploration Expenditure	($ million)	8	7	4
Dividends paid	(cents /share)	7.00	6.50	6.00
Cash & Equivalents	($ million)	50.50	34.48	27.50

Geologists rock sampling, Nena Zone - Digo Digo Prospect - SML Exploration, Brazil

CHAIRMAN'S REVIEW

IT IS WITH GREAT PLEASURE THAT I CAN REPORT THAT THE YEAR UNDER REVIEW HAS BEEN OUR MOST SUCCESSFUL YET WITH A RECORD PROFIT OF $31.9 MILLION AND OUR SEVENTH SUCCESSIVE INCREASE IN DIVIDENDS.

HOWEVER, JUST AS IMPORTANTLY FOR YOUR COMPANY, WE BELIEVE WE HAVE A SOLID PLATFORM TO CONTINUE THIS RECORD OF GROWTH WHICH HAS SEEN A 16 PER CENT ANNUALISED RATE OF RETURN FOR SHAREHOLDERS OVER THE PAST FIVE YEARS.



Chairman John Jones, Sandstone Operations, WA.

It is an enviable record for any company and we are very proud of what has been achieved by the team at Troy. We have built up a suite of projects and a group of people whose aim is to take Troy to the next level of development.

To understand the story behind our record profit, the first place you should look is at the cash margins we have achieved at our mining operations at Sandstone in Western Australia and the SML Project in Brazil.

This cash margin was A$447 per ounce on our attributable gold production of just over 110,000 ounces for the year. This again emphasises the Company's strategy of concentrating on profits per ounce, maximising revenue and minimising costs. We are one of the most profitable companies in the Australian gold sector.

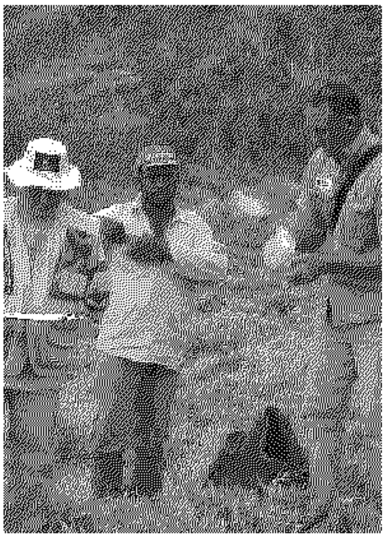
We have matured into a stable 100,000 ounce gold producer with the people and skills to continue to deliver strong results for shareholders. We have more than $50 million in cash and equivalents to maintain our very healthy exploration programme, with another $7 million budget earmarked for the current year.

Our healthy financial position also gives us the firepower for a significant acquisition that can offer us a 10-year production horizon. Ideally, we are looking for a one million ounce orebody delivering about 100,000 ounces of gold per year over this period.

One of the most important decisions taken by your Board this year has been the appointment of Mr Tommy McKeith as Troy's new Chief Executive Officer.

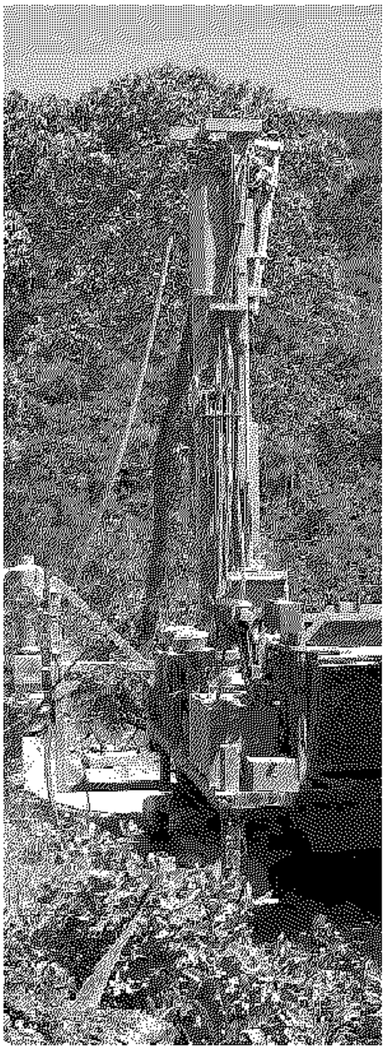
Mr McKeith brings a wealth of international business skills and experience to our Company. Before joining Troy, he was Vice President of Business Development and Exploration worldwide for international gold mining company Gold Fields Ltd based out of Denver, Colorado.

CHAIRMAN'S REVIEW



Geologists rock sampling, Nena Zone - Digo Digo Prospect - SML Exploration, Brazil.

Troy RC Rig in operation, Xupé Zone - Antena Cluster - SML Exploration, Brazil.



Another important appointment was that of Mr John Dow as Non-Executive Director. Mr Dow has had a very distinguished and successful industry career holding senior positions in exploration and mining operations throughout Australia, Asia and the Americas. He retired as Chairman and Managing Director of Newmont Australia in 2005.

We are delighted to attract such people as Tommy and John to our Company. They are high calibre industry professionals, and they add enormous depth, talent and expertise to the Troy team.

As I mentioned earlier, we have put in place a strong foundation for the future. Our operations at Sandstone continue to perform above expectations and we recently brought the Xupé mine into operation at the SML project in Brazil. We have doubled the mill throughput at both operations in the year under review.

Our main exploration focus remains on the areas around our operations in Australia and Brazil. This past year we have added a number of prospective tenements as part of an on-going consolidation of our land holdings in the greenstone belts around Sandstone and the SML Project in Brazil. We hold a suite of greenfields early stage exploration drill projects around the globe including the Serrita (gold) Project in NE Brazil, the Kylmäkangas (copper-gold-silver) Project in Finland and most importantly our Gutain Davaa (gold) Prospect in Mongolia. Troy's participation in a number of West Australian drill stage exploration joint ventures with Barrick Australia at Three Rivers, Harmony Gold on the Blackman's Project and St. Barbara Mines in the Southern Cross region gives us additional exploration exposure with well established, experienced exploration partners.

Another important step taken during the year was the move into West Africa where we have taken a major strategic position in Ghana, which is in one of the fastest growing gold production regions in the world. We have done this through our 8% investment and strategic alliance with the Canadian gold mining company Birim Goldfields Inc.

It is also important to remember that we have a fully-owned production plant stored in Cobar in New South Wales which can be quickly shifted to any new development opportunity.

We are very excited and confident as we gather momentum and work our way through the current financial year. There is a lot happening all around the globe and we look forward to continuing to report on these activities to you.

In conclusion, I would like to thank shareholders for their continued support and our staff, contractors and consultants for the professional and dedicated manner in which they have gone about their work.

JOHN L.C. JONES

Chairman

CEO'S REPORT

"TROY IS POSITIONED FOR GROWTH - WITH AN EXCELLENT TRACK RECORD OF MINE DELIVERY, A ROBUST BALANCE SHEET AND THE PEOPLE TO REPOSITION THE COMPANY INTO A SUCCESSFUL MID-TIER PRODUCER WITH A PORTFOLIO OF QUALITY LONG-LIFE ASSETS."

Folded Metasediments, Antena Cluster - Antena Sul Zone - SML Exploration, Brazil.

2006 was a very successful year for Troy. Our financial results, with the benefit of the robust gold price, exceeded expectations, with a record net profit of $16 million and a year-end cash balance of over $50 million.

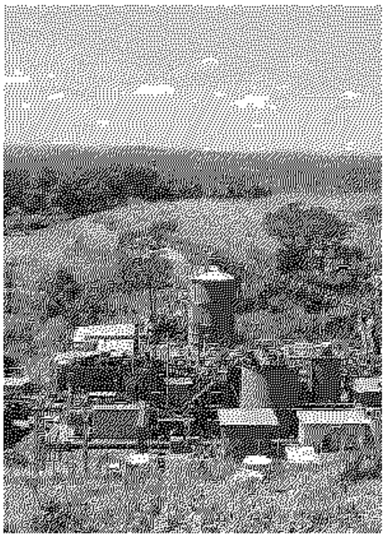
Our record financial results came from strong operational performance where we produced 110,263oz of gold at a cash cost $240/oz, again exceeding our forecasts. Most importantly, we achieved this production result without a serious accident or environmental incident. The outlook for the next financial year remains good with a forecast 100,000oz of gold production at a cash cost of $330/oz.

The biggest challenge facing Troy is reserve life. We recognise this and we are working hard to increase reserves through exploration and operational efficiency at both of our mines. This year we committed over $7 million to exploration with the majority dedicated around our mine sites.

Troy is positioned for growth - with an excellent track record of mine delivery, a robust balance sheet and the people to reposition the company into a successful mid-tier producer with a portfolio of quality long-life assets. Personally, this is the challenge and reason for which I joined Troy. I can assure you that the Troy Board, management and employees all understand the value of our vision and have the passion to pursue it.

My immediate priority is to ensure that Troy is well positioned to take advantage of what I believe will be a sustained, although volatile, period of strong metal prices. The first step will be to secure a quality development or operating project that will give us a 10-year production horizon and underpin Troy's transformation to a successful mid-tier producer.

CEO'S REPORT



Nilsson Mill, Sertão - SML Operations, Brazil.

Operations: In Australia, the Sandstone Operation produced 67,934oz of gold from the treatment of 495,643t @ 4.52g/t. Mining was focused at the Lord Nelson pit where gold mined exceeded the reserve model by 29%. The process plant throughput was increased by 100,000t per annum to 600,000t per annum by adding an additional crusher and the gold recovery was improved by 3% with the addition of two leach tanks and a new stripping circuit. As planned, mining is progressing well ahead of processing with significant ore stockpiles accumulated. Therefore gold production should not be negatively impacted by heavy rainfalls during the summer cyclone season as it was this year.

In Brazil, the SML JV produced 59,306oz of gold from the treatment of 102,960t @ 19.35g/t for 41,514oz attributable to Troy. This year saw the closure of the Sertão Mine which over its life delivered 247,000oz at a spectacular grade of about 29g/t. Mining has now moved to the Antenna Cluster about 22km from our treatment plant. Mining at Xupé, the first deposit to be mined in the Antenna Cluster, has commenced delivering head grades of about 8g/t, which well exceed the reserve model. In order to optimise the processing of the Antena Cluster ore the process plant throughput was increased from 100,000t per annum to about 240,000t per annum through various circuit enhancements and the construction of an additional leach tank.

Growth: Troy has an exceptional exploration advantage – we have a consolidated tenement position surrounding both of our operations, in each case, covering the entire greenstone belt. The majority of this year's $7 million exploration budget was spent around the operations. Our exploration teams are dedicated to discovery and are using all the data and exploration tools available today. We are confident that this dedication will lead to further discovery and therefore increased reserves at both mine sites.

During the year our greenfields exploration portfolio was re-assessed and re-organised. The review highlighted the prospectivity of our Mongolian exploration projects, especially Gutain Davaa in North Central Mongolia. At Gutain Davaa our geologists have discovered four prospects delivering encouraging surface sampling results. The spectacular surface sampling results at Toordogiin Shil, one of the prospects, were confirmed with ore grade intercepts, in closely drilled holes, including 15m @ 16.9g/t and 23m @ 12.3g/t. These results have encouraged us to complete significant ground work at Toordogiin Shil and the other prospects in preparation for follow-up drilling, planned for October and November.

Our greenfields exploration portfolio will continue to be assessed and upgraded. Projects within the portfolio will be re-positioned to provide a project pipeline to our developing strategy. We will acquire exploration properties with the capacity to deliver large quality projects consistent with our vision.

Our vision is to reposition Troy as a growing highly profitable mid-tier gold producer which operates multiple high margin mines, with over 10 years life, in prospective exploration districts. This will be achieved by exploration discovery and acquisition of development or production assets.

Troy has a robust balance sheet capable of supporting a significant acquisition or project development far larger than the projects we operate today. Our merger & acquisition activity will be disciplined and measured by its effect on a per share basis, and will always add value for our shareholders. We are excited by this opportunity and are motivated to take Troy to the next level.

Sustainability: Troy is committed to the highest level of performance in employee health and safety, environmental protection and community relations.

Happily the company continues to enjoy a good safety record with no major incidents reported during the year. We have undertaken a major review of our safety procedures using recognised consultants and we will continually look for opportunities to improve on our safe work practises.

Troy's environmental performance remains at a satisfactory level with no reportable incidents. Rehabilitation is ongoing at both operating sites with closure plans well established.

We recognise that to operate profitably we need the support of the community in which we are working. This commitment to the local community begins with our exploration teams who engage local groups, maintain a dialogue with the local stake holders and where possible invest in the local community through purchase of supplies and contract work. Troy enjoys great community support at its minesites in Brazil and in Australia. We recognise, that in order to get the community support we enjoy, we need to make a difference to the sustainable standard of living in these communities. To this end Troy has supported a number of initiatives including the Royal Flying Doctor Service in Western Australia, and the provision of school buildings and facilities at Faina and the establishment of an Intensive Care Unit at a Goiás hospital in Brazil.

Management: This year saw the start of the transition in leadership at Troy. In the year ahead we will continue this transition by taking steps to reposition Troy as a successful mid-tier gold producer. We will also re-organise management and employ systems to handle our growth initiatives. This work has already begun with the implementation of a complete corporate risk review. All aspects of Troy's business is being assessed and appropriate systems and process are being implemented.

Our executive group including Ken Nilsson (Operations Director), Gerry Kaczmarek (Chief Financial Officer) and Peter Doyle (VP Exploration and Business Development) have all worked with huge dedication to secure our excellent financial result and towards re-positioning Troy. I would personally like to thank each of these individuals for their support, tireless hard work and valuable contributions.

OBJECTIVES/OUTLOOK:

Our production objective for 2006 was to produce 100,000oz. We achieved this comfortably.

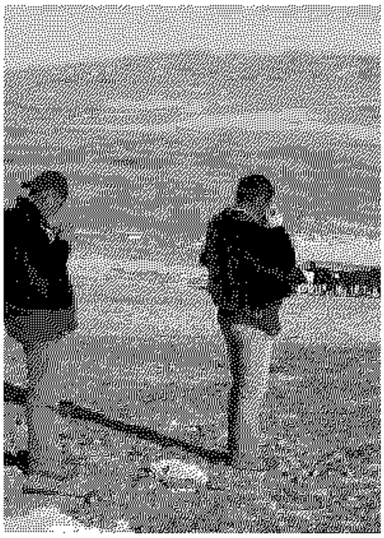
Our objectives for 2007 are to again produce 100,000oz at a cash cost of A$330/oz, replace and increase our reserve position, complete the leadership and management transition and focus and execute our business strategy consistent with our vision. Achieving these objectives will ensure we continue to add significant value for our shareholders.

In closing, I would like to thank all the employees and contractors for their great effort, and I congratulate them on their contribution to this record year.

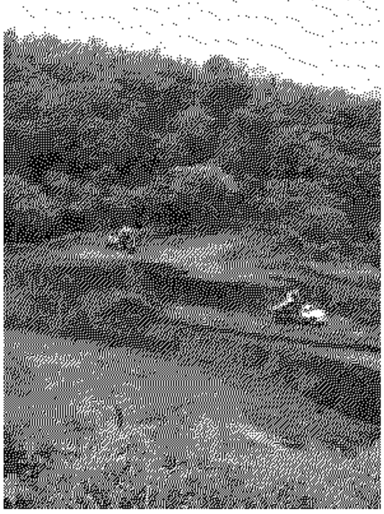
I am looking forward to the next year where we can, as a team, continue the Troy growth story.

TOMMY D McKEITH

CEO



Geological mapping - Central Mongolia.



Xupé Pit - SML Operations, Brazil.

Sertão Pit - SML Operations, Brazil.

MINING

AUSTRALIA

SANDSTONE OPERATIONS

(Troy 100%)

Mining continued at the Lords Project on a double shift operation with 1,729,258 bank cubic metres (bcm) of material mined from Lord Nelson including, 551,995 tonnes of ore grading 4.44g/t Au. Also, 229,059 bcm of material was mined from Lord Henry including, 41,814 tonnes of ore grading 4.19g/t Au. In October 2005 mining operations were reduced to a single shift operation in line with the mine plan.

Overall, the ounces of contained gold mined was 29% higher than the ore reserve prediction in the Lord Nelson pit. It is too early to reconcile the Lord Henry ore production as mining has only reached a depth of about 7.5m. Mining at Lord Henry has stopped while proposals to dispose of the ground water are being considered by the Department of Environment and Conservation. It is hoped that permission to recommence mining will be granted before the end of calendar 2006.

Heavy rain from four cyclones (500mm in January – March) affected mine production, ore cartage and mill production at the start of 2006.

The milling of the Lord Nelson ore commenced in late August 2005 following the completion of the 30km haul road from the Lords project site to the Sandstone mill. 495,643 tonnes of ore grading 4.52 g/t Au were milled during the year producing 67,934 ounces of fine gold. Two additional leach tanks were incorporated into the treatment plant to increase gold recoveries and a mobile crusher was purchased and located at the plant to improve mill throughput. An additional stripping circuit from Troy's treatment plant located at Cobar is being refurbished and will be installed in August to deal with the anticipated increase in gold production. The raising of tailing dam walls was completed in July 2006.

Contract mine haulage fleet at Sandstone.

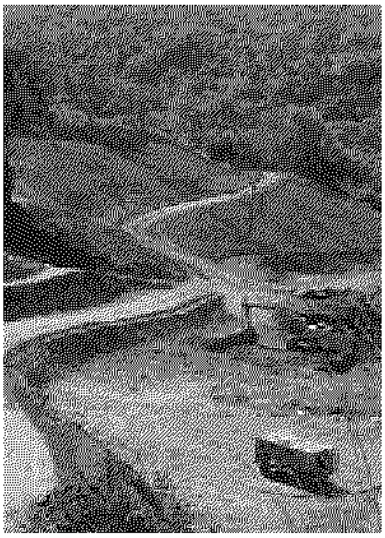
SUSTAINABILITY

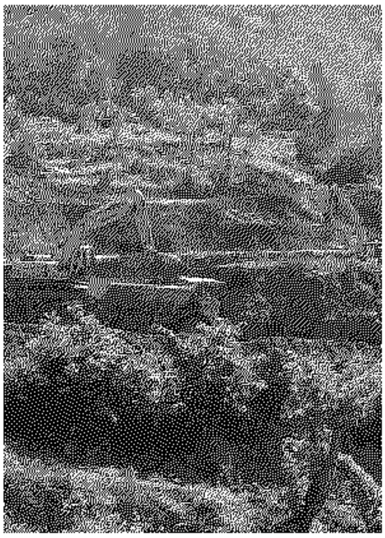
Troy has supported the St John Ambulance sub-centre at Sandstone for a number of years and a large proportion of the St John Ambulance volunteers work for the company. The sub-centre under the chair of Helen Evans (a Troy employee) was presented with the 2005 National Australia Bank Volunteer Award – Emergency and Safety section for Western Australia. Troy supports this organisation in the interest of Safety for the Sandstone Community and its work force.

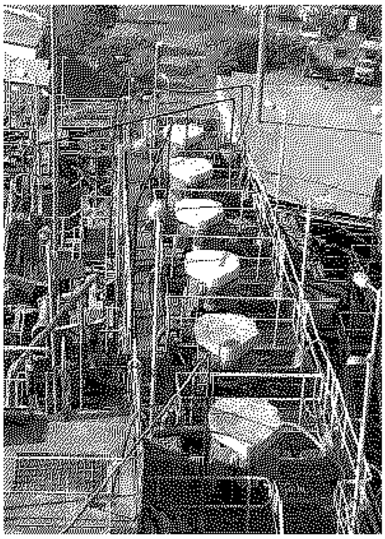
In line with Troy's policy of continuous improvement, the Company has commissioned a leading safety organisation in Western Australia (IFAP) to conduct a safety audit of its Sandstone Operation. Once the audit is completed and analysed a revised set of safety procedures will be established and implemented.

Regular senior first aid training was made available to all employees on site. Site management and employee representations were also trained in occupational health and safety programs in Perth.

Both internal and external environmental auditing has shown that the company conforms to all requirements. Environmental advisors are presently preparing an environmental plan to rehabilitate mine affected areas at the Sandstone Operation.


Xupé Pit Operations - SML Brazil.


Xupé Pit Mining - SML Brazil.


Nilsson Mill - SML Operations, Brazil.

BRAZIL

SML OPERATIONS

(Troy 70% and Manager through Sertão Mineração Ltda, "SML")

Gold production for the financial year was 59,306 ounces from treatment of 102,960 tonnes of ore at a head grade of 19.35 g/t with a 92.21 % recovery.

Mining progressed well, but with some interruption due to very heavy rains in early 2006. The Company retained Toniolo Busnello as the primary contractor for mining at both Sertão and Xupé with additional contractors used for the start up of Xupé. There were no contractual or operating issues during the year and operating budgets were achieved with the only cost increases related to higher fuel prices.

Some geotechnical issues due to the largely unconsolidated nature of the overlying cover arose whilst mining Xupé, but these did not affect mining significantly. The Xupé mine is designed as a two stage operation with the waste from Stage 2 being placed in the Stage 1 excavation. This minimises the need for external waste dump areas and does not sterilise any future development potential.

Access road improvements between Xupé and Antena are in progress to enable mining of Antena.

Mine planning and optimisation studies were conducted on all deposits in light of higher gold prices. This has resulted in better economics for some of the marginal Antena resources. Current reserves will see production continue through 2006 / 2007 and beyond, subject of course to gold price changes and government permitting.

At the Antena Cluster, all economic resources have a mine design with government permit applications in progress. Potential for extensions to some areas of the Antena deposit will be further investigated in 2006 / 2007.

Mining at the Sertão deposit, which was exhausted this year, was achieved without incident and in line with budgets. Extensional and new work north of the Sertão deposit is ongoing. Currently, mine economics do not support deepening of the existing mine or underground mining.

Mining personnel numbers have remained steady during the year with no appreciable personnel movements. Some mine operating personnel have re-located from Goiás to the town of Faina which is closer to the Antena Cluster.

During the year, several modifications were made to the processing plant to improve performance and increase capacity to double the processing rate. The major modifications included; the construction of an additional leach tank with a capacity of 220 m^3 plus infrastructure, an increase in cyclone capacity by the addition of two cyclones, the upgrade of cyclone feed pumps and tailings discharge pumps, a more efficient system for adding copper sulphate to the de-tox circuit, constructing a tailings dam and decommissioning the belt filter. The plant retains the concept of a closed circuit with no material deposited outside the overall mine environment, i.e. tailings are returned to the mined areas after detoxification and all water is returned to the plant for re-use.

A special oxygen / air injection

system that uses oxygen and air alternatively was trialled. No additional benefits were observed using this system, however, it did improve the efficiency of air injection resulting in lower oxygen usage while maintaining a satisfactory level of oxygen in the system.

The site and sample preparation laboratories continue to function well and perform analyses for the mine grade control, plant and exploration.

SUSTAINABILITY

The safety performance for the operation continued to be of a high level with only minor accidents resulting in 2 Lost Time Injuries for the year.

The Company has continued its program of education in safety and health matters by providing regular lectures to school children and interested parents. The company's safety system is constantly being upgraded with procedures being refined to ensure compliance with best practise standard and Brazilian norms.

Employee First Aid and on-the-job training is ongoing, and improvements in employee skill levels are notable. Specialist courses and seminars for professionals are supported and the company's technical staff provided some of the specialist training.

The Company's Environmental performance remains at a satisfactory level with no reportable incidents or accidents. The Brazilian legislation subjects the Company to regular assessment, and to date there have been no recorded breaches of permitted discharge levels. Rehabilitation is ongoing at both the Sertão and Xupé operations.

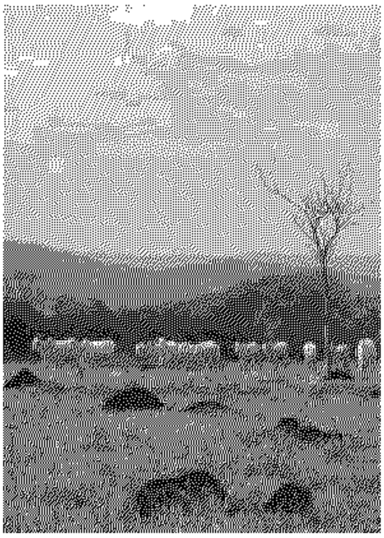
The Company has re-established its plant nursery at Xupé to provide tree seedlings for rehabilitation of Xupé and other Antenna cluster deposits.

The Company is pleased to advise that during the year it has completed the construction of five classrooms at a disused school in Faina. This project was managed by Sertão's supervisors and used local building contractors. The school now supports about 200 primary school age children. Numerous donations were made during the year and included audiovisual and computer equipment for other local Faina schools.

The Company also purchased all technical equipment for an Intensive Care Unit at a local Goiás hospital. This is yet to be installed pending completion of an upgrade of one hospital wing.

The Company maintains an active policy of supporting local communities with long term projects and facilities.

Indigenous population.



Adriana Target - SML Exploration, Brazil.

Faina school children.

EXPLORATION

EXPLORATION - GLOBAL

DURING 2005-2006 TROY'S EXPLORATION FOCUS WAS ON EVALUATION OF THE TENEMENT POSITIONS AROUND THE SANDSTONE MINE IN WESTERN AUSTRALIA AND SML OPERATIONS IN BRAZIL. OUR WORLD-WIDE GREENFIELDS EXPLORATION PORTFOLIO HAS BEEN RE-ASSESSED AND REORGANISED. THIS REVIEW HAS RESULTED IN THE RELINQUISHMENT OF SIX PROJECTS IN MONGOLIA, WITHDRAWAL FROM THE YULE RIVER JV IN WESTERN AUSTRALIA, RELINQUISHMENT OF OUR TENNANT CREEK TENEMENTS IN AUSTRALIA'S NORTHERN TERRITORY AND TERMINATION OF THE ROTGÜLDEN EXPLORATION PROJECT IN AUSTRIA. TWO NEW "DRILL STAGE" PROJECTS, SERRITA AND RIO PIRANGA WERE ACQUIRED IN BRAZIL.

Gold Bearing Surface Gossan - Digo Digo Trend - SML.

EXPLORATION - AUSTRALIA

SANDSTONE PROJECT

(Troy 100%)

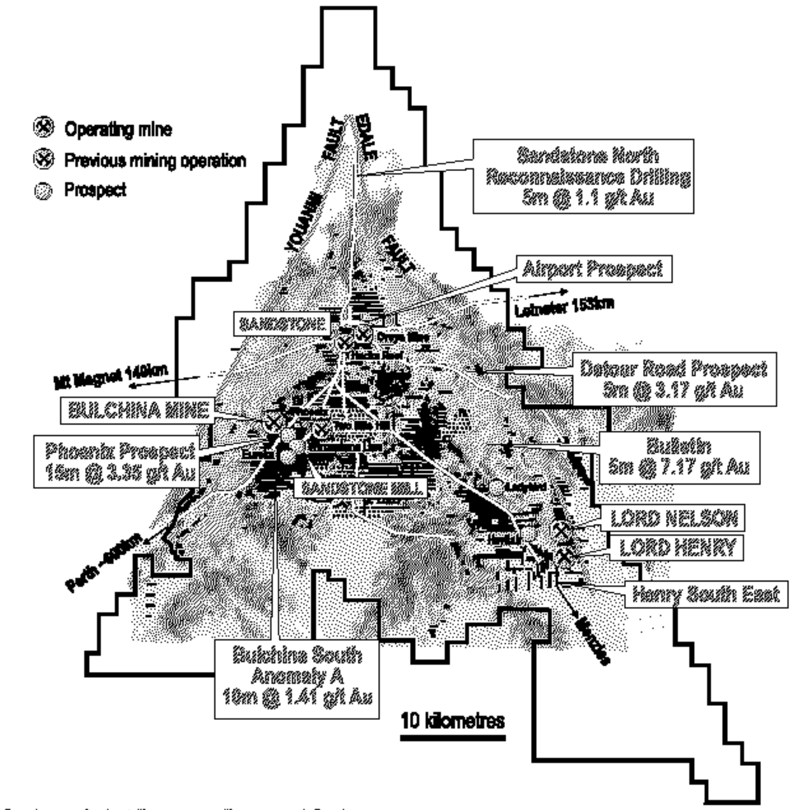
Our tenement position around the Sandstone operations was consolidated during the year with the grant of new exploration tenements covering about 800km² of the granitoid/greenstone contacts along the margins of the Sandstone Greenstone Belt (SGB).

The Company's regional regolith mapping has been extended to cover the new land holdings and reconnaissance geochemical surveys completed over selected targets. Detailed magnetics data was processed and interpreted resulting in the identification of numerous new targets beneath soil cover throughout the SGB. A 3D geological model was developed utilizing all the available Sandstone Project data. The model has significantly enhanced our understanding of the overall geological architecture of the SGB, highlighted new conceptual targets and identified the **Shillington – Two Mile Fault** and the **Bull Oak** areas within the central portion of the SGB as areas that warrant further exploration.

An Induced Polarisation (IP) geophysical survey covering a 3km length of a regionally significant west-northwest trending thrust fault was completed approximately 300m west of the Lord Henry deposit. This structure hosts the historic Maninga Marley and Havilah mines. Several discrete chargeability anomalies were identified within a locally favourable granodiorite host and subsequently drill tested. No economic gold mineralisation was intersected in this area.

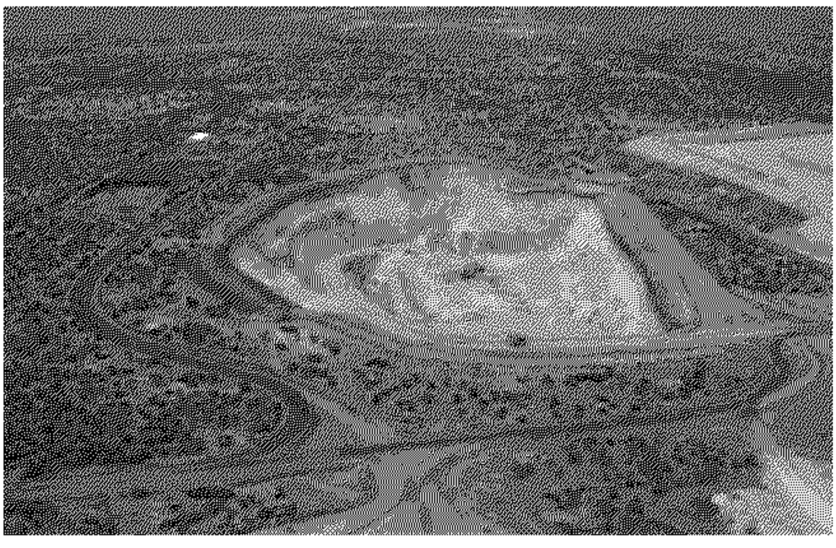
Rotary Air Blast (RAB) drilling tested a number of structural and geochemical targets throughout the SGB including the Detour Road, Henry South, and Sandstone North prospects. The best gold intercept of 5m @ 3.87g/t Au from the Detour Road Prospect occurs in gossanous quartz veins within a highly altered dolerite flanked by high magnesium basalts and shales.

EXPLORATION



Sandstone Project Tenements, Targets and Geology

Sandstone.



RAB drilling completed at Sandstone North, located at the apex of the SGB, tested targets in an area of structural convergence between the regional Edale and Youanmi Faults. These targets lie within the main structural corridors and can be 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. Further drilling to test targets generated by a new aeromagnetic interpretation is planned.

THREE RIVERS JV

(Barrick Australia Earning 70%

Barrick has completed its first year minimum expenditure commitment of $400,000 by conducting a target generation effort using existing geological, geochemical and geophysical data. Initially, exploration activities focused on the existing resource areas and included the drilling of two due diligence drill holes. A re-interpretation of the property's geology was completed along with two phases of soil sampling. Three new gold anomalies have been identified as targets for RAB drilling scheduled for the coming year.

BRONCO PLAINS JV

(Troy Earning 60%)

In March 2006, Troy entered into an earn-in joint venture agreement with Image Resources NL whereby Troy can earn a 60% interest in the Bronco Plains Project by spending $500,000 over 5 years.

A soil survey program on 400m x 100m spacings extended gold-in-soil anomalism originally identified by Image Resources. Wide-spaced soil sampling identified the **Southern Anomaly**, which returned gold values up to 26ppb. This anomaly 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. Aeromagnetic data is being processed and interpreted as part of target assessment prior to drill testing.

BLACKMAN'S JV

(Troy 22.5%)

The Blackman's JV, situated north of Mt. Magnet, was re-energised during the past year with JV operator Mt Magnet Gold NL reporting encouraging Reverse Circulation (RC) drill intersections from the **Hardpan Prospect.** Better oxide 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. 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 and only a few holes intersected fresh rock at depths greater than 80m. Mineralised intervals are generally associated with zones of intense quartz veining. 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. Additional drilling is planned.

TENNANT CREEK

(Troy 100%)

An eight hole RC drill program was completed over two discrete gravity anomalies at the **Bernborough** and **Wilderness Prospects** located approximately 28km north-northwest and 15km northeast respectively from the Tennant Creek town site. Drilling targeted classic Tennant Creek style ironstone gold mineralisation at both prospects. No significant gold mineralisation was intersected. The Company considers that the anomalies were adequately tested and the tenements have been relinquished.

London Bridge, Sandstone.

EXPLORATION - BRAZIL

SML

(Troy 70%)

In November Troy assumed direct management of the SML regional exploration program. A re-assessment of all existing targets and target generation commenced shortly thereafter. Re-assaying of all regional grid-based soil samples for arsenic was completed to create an extensive database from which a series of new soil geochemical anomalies have been identified.

Exploration activities at the SML Project focused on developing resources around the **Sertão Mine** and **Antena Cluster** and on assessing geochemical targets north of Antena and south of the mine at the **Digo Digo Prospect**.

The regional tenement position has been consolidated with the addition of several joint venture projects. Horizonte Minerals has agreed to a joint venture covering the **Lavrinhas** area. SML will have the right to earn up to 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 prospective greenstone between the Digo Digo tenements and 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 September. A JV agreement covering the **Curral de Pedras** (Dimas/Natal) area, located 4km north of the Antena Cluster has been concluded with several local prospectors.

Troy Geologists Cheryl Morton and Chris Grainger in the field with local land holder - SML Exploration, Brazil.

SERTÃO MINE EXPLORATION

A ten hole RC program tested the ore continuity at depth below Sertão Stages 4, 5 and 6. Follow-up diamond drilling is planned as soon as access negotiations and drill pad construction are completed. Mapping north of the Stage 4 pit has revealed an outcropping banded iron formation (BIF) coincident with an IP/Resistivity anomaly that warrants further investigation. Better gold results from the drilling programme included: 1m @ 23.0g/t from 68m, 1m @ 23.3g/t from 13m, 1m @ 17.9g/t from 55m, 1m @ 8.2g/t from 57m and 1m @ 32.0g/t from 93m.

SERTÃO MINE CORRIDOR EXPLORATION – SANCA PROSPECT

Exploration continued within the six kilometre east-west trending Sertão Mine Corridor with detailed geological mapping and rock chip sampling of selected targets. Follow-up sampling on anomalous gold and arsenic soil anomalies associated with garimpeiro workings at the **Sanca** and **Sanca North Prospects** was completed. Better rock sample gold assays include; 11.9g/t, 8.27g/t, 6.71g/t, 3.73g/t and 3.35g/t. Limited first pass RAB drilling was completed at Sanca North with no significant assays reported. Target evaluation and follow-up work on other anomalies within the Mine Corridor is on-going.

ANTENA CLUSTER EXPLORATION

Drilling designed to define the down-plunge extension of the Xupé orebody produced encouraging gold intercepts; 3m @ 4.27g/t from 89m, 9m @ 5.41g/t from 77m, 15m @ 2.76g/t from 127m and 6m @ 2.16g/t from 119m. The Xupé mineralisation has now been defined along 360m of strike and remains open down-plunge to the west where step-out exploration drilling is in progress.

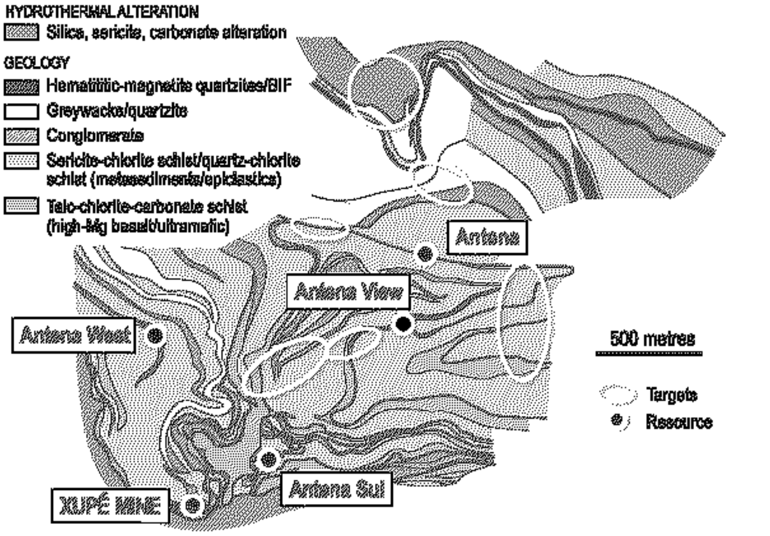
A single, deep RAB hole collared at the northern end of Antena Sul, has intersected low-grade gold mineralisation (23m @ 0.40g/t Au from 107m) associated with minor silica-sericite-pyrite +/- arsenopyrite alteration. Further diamond drilling to test the extent of the new zone is planned.

SERTÃO REGIONAL EXPLORATION

On the **Curral de Pedras** (Dimas/Natal) JV area, located 4km north of the Antena Cluster, 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 is planned.

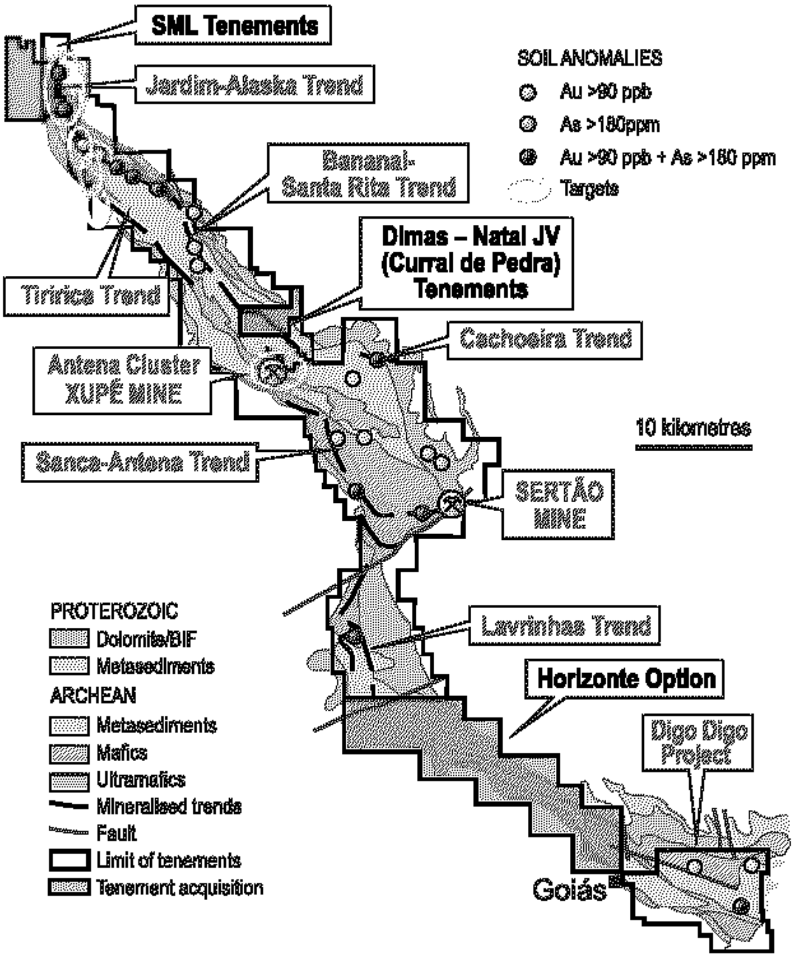
The **Sierra Prospect** is a new target that occurs along a 5km northwest trending ridgeline and is defined by gold-in-soil and numerous high PC (panned concentrate) gold anomalies associated with drainage systems on the flanks of the ridgeline. Initial reconnaissance mapping and rock chip sampling has yielded best rock chip gold assays of: 17.33g/t, 13.33g/t, 10.44g/t, 9.32g/t, 8.04g/t, 3.97g/t, 3.63g/t, 3.51g/t, 2.59g/t, 2.46g/t and 1.28g/t. Investigation of the anomalies has outlined a continuous zone of sulphidised banded iron formation and quartzite float material that occurs on the crest of the ridgeline. Drilling to evaluate the targets is planned.

Drilling north of the **Antena Cluster** at the **Jardim South, Santa Rita** and **Capoerinha West Prospects** returned encouraging intersections. At Jardim South, located about 34km north northwest of the Antena Cluster, RC and diamond drilling is presently testing for further extensions to this mineralised zone. The better gold intersections at Jardim South were: 39m @ 3.45g/t Au from 2m, 20m @ 2.73g/t Au from 33m and 5m @ 3.01g/t Au from 64m. Follow-up

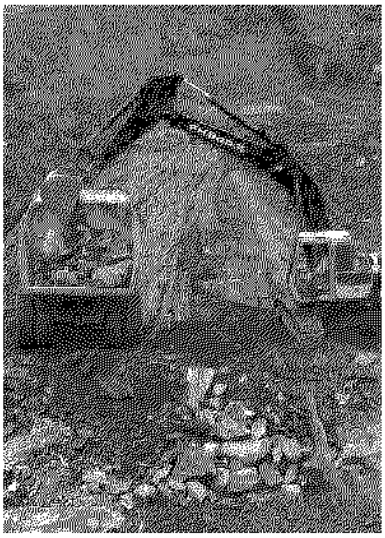


Antena Cluster Geology, Targets and Resources.

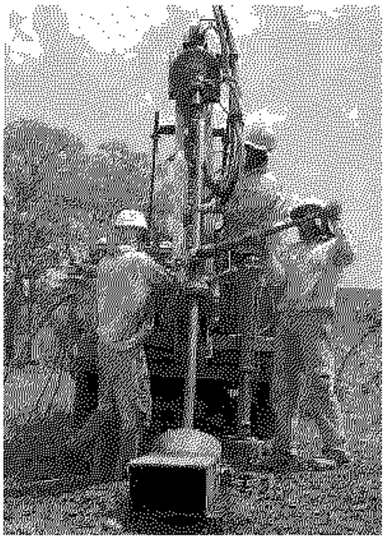
SML Tenements, Geology and Targets.



EXPLORATION



Stage 5 Pit, Sertão Mine - SML Operations, Brazil.



RAB Drilling Viuva – Nena Trend - SML Exploration, Brazil.

drilling defined a narrow west plunging ore shoot with limited tonnage potential. No further work is planned.

At Santa Rita and Capoerinha West, initial encouraging RAB drilling gold intersections of 5m @ 10.04g/t and 5m @ 3.69g/t were reported but follow-up drilling failed to delineate any significant mineralisation.

Surface soil and rock chip sampling and geological mapping was completed along the **Digo Digo Trend**, located approximately 48km south of the Sertão mine. Fourteen prospects including **Nena, Paraiso, Paraiso SE, Paraiso NW, Lucy** and **Viuva Prospects** have been defined within a northwest trending series of gossan horizons over a strike length of 5.6km. Rock sampling along the gossan horizons has returned gold assays up to 91.65g/t at **Paraiso NW Prospect**. A detailed (55 line kilometre) ground magnetics survey completed over the Digo Digo Trend has identified a strong demagnetisation zone (interpreted as an alteration 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.

First pass RAB & RC drilling was completed to test soil and rock chip anomalies at the **Paraiso NW** and **Viuva Prospects**. Drilling at Viuva has delineated a 1.4km long (+0.20g/t) gold anomaly. The anomaly remains open to the southeast through the Nena Prospect. The intensity of silica + pyrite + chalcopyrite +/- sphalerite alteration and the associated width and grade of gold mineralisation is increasing towards the southeast. A 400m long narrow zone of gold mineralisation within the larger Viuva Anomaly has been identified. Initial RAB drilling gold assay results include 3m @ 5.68g/t and 2m @ 5.26g/t associated with a biotite-silica altered zone with minor quartz veining and chalcopyrite. The entire Viuva Prospect has now been tested using a combination of 320m x 20m and 160m x 20m drill spacings. Follow-up drilling is ongoing.

TROY BRAZIL PROJECT GENERATION

(Troy 100%)

Troy's project generation team in Brazil ("TBX") continued with their ongoing assessment and project selection process. TBX concluded negotiations on two new projects, Rio Piranga and Serrita, and is negotiating several other opportunities with third parties in Brazil.

RIO PIRANGA PROJECT

(Troy earning 100%)

The **Rio Piranga Project** is an alluvial gold project located southeast of the famous Iron Quadrangle in the State of Minas Gerais. The main target, Três Cruzes, is an alluvial terrace with reported grade of approximately 6g/t Au and an estimated (non JORC compliant) resource of approximately 70,000oz gold. Troy signed a 39 month option with the vendor for a series of payments totalling US$30,000. Minimum expenditure commitments are US$100,000 by 15 months, US$200,000 by 27 months and US$300,000 by 39 months. If Troy exercises the option to purchase the project, the vendor receives US$100,000 dollars and a royalty of

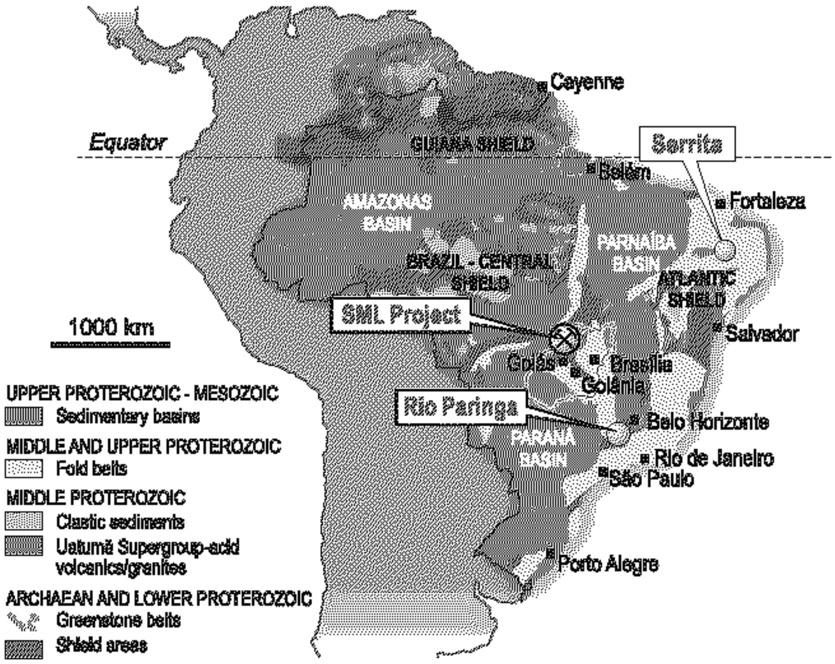
US$15/oz capped at 6,666 ozs.

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

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 nine 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. An RC drill program to assess the lateral and vertical extent of mineralisation is planned on five of the better prospects.

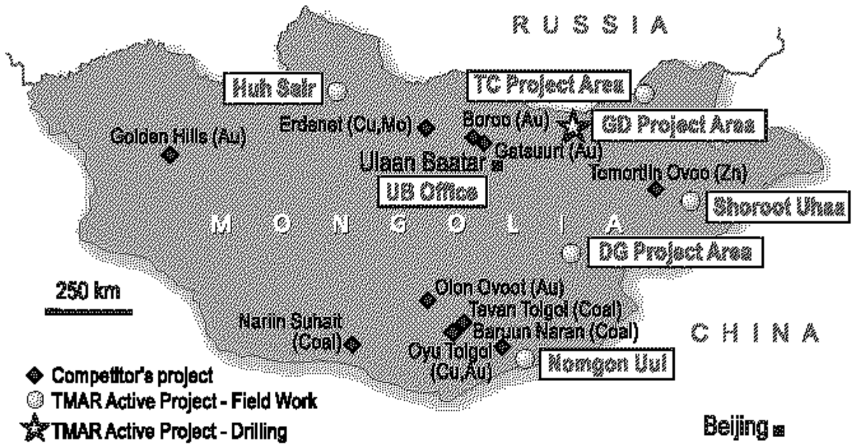


Brazil Geology with Troy Project Locations.

Troy Geologists examine local mine surface workings - Para State, Brazil.

EXPLORATION - MONGOLIA

A comprehensive re-evaluation of the Troy Mongolia Alt Resources ("TMAR") project portfolio resulted in a refocussing of the Mongolian exploration on the **Gutain Davaa, Dornogovi, Hets Ondor,** and **Shoroot Uhaa** Prospects in eastern Mongolia. As a part of this reassessment, six projects were deemed to have limited potential and were dropped. A project generation program is currently underway targeting new gold and copper-gold project acquisitions in Eastern Mongolia.



Troy Mongolia "TMAR" Project Location Plan.

GUTAIN DAVAA PROJECT

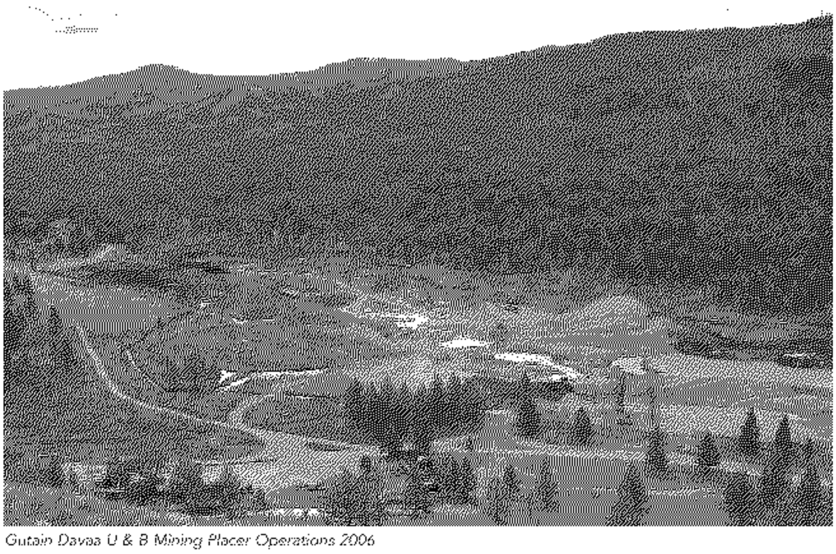
(Troy earning 80%)

A joint venture agreement between Troy Mongolia and Mongolian based U & B Mining Company was concluded whereby Troy can earn an 80% interest in the project by spending US$1 million over a three year period and making a series of cash payments to U & B Mining totalling US$100,000.

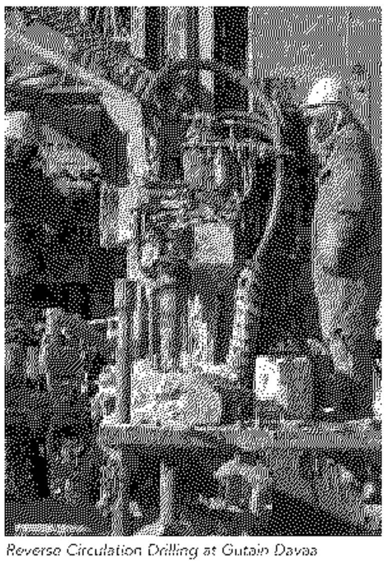
At Gutain Davaa in North Central Mongolia, field work comprised detailed geological mapping, prospecting, rock chip sampling and a ground magnetics survey. This initial field program focused on assessing the property's potential to host bedrock gold mineralisation.

The mapping and sampling has identified a new high-grade gold vein occurrence, known as the **Toordogiin Shil Zone,** which is a pyritic quartz vein zone hosted within granite. The quartz veins mapped occur over a 100m strike length and vary in thickness between 40cm and 60cm. The mineralised veins contain fine visible gold. Rock samples of the quartz vein have returned anomalous gold values ranging from 11g/t to 390g/t.

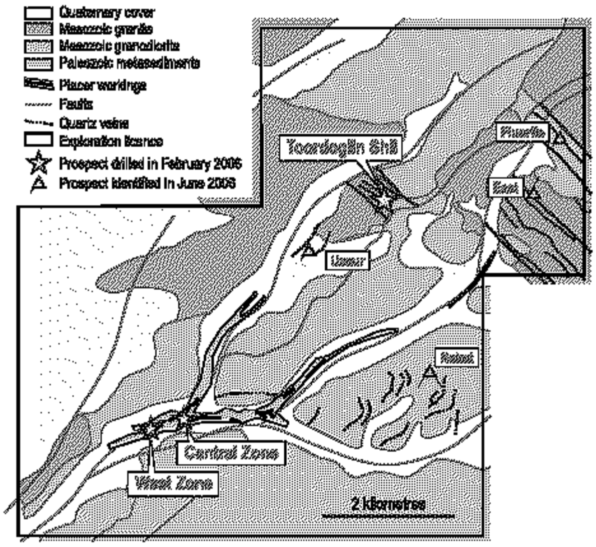
Encouraging gold assay results were returned from RC drilling at the Toordogiin Shil (TS) Prospect where eight holes were drilled along four traverses. This initial drill test targeted a ridge crest where earlier surface mapping and rock sampling had identified quartz veins with



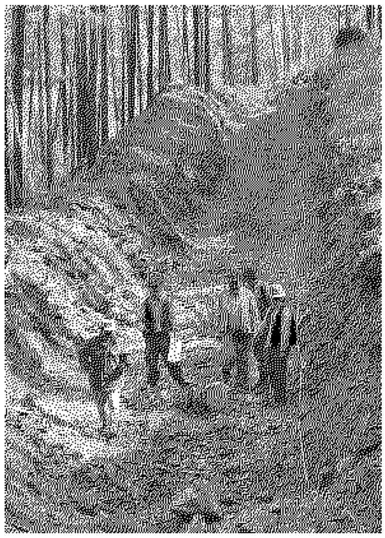
Gutain Davaa U & B Mining Placer Operations 2006



Reverse Circulation Drilling at Gutain Davaa February 2006



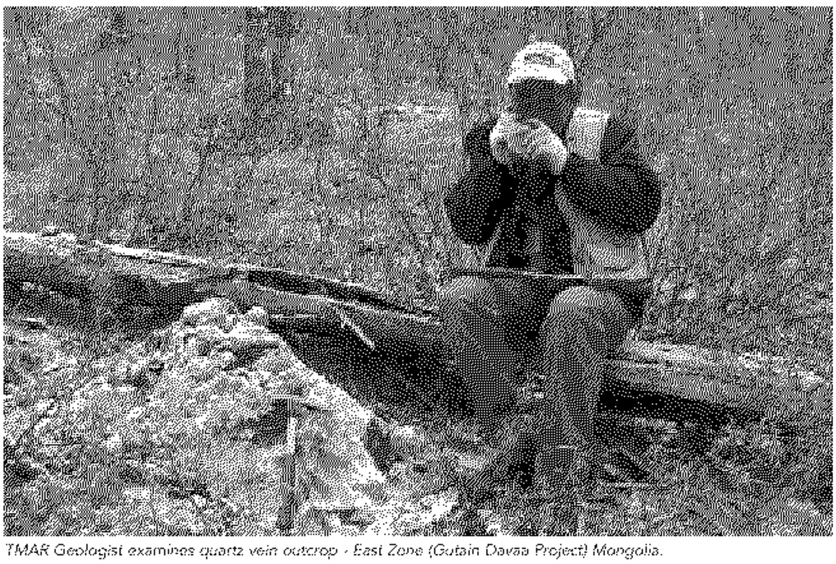
Gutain Davaa Geology and Target Plan



TMAR Geologists mapping trenches at TC Prospect.

visible gold. Drill holes RCGD 3, 4, 5 and 7 cut a series of northwest trending shear hosted, gold bearing quartz veins. The best gold assays reported from the drilling included: 15m @ 16.9g/t, 11m @ 11.3g/t and 23m @ 12.3g/t. The mineralised quartz veins are hosted within a strongly tectonised, pervasively quartz-sericite-pyrite +/- arsenopyrite altered medium grained, Mesozoic granodiorite. Visible gold and bonanza gold grades are associated with the strongly sheared margins of the quartz veins. The alteration "halo" developed in the host rocks adjacent to the veins yielded anomalous gold assays up to 1m @ 6.7g/t.

Drilling has confirmed there are three gold-bearing quartz veins that strike northwest and dip steeply to the west. The associated alteration zone is 30m wide by 100m long and remains open along strike. In June 2006, field work resumed with prospecting, detailed mapping and rock chip sampling focused on several key structural zones. Property wide, grid based soil sampling has identified 4 new prospects: **East, Uzuur, Fluorite** and **Naimt** and has extended the Toordogiin Shil Zone.



TMAR Geologist examines quartz vein outcrop - East Zone (Gutain Davaa Project) Mongolia.

The **East Prospect** is located in an area underlain by Mesozoic granite. Mapping has delineated two epithermal quartz vein breccia zones and three quartz-arsenopyrite veins situated within northwest trending structures and hosted in altered granite. The veins are up to 1.0m wide with strike lengths ranging up to 1,500m. Grab samples from veins yielded gold grades up to 4.00g/t with elevated arsenic values.

The **Fluorite Prospect** consists of a series of east-west striking, brecciated epithermal quartz-fluorite veins up to 2m in width that extend up to 400m along strike. Soil sampling returned anomalous gold values ranging from 16ppb-167ppb, while rock grab samples yielded results up to 0.8g/t.

Infill sampling at the new prospects is planned and will be followed by trenching to delineate drill targets for a drill program.

DORNOGOVI PROJECT

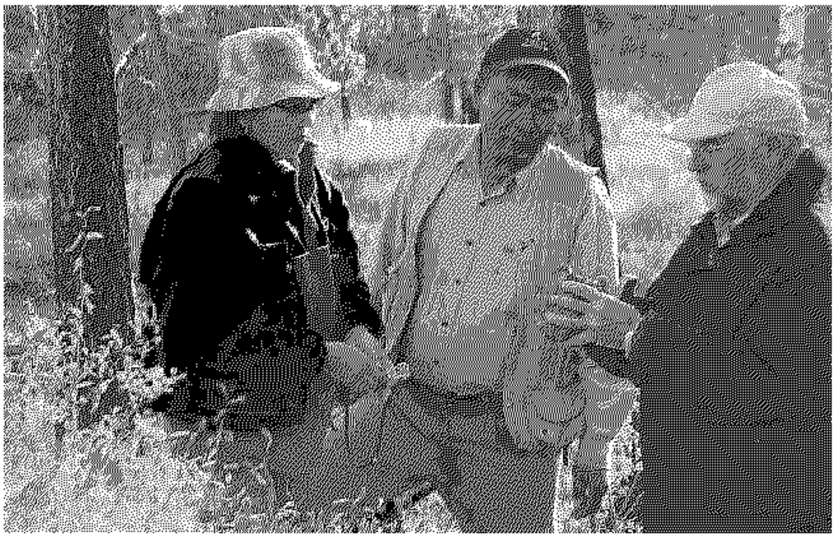
(Troy 100%)

The Dornogovi Project consists of six exploration licenses located in the central part of the Dornogovi Basin that encompass an area along the Trans-Mongolian Railway north of Sainshand in south-east Mongolia. The property is underlain predominantly by Cretaceous continental sedimentary rocks (including coal measures) on a basement of Jurassic and older igneous and metamorphic rocks that are known to be prospective for copper, gold and uranium. The original strategy for acquiring the land position was to target porphyry Cu-Au and low sulphidation epithermal gold systems. Since acquiring the ground, Troy's exploration work has highlighted potential for Permian age coal, Mesozoic age coal and uranium in addition to the copper and gold potential. TMAR completed reconnaissance mapping and rock sampling in late 2005 which was followed by a decision to reduce the holdings by 20%. TMAR is currently negotiating with a potential partner to assist with exploration over this large tenement area.

HETS ONDER PROJECT

(Troy 100%)

The **Hets Ondor Project** is a skarn style gold target characterised by coincident IP and aeromagnetic geophysical anomalies. In September 2005, geological mapping and rock chip sampling covering 6,722km² of the project area was completed. The property geology comprises hornfels and magnetite-altered Lower to Middle Devonian limestones, sandstones and volcanic rocks that are cut by Middle to Upper Jurassic intrusives. The best rock chip assay of 3g/t gold occured in a limonitic breccia hosted within an altered Devonian limestone. Follow-up work failed to outline a significant target and the project was dropped.

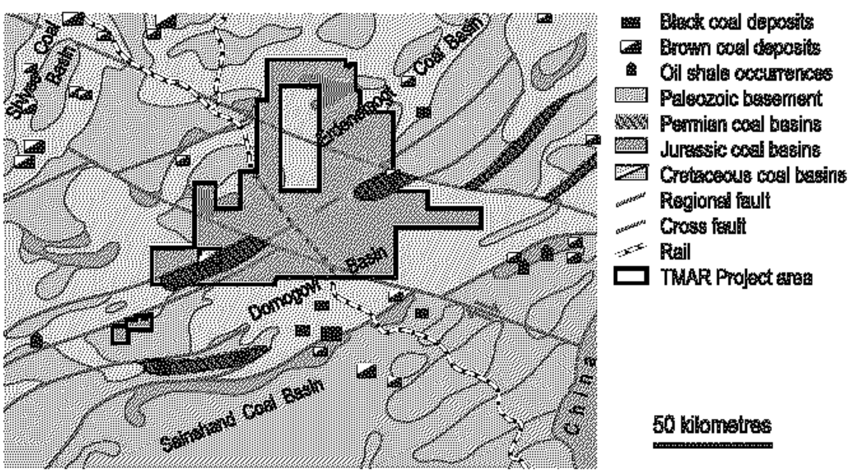


Chairman John Jones with TMAR Geologists at TS Zone Gutain Davaa Project.

SHOROOT UHAA PROJECT

(Troy 100%)

In eastern Mongolia, soil surveys at the Shoroot Uhaa Project identified a gold-in-soil anomaly with values up to 144ppb. This anomaly is situated along a regional northwest trending fault in an area of no outcrop. Auriferous quartz veins occur along this structure on an adjoining property. Infill sampling and prospecting did not yield significant encouragement to warrant any further work.



Dornogovi Project Geology and Coal Targets

EXPLORATION - FINLAND

OIJÄRVI PROJECT

(Troy 50%)

After several dormant years, drilling has re-commenced in the Oijärvi area of northern Finland, where Troy and joint-venture partners Agnico Eagle Mines Ltd (formerly Riddarhyttan Resources AB) are undertaking a 3,000m program to define extensional targets at the **Kylmäkangas** gold-silver occurrence.

The target sits within a major dilational zone situated between two north-south striking regional faults clearly defined by aeromagnetics as the major structures within Oijärvi Greenstone Belt. The joint venture tenements encompass most of the greenstone belt. Earlier drilling by the Geological Survey of Finland (1999-2000), and by the Troy-Riddarhyttan Resources JV (2001-2002), identified a high grade gold-silver bearing quartz lode (3.8m wide and 150m long) associated with minor disseminated copper, lead and zinc sulphides.

The current drilling will test the eastern plunge-continuation of the mineralisation to a depth of 230m below surface, and the western continuation of the mineralisation.

EXPLORATION - AUSTRIA

ROTGÜLDEN PROJECT

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

Drill Rig, Kylmäkangas - Oijärvi, Finland

Lingon berries - Oijärvi, Finland.

MR P A K NAYLOR

Non-Executive Independent Director

MSDIA, FFIN

(aged 70) - appointed April 1984.

A stockbroker and financial adviser with over 35 years experience, Mr Naylor is also a Director (and former Chairman) of New Privateer Holdings Limited (since 1982). He is a member of both the Audit and Remuneration Committees.

DR D E CLARKE

Non-Executive Independent Director

B.Sc (Hons) in Geology, BA, PhD in Geology (Stanford), FAusIMM

(aged 65) - appointed 23 March 1999.

Dr Clarke has more than 35 years experience in exploration and mining, principally in Australia and North America, including 15 years with Plutonic Resources Limited. He is also Chairman of Cullen Resources Limited (since 1999) and Beaconsfield Gold NL (since 2004) and a Non-Executive Director of Anglo Australian Resources NL (since 1999). Dr Clarke is the Chairman of both the Audit and Remuneration Committees. He was formerly a Director of BeMax Resources NL from June 1999 to November 2003.

MR J A S DOW

Non-Executive Independent Director

B.Sc (Hons) in Geology, FAusIMM, CP(Man)

(aged 60) - appointed 15 February 2006.

Mr Dow has had more than 38 years in the mining and exploration industry most recently as Chairman and Managing Director of Newmont Australia (formerly Normandy Mining Limited) from which he retired in March 2005. Mr Dow is currently a Director of the Australasian Institute of Mining and Metallurgy (AusIMM), President of the Society of Economic Geologists, Chairman of the WA School of Mines External Advisory Board, Chairman of the CODES (U.Tas) External Advisory Board and a former Chairman of the Australian Gold Council.

COMPANY SECRETARIES

The following persons acted as Secretaries of the Company during the entire financial year:

MR G F KACZMAREK

B.Ec (Acc), CPA, AICD.

Mr Kaczmarek was appointed Company Secretary in June 1998. He has over 20 years experience in accounting and the mining industry principally with CRA Limited (now RTZ) and Burmine Ltd.

MR W H HALL

FCA.

Mr Hall was appointed as joint Company Secretary in April 1996. He is a Chartered Accountant and has over 50 years experience in accounting and secretarial affairs.

CORPORATE INFORMATION

Troy Resources NL is a No Liability company which was incorporated in Victoria in 1984 and is domiciled in Australia with its head office in Perth, Western Australia. The Company listed on the Australian Stock Exchange ("ASX") in 1987. The Company's ordinary shares trade under ASX code "TRY" and partly paid shares under ASX code "TRYCA".

Additional Company information can be found in Note 35 to the Financial Statements.

Information on Subsidiaries and group structure can be found in Note 28 to the Financial Statements.

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the year were gold production through its operations at Sandstone in Western Australia, and the Sertão Mine in Brazil. Exploration activities, principally for gold, continued during the year concentrating primarily on the Sandstone area in WA and on project evaluation and exploration in Brazil and Mongolia.

OPERATING RESULTS

The profit from ordinary activities before tax and minority interests for the year for the Group was $31,912,000 (2005: $14,893,000). The net profit after tax and minorities for the year was $15,956,000 (2005: $7,715,000). The profit for the year was after the allowance for $8,486,000 of exploration expenditure being written off (2005: $6,634,000), and depreciation and amortisation of mining tenements of $7,136,000 (2005: $8,523,000). Mining of the Lord Nelson deposit started on 28 April 2005 and treatment of ore commenced on 24 August 2005.

The basic earnings per share for the year was 28.8 cents per share (2005: 14.0 cps) and 28.7 cps on a fully diluted basis (2005: 14.0 cps).

DIVIDENDS

The Company paid a fully franked dividend of 6.5 cents per share on 14 October 2005.

In respect of the financial year ended 30 June 2006 the Directors have declared a final dividend of 7.0 cents per share, fully franked (2005: 6.5 cents per share fully franked). The dividend will be paid on both the fully paid and partly paid shares as the latter carry full dividend entitlements. The record date for the dividend is 29 September 2006 and it will be paid on 16 October 2006.

REVIEW OF OPERATIONS

The Consolidated Entity is engaged in gold production in Western Australia and Brazil, and gold and base metal exploration and project evaluation in Australia, South America, Mongolia and Finland.

Gold sales revenue totalled $85,664,000 for the year (2005: $54,641,000). During the year, $8,023,000 was incurred on exploration expenditure and purchase of exploration tenements (2005: $7,753,000).

The Company's total equity share of production for the 2005/06 year was 110,263 ounces of gold (2005: 71,851), which was ahead of the budgeted annual production of 100,000 ounces.

The wholly owned Sandstone operations in Western Australia produced a total of 67,934 ounces of gold for the year at an average cash cost of A$241 per ounce, from the processing of 495,643 tonnes of ore at an average grade of 4.52g/t.

The Sertão Project in Goiás State in Brazil (through Troy's 70% owned subsidiary, Sertão Mineração Ltda ("SML")) produced 59,306 ounces of gold (Troy's share 41,514 ounces) from the treatment of 102,960 tonnes of ore at a head grade of 19.43g/t. The cash operating cost for the year was A$232 per ounce (US$172).

A small amount of stockpiled low grade Cornishman ore was treated in the year which contributed 815 ounces of gold to the Company's production profile.

During the year, the Company sold its wholly owned subsidiary, Ord Resources GmbH which was incorporated in Austria and held the group's interest in the Rotgülden project.

CHANGES IN STATE OF AFFAIRS

During the financial year there was no significant change in the state of affairs of the Consolidated Entity other than that referred to in the Financial Statements and notes thereto.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There has not been any matter or circumstance, except for those matters referred to in Note 31 to the Financial Statements, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

FUTURE DEVELOPMENTS

Mining at the Lord Nelson and Lord Henry mines at Sandstone in the 2006/07 year is planned to be well in excess of milling rates, with mining scheduled to be completed towards the end of the financial year. At year end, large ore stockpiles will have been generated which will be treated at the Sandstone mill over the ensuing years. Satellite deposits in the Sandstone area will also be evaluated based on current gold prices.

At SML in Brazil, mining will continue at the Xupé deposit before switching to other satellite orebodies in the Antena Cluster later in the year. Gold production will decrease as the grade of these deposits is lower than the previously mined Sertão deposit, which will be partially offset by a doubling of the mill throughput rate.

The forecast equity gold production for the group for the 2006/07 is 100,000 ounces at an average cash cost of around A$325 per ounce.

At both Sandstone in Western Australia and the Faina Greenstone Belt in Brazil, regional exploration will continue on numerous geological targets.

The group continues to actively pursue growth through exploration and acquisition of new projects.

SHARE ISSUES

During the year, 210,000 fully paid ordinary shares were issued due to the exercise of employee options and 267,400 partly paid shares were paid up to fully paid shares.

In addition, 350,000 unlisted partly paid shares were issued to Troy's recently appointed Chief Executive Officer, Mr T D McKeith. These partly paid shares have an issue price of $3.60 and have been paid to $0.30. No calls can be made on these shares before 1 April 2011. As required under the Constitution of the Company, these partly paid shares carry full dividend entitlement and proportional voting rights.

SHARE OPTIONS

During the financial year, 1,015,000 options over unissued shares were granted by Troy Resources NL under the Employee Share Option Scheme. Of these, 935,000 were issued to Key Management Personnel of the Company. A total of 1,389,500 unissued shares are under option in Troy Resources NL at the date of this report at issue prices ranging from $1.52 to $2.45. No person entitled to exercise any of these options had or has any rights by virtue of the options to participate in any share issue of any related corporation. (Refer to Notes 23 and 24 to the Financial Statements.)

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has a signed Deed of Access, Insurance and Indemnity with every Director of the Company against a liability to another person, other than the Company or a related body corporate of the Company, provided that:

(a) the provisions of the Corporations Act 2001 (including, but not limited to, Chapter 2E) are complied with in relation to the giving of the indemnity; and

(b) the liability does not arise in respect of conduct involving a lack of good faith on the part of the Director.

During the financial year, the Company paid a premium in respect of an insurance policy covering the Directors of the Company, the Company Secretaries and all executive officers of the Company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The amount of the premium paid on the policy was $21,469 (2005: $20,050).

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

ENVIRONMENTAL REGULATIONS

The Consolidated Entity is committed to a high standard of environmental performance and during the year has not received any fines or prosecutions under any environmental laws or regulations. The Consolidated Entity did not incur any reportable environmental incidents during the year.

Troy Resources NL is a voluntary signatory to the Australian Minerals Industry Code for Environmental Management.

MEETINGS OF DIRECTORS

The Directors attended Board Meetings held during the year as follows:

Director	Meetings Held While a Director	Meetings Attended
Mr J L C Jones	12	12
Mr P A K Naylor	12	12
Mr K K Nilsson	12	12
Dr D E Clarke	12	12
Mr J A S Dow	4	4
Mr T D McKeith	2	2

The Company has an Audit Committee consisting of Dr D E Clarke (Committee Chairman) and Mr P A K Naylor, both independent, Non-Executive Directors. The Audit Committee met twice during the year and both representatives attended both those meetings.

The Company also has a Remuneration Committee consisting of Dr D E Clarke (Committee Chairman) and Mr P A K Naylor. The Remuneration Committee met once during the year and both representatives attended that meeting.

INTEREST IN THE SHARES AND OPTIONS OF THE COMPANY

The relevant interest of each Director in the share capital of the Company as at the date of this report is:

Director	Number of Fully Paid Shares		Number of Partly Paid Shares		Options
	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial	
Mr J L C Jones	919,000	7,664,209	103,800	1,792,225	-
Mr P A K Naylor	190,500	30,600	81,000	34,400	-
Mr K K Nilsson	91,252	-	-	-	-
Dr D E Clarke	310,000	-	-	-	-
Mr J A S Dow	20,000	-	-	-	60,000
Mr T D McKeith	-	-	-	350,000	500,000

REMUNERATION REPORT

This report outlines the compensation arrangements in place for Directors and other Key Management Personnel of Troy Resources NL ("the Company"). The report is set out under the following main headings:-

A. Directors and other Key Management Personnel;

B. Principles used to determine the components and amount of compensation;

C. Company performance;

D. Specific details of compensation paid to Directors and other Key Management Personnel;

E. Details of share-based compensation; and

F. Employment Contracts.

The information provided under sections B and D to F includes compensation disclosures that are required under Accounting Standard AASB124 – "Related Party Disclosures" and these disclosures have been transferred from the financial statements which have been audited. The disclosure in section C is required by the Corporations Act 2001 and the Corporations Regulations 2001 which have not been audited.

A. DETAILS OF DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

The Directors of Troy Resources NL during the year were:

J L C Jones:
Chairman (Executive Chairman and CEO until 3 April 2006)

T D McKeith:
Chief Executive Officer (appointed 3 April 2006)

K K Nilsson:
Director – Operations (Managing Director until 3 April 2006)

D E Clarke:
Non-Executive Director

P A K Naylor:
Non-Executive Director

J A S Dow:
Non-Executive Director (appointed 15 February 2006)

Details of the Directors experience and qualifications are set out on pages 23 and 24 of this report.

Other Key Management Personnel of Troy Resources NL during the year were:

P J Doyle:
Vice President – Exploration and Business Development (appointed 18 July 2005)

G F Kaczmarek:
Company Secretary and Chief Financial Officer

K D Ross:
Operations Manager – Western Australia

G E Cheong:
Resident Mine Manager

L J Skotsch:
Exploration Manager – Australia (now Senior Evaluation Geologist)

Additional Executives for the Group during the year:

H A Clive:
Director Ord Resources Ltd (UK subsidiary)

T S Tserenjav:
Exploration Manager – Mongolia, Troy Mongolia Alt Resources

C C Spurway:
Exploration Manager – Brazil, Troy Brasil Exploração Mineral Ltda

During the year, the Consolidated Entity had subsidiaries in the UK, Finland, Austria and Brazil where the duties of the Company Secretary, or its equivalent, has been assigned to a local legal firm to provide the relevant residential country support. In these cases there is no specific individual occupying the position of Company Secretary.

B. PRINCIPLES USED TO DETERMINE THE COMPONENTS AND AMOUNT OF COMPENSATION

(i) Remuneration Philosophy

The performance of the Company is dependent upon the quality of its Directors and executives. To continue its growth, the Company must attract, motivate and retain highly skilled Directors and other Key Management Personnel.

Remuneration is set at a competitive level which is commensurate with the level of experience, skill, qualifications and duties of the person and set within the Company's capacity to pay.

(ii) **Remuneration Structure**

In accordance with corporate governance best practice, the structure and review of Non-Executive Directors and those of Key Management Personnel, including Directors, is separate and distinct.

(iii) **Non-Executive Director Remuneration**

In accordance with the Company's Constitution and the ASX Listing Rules, the aggregate remuneration of Non-Executive Directors is determined from time to time by the Company's shareholders at a General Meeting. The current determination was made at a General Meeting held on 18 May 2006 when an aggregate remuneration of $400,000 per annum was approved.

The Executive Directors, in the absence of the Non-Executive Directors, determine an appropriate allocation of this aggregate to be apportioned amongst the Non-Executive Directors. In determining an appropriate remuneration level, the Executive Directors consider reports from external consultants, the level of fees paid to Non-Executive Directors of comparable companies and the amount of time required to fulfil their duties to the shareholders.

Non-Executive Director remuneration is paid as a cash fee plus applicable superannuation entitlements, and they qualify to participate in the Company's Employee Share Option Scheme, although any allocation must be approved by the Shareholders in general meeting. There is no retirement benefit plan for Non-Executive Directors.

The remuneration of Non-Executive Directors for the financial year ended 30 June 2006 is detailed on page 31 of this Report.

(iv) **Remuneration Committee**

The Company has a formally constituted Remuneration Committee which is responsible for determining and reviewing remuneration for the Executive Directors and other Key Management Personnel. This Committee is composed of Dr D E Clarke (Committee Chairman) and Mr P A K Naylor who are both Non-Executive Directors of the Company.

The responsibilities and functions of the Remuneration Committee include:

- Review the competitiveness of the Company's Key Management Personnel compensation programmes to ensure:
  - (a) the attraction and retention of Company Key Management Personnel;
  - (b) the motivation of Company officers to achieve the Company's business objectives; and
  - (c) to align the interest of key leadership with the long-term interests of the Company's shareholders.
- Review trends in management compensation, oversee the development of new compensation plans and, when necessary, approve the revision of existing plans.
- Review the performance of Key Management Personnel.
- Review and approve the Chairman's and Chief Executive Officer's goals and objectives, evaluate their performance in light of these corporate objectives, and set the compensation levels for Executive Director's to be consistent with Company philosophy.
- Review the salaries, bonus and other compensation for Key Management Personnel. The Committee will recommend appropriate salary, bonus and other compensation to the Board for approval.
- Review and approve compensation packages for new Company Key Management Personnel and termination packages for corporate officers as requested by management.
- Review and make recommendations concerning long-term incentive compensation plans, including the use of share options.

The Remuneration Committee reviews salary packages on an annual basis, usually in June/July, and at other times where a specific case is referred to it by the Board or management.

(v) **Executive Director and Senior Management Personnel Remuneration**

The Company aims to reward Key Management Personnel with a level and mix of remuneration commensurate with their qualifications, skills, position and responsibilities within the organisation.

To assist in determining the level and composition of remuneration, the Company subscribes to independent research reports which detail remuneration levels in the Australian mining industry for executive and general operating positions. The Remuneration Committee also has access to salary and remuneration reports from various human resource and recruitment agencies.

Remuneration consists of the following components:

(a) Fixed Remuneration;

(b) Variable Remuneration comprising:

  (i) Short Term Incentives/Rewards

  (ii) Long Term Incentives

(c) Special Benefits

(a) Fixed Remuneration

Fixed Remuneration comprises the base pay of employees and includes their annual salary, superannuation and prescribed non-financial fixed benefits such as provision of a motor vehicle, car allowance etc.

Executives are offered a competitive salary package as this forms the base of their remuneration. Base salary is reviewed annually to ensure remuneration is competitive with the general market range. This is very important as most Key Management Personnel do not receive any Short Term Incentive/Reward component in their package.

(b) (i) Variable Remuneration – Short Term Incentives/Rewards

Should the Company achieve an above budget profit and/or production target in a financial year, or a new phase of project development is successfully achieved in an expedient manner and within budget, the Remuneration Committee may reward the Executive Directors with a cash bonus during the annual salary review.

These bonuses are not a pre-determined amount or pool linked to an incentive arrangement, but a post-outcome reward assessed on actual performance. It is considered that a bonus is paid for exceptional performance and not as a regular portion of the remuneration package of Key Management Personnel. It is believed that short-term incentives can cause a short-term focus and could be detrimental to the long-term growth of the Company and those ensuing benefits to shareholders.

(b) (ii) Variable Remuneration – Long-Term Incentives

Long-term incentives are predominantly provided through participation in the Company's Employee Share Option Scheme.

The objective of the Employee Share Option Scheme is to reward employees in a manner which aligns them with those of the shareholders of the Company.

Additional details of the Employee Share Option Scheme can be found at Note 24 to the Financial Statements.

The Employee Share Option Scheme is open to all employees and allocations are made at the discretion of the Remuneration Committee and the Board, in terms of both amounts and timing. In general, larger allocations are made to senior executives who have a greater impact on the direction, management and performance of the Company.

During and since the end of the financial year, 935,000 share options have been granted to Directors and other Key Management Personnel of the Company.

(c) Special Benefits

The Company may grant a special benefit to an employee in certain circumstances. These special benefits may include house rental and/or relocation payment for employees that are being relocated to commence their employment with, or change position within, the Company's operations. Benefits could also include payment of spouse or family travel when accompanying an executive on Company business.

Special Benefits are not considered to be a regular part of a Key Management Person's remuneration, but are granted due to irregular special circumstances referable to the person's employment or work with the Company.

C. COMPANY PERFORMANCE

The following table shows the performance of the Company over the past six years based on several key indicators:

	FINANCIAL YEARS ENDED 30 JUNE					
	2006	2005	2004	2003	2002	2001
Diluted Earnings per Share (cents)	28.7	14.0	25.6	10.4	7.3	13.5
Shareholders' Funds ($m)	61.0	45.5	41.9	27.9	19.7	15.8
Dividends per Share (cents)	7.0	6.5	6.0	5.5	5.0	4.5
Net Profit After Tax & Minorities (A$m)	16.0	7.7	14.1	5.6	3.7	6.8
Operating Revenue (A$m)	85.7	54.6	85.1	40.8	29.6	28.2
Gold Production (ozs)	110,263	71,851	122,531	80,170	46,835	58,299
Share Price (A$/share)	$2.60	$2.43	$2.75	$1.70	$1.90	$0.68
Market Capitalisation (A$m)	142	132	145	90	95	32

Please note: The financial years prior to 2005 are prepared under AGAAP accounting standards existing before the adoptions of AIFRS accounting standards for the 2005 and 2006 financial years.

D. DETAILS OF DIRECTOR AND OTHER KEY MANAGEMENT PERSONNEL REMUNERATION

Compensation packages contain the following key elements:

(a) **Short Term Employee Benefits:**

salary/fees, bonuses allowances and non-monetary benefits including the provision of fully maintained motor vehicles, insurance benefits;

(b) **Post-employment benefits:**

including superannuation and prescribed retirement benefits;

(c) Equity:

share options granted under the Employee Share Option Scheme as disclosed in Note 24 to the Financial Statements: and

The following table discloses the compensation of the Directors of the Company:

2006 Name	Short-term Employee Benefits Cash Salary & Fees $	Cash Bonus[d] $	Other Cash Benefits[f] $	Non-Monetary Benefits[c] $	Post-Employment Benefits Super-annuation $	Retirement Benefits $	Equity Share Based[e] Payments $	Total $
T D McKeith [a]	87,500	-	-	87,477	7,875	-	439,787	622,639
J L C Jones	286,048	60,000	43,598	-	31,228	-	-	420,874
K K Nilsson	273,645	60,000	-	8,785	28,237	-	-	370,667
P A K Naylor	60,000	-	-	-	5,400	-	-	65,400
D E Clarke	114,826[g]	-	-	-	5,400	-	-	120,226
J A S Dow [b]	22,500	-	-	-	-	-	12,119	34,619
Total	844,519	120,000	43,598	96,262	78,140	-	451,906	1,634,425

Cash bonuses as a percentage of the total compensation are: J L C Jones 14.4%

K K Nilsson 16.3%

(a) *Appointed 3 April 2006*

(b) *Appointed 15 February 2006*

(c) *Includes the value of non-cash benefits such as travel and the provision of fully maintained motor vehicles and fuel and relocation expenses. The amounts include amounts paid for Fringe Benefits Tax, where applicable.*

(d) *Messrs J L C Jones and K K Nilsson were granted a cash bonus of $60,000 each in the 2005/06 year, following a review by the Remuneration Committee. The bonus is in recognition of their contribution to the successful operation of the Sertão mine and the company during the year.*

(e) *Options and Partly Paid Shares were valued using the Binomial Option Pricing Model. Mr McKeith's Share Based Payments includes the fair value of 350,000 Partly Paid Shares issued to him at an exercise price of $3.60 and paid to $0.30.*

(f) *Mr JLC Jones received a motor vehicle allowance of $43,598 for the year.*

(g) *Includes $54,826 paid to a related party consulting services provided to the Consolidated Entity.*

2005 Name	Short-term Employee Benefits Cash Salary & Fees $	Cash Bonus[c] $	Other Cash Benefits[d] $	Non-Monetary Benefits[a] $	Post-Employment Benefits Super annuation $	Retirement Benefits $	Equity Share-based Payments $	Total $
J L C Jones	307,733	60,000	40,000	2,611	27,696	-	-	438,040
K K Nilsson	271,762	60,000	-	12,232	24,459	-	-	368,453
D E Clarke	81,950[b]	-	-	-	4,500	-	-	86,450
P A K Naylor	50,000	-	-	-	4,500	-	-	54,500
Total	711,445	120,000	40,000	14,843	61,155	-	-	947,443

Cash bonuses as a percentage of the total compensation are: J L C Jones 14%

K K Nilsson 16%

(a) *Includes the value of non-cash benefits such as travel and the provision of fully maintained motor vehicles and fuel and relocation expenses. The amounts include amounts paid for Fringe Benefits Tax, where applicable.*

(b) *Includes $31,950 paid to a Director related entity for consulting services provided to the Consolidated Entity.*

(c) *Messrs J L C Jones and K K Nilsson were granted a cash bonus of $60,000 each in the 2004/05 year, following a review by the Remuneration Committee. The bonus was referable to the record level of gold production and profit of the Consolidated Entity achieved during the year.*

(d) *Mr J L C Jones received a motor vehicle allowance of $40,000 for the year.*

The following table discloses the compensation of other Key Management Personnel of Troy Resources NL during the year:

2006	Short-Term Employee Benefits				Post-Employment Benefits		Equity	
Name	Cash Salary & Fees $	Cash Bonus $	Other Cash Benefits $	Non-Monetary Benefits[b] $	Super-annuation $	Retirement Benefits $	Share-Based Payments[c] $	Total $
P J Doyle[a]	159,998	-	-	-	68,000	-	143,812	371,810
K D Ross	113,000	-	-	6,565	82,170	-	18,503	220,238
G F Kaczmarek	163,320	-	-	11,333	12,696	-	12,972	200,321
G E Cheong	179,615	-	-	-	16,165	-	-	195,780
L J Skotsch	156,000	-	-	9,827	14,040	-	10,675	190,542
Total	771,933	-	-	27,725	193,071	-	185,962	1,178,691

(a) *Appointed 18 July 2005*

(b) *Includes the value of non-cash benefits such as travel and the provision of fully maintained motor vehicles and fuel and relocation expenses. The amounts include amounts paid for Fringe Benefits Tax, where applicable.*

(c) *Options were valued using the Binomial Option Pricing Model.*

2005	Short-term Benefits				Post-Employment Benefits		Equity	
Name	Cash Salary & Fees $	Cash Bonus[d] $	Other Cash Benefits $	Non-Monetary Benefits[b] $	Super-annuation $	Retirement Benefits $	Share-Based Payments[c] $	Total $
K D Ross[a]	55,083	-	-	2,462	18,038	-	-	75,583
G F Kaczmarek	156,000	-	-	35,292	14,040	-	18,660	223,992
G E Cheong	169,565	-	-	-	15,261	-	-	184,826
L J Skotsch	147,000	-	-	15,579	13,230	-	16,361	192,170
Total	527,648	-	-	53,333	60,569	-	35,021	676,571

(a) *Appointed 11 February 2005*

(b) *Includes the value of non-cash benefits such as travel and the provision of fully maintained motor vehicles and fuel and relocation expenses. The amounts include amounts paid for Fringe Benefits Tax, where applicable.*

(c) *Options were valued using the Binomial Option Pricing Model.*

E. VALUE OF OPTIONS ISSUED TO KEY MANAGEMENT PERSONNEL

The following options have been granted, vested, exercised or lapsed in relation to Key Management Personnel during the year:

2006 Name	Options Granted Value at grant date $	Options Exercised Value at exercise date $	Options Lapsed Value at time of lapse $	Total value of options granted, exercised and lapsed[3] $	Value of options included in remuneration for the year[4] $	Percentage of total remuneration for the year that consists of options %
T D McKeith	933,015	-	-	933,015	439,787	70.6
J A S Dow	54,866	-	-	54,866	12,119	35.0
P J Doyle	251,710	-	-	251,710	143,812	38.7
K D Ross	81,943	-	-	81,943	18,503	8.4
G F Kaczmarek	-	80,365[1]	-	80,365	12,972	6.5
L J Skotsch	-	23,700[2]	-	23,700	10,675	5.6

Value of options – basis of calculation:

(1) *These options were granted on 10 August 2002 and 29 August 2003.*

(2) *These options were granted on 29 August 2003.*

(3) *The total value of options granted, exercised and lapsed is calculated based on the following:*
- *Fair value of the option at grant date multiplied by the number of options granted during the year; plus*
- *Fair value of the option at the time it is exercised multiplied by the number of options exercised during the year; plus*
- *Fair value of the option at the time of lapse multiplied by the number of options lapsed during the year.*

(4) *The total value of options included in compensation for the year is calculated in accordance with Accounting Standard AASB 124 "Related Party Disclosures. This requires the following:*
- *The value of the options is determined at grant date and is included in remuneration on a proportionate basis as vesting occurs.*
- *The options vest over a period of time, therefore, in accordance with Accounting Standard AASB 2 "Share Based Payments" only the portion of the total fair value of the options at vesting date is included in remuneration for the financial year.*

There were no options granted, vested, exercised or lapsed in relation to Key Management Personnel during the 2005 year.

2005 Name	Options Granted Value at grant date $	Options Exercised Value at exercise date $	Options Lapsed Value at time of lapse $	Total value of options granted, exercised and lapsed[3] $	Value of options included in remuneration for the year[4] $	Percentage of total remuneration for the year that consists of options %
G F Kaczmarek	-	32,875[1]	-	32,875	18,660	8.3
L J Skotsch	-	22,300[2]	-	22,300	16,361	8.5

Value of options – basis of calculation:

(1) *These options were granted on 10 August 2002.*

(2) *These options were granted on 29 August 2003 and 21 November 2001.*

(3) *The total value of options granted, exercised and lapsed is calculated based on the following:*
- *Fair value of the option at grant date multiplied by the number of options granted during the year; plus*
- *Fair value of the option at the time it is exercised multiplied by the number of options exercised during the year; plus*
- *Fair value of the option at the time of lapse multiplied by the number of options lapsed during the year.*

(4) *The total value of options included in remuneration for the year is calculated in accordance with Accounting Standard AASB 124 "Related Party Disclosures". This requires the following:*
- *The value of the options is determined at grant date and is included in remuneration on a proportionate basis as vesting occurs.*
- *The options vest over a period of time, therefore, in accordance with Accounting Standard AASB 2 "Share Based Payments" only the portion of the total fair value of the options at vesting date is included in remuneration for the financial year.*

F. EMPLOYMENT CONTRACTS

The only Key Management Person with an employment contract is Mr T D McKeith who was appointed a Director and Chief Executive Officer of the Company on 3 April 2006. The major provisions of his contract are as follows:-

- No fixed term;
- Base salary from 3 April 2006 of $350,000 per annum to be reviewed annually effective 1 July each year with a minimum increase equal to the Australian CPI rate for the year;
- The grant of 500,000 options under the Troy Resources NL Employee Share Option Scheme;
- The issue of 350,000 unlisted, non-transferable partly paid shares in the Company. These shares have an issue price of $3.60 and are paid to $0.30. the Company has agreed not to call the unpaid portion within 5 years from 3 April 2006, ie 3 April 2011;
- Payment of a termination benefit by the Company, other than for serious misconduct, equal to the cash equivalent of 6 months of Mr McKeith's base salary at that time;
- In the event of a change of control of the Company in which Mr McKeith has been instrumental, he will be entitled to a bonus payment equal to one year's of his then current base salary.

NON-AUDIT SERVICES

The auditor of the Company and its subsidiaries is Deloitte Touche Tohmatsu. The Company has a policy in accordance with Corporate Governance best practice that the tax services and other general accounting advice and services, should not be performed by the Company's auditor. However, the Company may employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Consolidated Entity are important and closely related to their work as auditor of the Company.

The Audit Committee and the Board of Directors of the Company are satisfied that the provision of non-audit services by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of non-audit services provided do not compromise the independence of the auditor.

A copy of the auditor's Independence Declaration as required under Section 307C of the Corporations Act 2001 is set out on page 35.

Details of amounts paid or payable to the auditor for audit and non-audit services provided during the financial year are outlined in Note 22 to the Financial Statements.

ROUNDING OF AMOUNTS

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' Report and the Financial Report are rounded off to the nearest thousand dollars.

Signed at West Perth, Western Australia, this 29th day of September 2006 in accordance with a resolution of Directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors
of Troy Resources NL

J L C JONES
Chairman

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Woodside Plaza
Level 14
240 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia
DX 206
Tel: +61 (0) 8 9365 7000
Fax: +61 (0) 8 9365 7001
www.deloitte.com.au

The Board of Directors
Troy Resources NL
44 Ord Street
West Perth WA 6005

29 September 2006

Dear Sirs

TROY RESOURCES NL

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Troy Resources NL.

As lead audit partner for the audit of the financial statements of Troy Resources NL for the financial year ended 30 June 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

KEITH F JONES
Partner
Chartered Accountants

INCOME STATEMENT

AS AT 30 JUNE 2006

	Notes	CONSOLIDATED 2006 ($'000)	CONSOLIDATED 2005 ($'000)	COMPANY 2006 ($'000)	COMPANY 2005 ($'000)
Revenue	2	85,664	54,641	43,509	7,112
Cost of sales		(37,909)	(27,305)	(22,327)	(12,827)
Gross Profit/(Loss)		47,755	27,336	21,182	(5,715)
Other income from ordinary activities	2	4,052	1,895	12,035	33,665
Exploration expenses		(8,486)	(6,634)	(3,247)	(3,714)
Administration expenses		(7,734)	(5,617)	(5,313)	(3,593)
Corporate activity expenses		(3,606)	(364)	(3,651)	(364)
Other expenses		-	(1,654)	(1,396)	(2,676)
Finance costs		(69)	(69)	(57)	(57)
Profit Before Income Tax		31,912	14,893	19,553	17,546
Income tax (expense)/income	4	(11,734)	(1,334)	(4,226)	2,115
Profit after income tax expense/income		20,178	13,559	15,327	19,661
Loss from discontinuing operations		(163)	-	-	-
Profit for the period		20,015	13,599	15,327	19,661
(Profit) attributable to minority interests		(4,059)	(5,844)	-	-
Profit Attributable to Members of the Parent Entity		15,956	7,715	15,327	19,661
Earnings Per Share					
Basic (cents per share)	19	28.8	14.0		
Diluted (cents per share)	19	28.7	14.0		

Notes to the Financial Statements are included on pages 40 to 84.

BALANCE SHEET
AS AT 30 JUNE 2006

	Notes	CONSOLIDATED 2006 ($'000)	CONSOLIDATED 2005 ($'000)	COMPANY 2006 ($'000)	COMPANY 2005 ($'000)
CURRENT ASSETS					
Cash and cash equivalents	5	33,397	27,821	26,833	21,214
Trade and other receivables	6	3,447	2,850	778	2,421
Other financial assets	7	1,434	4,066	1,396	4,024
Inventories	8	10,355	4,306	8,470	1,881
Current tax assets	4c	-	-	-	573
Other assets		4	-	4	-
TOTAL CURRENT ASSETS		48,637	39,043	37,481	30,113
NON-CURRENT ASSETS					
Property, plant and equipment	9	16,466	14,692	13,843	13,725
Exploration and evaluation	10	412	875	320	458
Loans to subsidiaries		-	-	2,181	2,197
Deferred tax assets	4c	1,786	4,209	1,714	4,138
Investments in subsidiaries		-	-	882	971
Other financial assets	11	10,816	-	10,816	-
TOTAL NON-CURRENT ASSETS		29,480	19,776	29,756	21,489
TOTAL ASSETS		78,117	58,819	67,237	51,602
CURRENT LIABILITIES					
Trade and other payables	12	3,984	6,674	3,087	4,616
Current tax payables	4c	4,914	1,117	1,458	-
Provisions	13	3,268	2,723	2,487	2,187
Other liabilities		1,284	-	1,284	-
TOTAL CURRENT LIABILITIES		13,450	10,514	8,316	6,803
NON-CURRENT LIABILITIES					
Deferred tax liabilities	4c	3,294	2,554	3,294	2,553
Provisions	14	330	289	330	289
Loans from subsidiaries		-	-	-	78
TOTAL NON-CURRENT LIABILITIES		3,624	2,843	3,624	2,920
TOTAL LIABILITIES		17,074	13,357	11,940	9,723
NET ASSETS		61,043	45,462	55,297	41,879
EQUITY					
Issued Capital	16	23,442	22,917	23,442	22,917
Reserves	17	3,196	1,244	1,392	228
Retained earnings	18	32,453	20,095	30,463	18,734
Parent interest		59,091	44,256	55,297	41,879
Minority interest		1,952	1,206	-	-
TOTAL EQUITY		61,043	45,462	55,297	41,879

Notes to the Financial Statements are included on pages 40 to 84.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

	Notes	CONSOLIDATED		COMPANY	
		2006 ($'000)	2005 ($'000)	2006 ($'000)	2005 ($'000)
Total equity at the beginning of year		45,462	41,887	41,879	24,428
Changes in fair value of available-for-sale assets, net of tax		342	-	342	-
Exchange differences on translation of foreign operations		788	1,016	-	(2)
Net income recognised directly in equity		1,130	1,016	342	(2)
Profit for the year		15,956	7,715	15,327	19,661
Total recognised income and expense for the year		62,548	50,618	57,548	44,087
Transactions with equity holders in their capacity as Equity holders:					
Issue of shares on conversion of options		312	265	312	265
Partly paid shares converted to ordinary shares		106	(7)	106	(7)
Issue of Partly Paid shares		105	27	105	27
Shares issued for acquisition of mining assets		-	763	-	763
Share-based payment		824	164	824	164
Dividends paid		(3,598)	(3,290)	(3,598)	(3,290)
AFIRS adjustments to retained profits		-	(3)	-	(130)
Changes in minority interest in equity		746	(3,075)	-	-
Total equity at the end of the year		61,043	45,462	55,297	41,879

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

	Notes	CONSOLIDATED 2006 ($'000)	CONSOLIDATED 2005 ($'000)	COMPANY 2006 ($'000)	COMPANY 2005 ($'000)
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		90,267	55,019	47,309	14,422
Payments to suppliers and employees		(60,903)	(23,850)	(36,321)	(13,971)
Dividend received		-	-	8,719	25,253
Income taxes (paid)/refund		(4,434)	(2,461)	1,307	(11)
NET CASH PROVIDED BY OPERATING ACTIVITIES	33(b)	24,930	28,708	21,014	25,693
CASH FLOWS FROM INVESTING ACTIVITIES					
Payment for increased investment in subsidiary		-	-	(267)	-
Payments for purchase of tenements		(74)	(1,173)	(1)	(540)
Proceeds on sale of property, plant and equipment		117	31	52	31
Payments for property, plant and equipment		(8,640)	(10,475)	(4,913)	(8,935)
Proceeds on sale of investment securities		534	64	529	64
Loans from/(to) subsidiaries		-	-	(1,660)	(3,187)
Payments for purchase of investment securities		(150)	(2,872)	(146)	(2,872)
Payments for other financial assets		(7,192)	-	(7,192)	-
Interest received		1,975	1,509	1,413	1,094
Proceeds from disposal of subsidiary		9	-	-	-
NET CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES		(13,421)	(12,916)	(12,185)	(14,345)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issues of shares		525	285	525	285
Dividends paid - members of the parent entity		(3,658)	(3,287)	(3,658)	(3,287)
Dividends paid - minority interests		(3,313)	(8,919)	-	-
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES		(6,446)	(11,921)	(3,133)	(3,002)
Net increase in cash and cash equivalents		5,063	3,871	5,696	8,346
Cash and cash equivalents at the beginning of the financial year		27,821	24,515	21,214	12,956
Effects of exchange rate changes on the balance of cash held in foreign currencies		513	(565)	(77)	(88)
Closing cash carried forward	33(a)	33,397	27,821	26,833	21,214

Notes to the Financial Statements are included on pages 40 to 84.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

1. SUMMARY OF ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Urgent Issues Group Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ("A-IFRS"). Compliance with A-IFRS ensures that the consolidated financial statements and notes to the consolidated entity comply with International Financial Reporting Standards ("IFRS"). The parent entity financial statements and notes also comply with IFRS except for the disclosure requirements in IAS 32 'Financial Instruments: Disclosure and Presentation' as the Australian equivalent Accounting Standards, AASB 132 'Financial Instruments: Disclosure and Presentation' does not require such disclosures to be presented by the parent entity where its separate financial statements are presented together with the consolidated financial statements of the consolidated entity.

The financial statements were authorized for issue by the Directors at a meeting held on 28 September 2006.

BASIS OF PREPARATION

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of A-IFRS management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. The consolidated entity changed its accounting policies on 1 July 2005 to comply with A-IFRS. The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition. An explanation of how the transition from superseded policies to A-IFRS has affected Troy Resources NL's financial position, financial performance and cash flows is discussed in Note 34.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2006, the comparative information presented in these financial statements, and in the preparation of the opening A-IFRS balance sheet at 1 July 2004 as disclosed in Note 34, Troy Resources NL's date of transition, except for the accounting policies in respect of financial instruments. The consolidated entity has not restated comparative information for financial instruments, as permitted under the first-time adoption transitional provisions. The accounting policies for financial instruments applicable to the comparative information are consistent with those adopted and disclosed in the lodged 2005 annual financial report. The impact of changes in these accounting policies on 1 July 2005, the date of transition for financial instruments, is discussed further in Note 1(y).

The following significant policies have been adopted in the preparation of the Financial Report:-

(a) **Accounts Payable**

Trade payables and other accounts payable are recognised when the Consolidated Entity becomes obliged to make future payments resulting from the purchase of goods and services.

(b) **Provisions**

Provisions are recognised when the Consolidated Entity has a present obligation, the future sacrifice of economics benefits is probable, and the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying value is the present value of those cashflows. When some, or all, of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(c) **Cash and Cash Equivalents**

Cash includes cash on hand and in banks, and money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts.

Bank overdrafts are carried at the principal amount. Interest is recognised as an expense as it accrues.

(d) **Property, Plant and Equipment**

Plant and Equipment

Items of plant and equipment are recorded at cost, less accumulated depreciation and impairment.

Items of plant and equipment, including buildings and leasehold property are depreciated/amortised using the straight-line or reducing balance method over their estimated useful lives. Assets are depreciated or amortised from the date of acquisition or from the time an asset is completed and held ready for use.

The depreciation and amortisation rates used for each class of asset are based on the following assessment of useful lives:-

- Plant and equipment 2-12 years
- Motor Vehicle 2-7 years

Depreciation is not charged on land. Land is recorded at cost.

Mining Assets

Mining Assets represent the accumulation of all exploration, evaluation and development expenditure incurred by or on behalf of the Consolidated Entity and mining properties in relation to areas of interest.

Mining Exploration

Refer to 1(g) below. If it is established that a project has reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, exploration and evaluation costs ceases and the accumulated expenditures are transferred to development costs.

Mining Development Properties

Development costs related to an area of interest where right of tenure is current are carried forward to the extent that they are expected to be recouped through sale or successful exploitation of the area of interest. If an area is subsequently abandoned or the Directors believe that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made.

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

(e) Mine Development Properties

Refer to Note 1(d) above regarding Property, Plant and Equipment.

(f) Mining Properties

Where mining of a mineral resource has commenced, the accumulated costs are transferred to mine properties. Amortisation is first charged on new mining ventures from the date of first commercial production.

Amortisation of mine property costs is provided on the unit of production basis. The unit of production basis results in an amortisation charge proportional to the depletion of the estimated economically recoverable ore reserves. The unit of production basis can be on a tonnes or ounce depleted basis.

Also refer to Note 1(d) above regarding Property, Plant and Equipment.

(g) Mining Exploration

Exploration and evaluation expenditure incurred by or on behalf of the Consolidated Entity is accumulated separately for each prospect area. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific nexus with a particular prospect area. Each area of interest is limited to a size related to a known or probable mineral resource capable of supporting a mining operation.

Exploration and evaluation expenditure for each prospect area is fully written off in the financial year in which it is incurred, unless its recoupment out of revenue to be derived from the successful development of the prospect, or from sale of that prospect, is reasonably assured.

The recoverable amount of each prospect area is assessed annually by the Directors. Where the carrying value of a prospect is in excess of its estimated recoverable amount, the carrying value is written down to its recoverable amount.

When a prospect area is abandoned, any expenditure carried forward in respect of that area is written off to earnings. Expenditure is not carried forward in respect of any prospect area unless the economic entity's rights of tenure to that area are current.

Once a development decision has been taken, all exploration and evaluation expenditure in respect of the prospect area is transferred to "Mine Development Properties".

(h) Receivables

Trade receivables and other receivables are recorded at amortised cost less impairment.

(i) Revenue Recognition

Sale of Goods

Revenue from the sale of mineral production is recognised when the Consolidated Entity has passed risks and rewards of the mineral production to the buyer and a price has been set.

Fees from Related Parties

The Fees from Related Parties refers to the Toll Milling Fee charged by Troy Resources NL to its wholly owned subsidiary, Wirraminna Gold NL, under the Sandstone Joint Venture which is recognised on an accrual basis. These fees are incurred at a company level only and eliminate upon consolidation.

(j) Inventories

Inventories are valued at the lower of cost and net realisable value. Ore stockpiles, gold in circuit and bullion are valued applying absorption costing.

(k) Financial Assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Financial Assets at fair value through profit or loss

The consolidated entity has classified certain shares and options as other financial assets at fair value through profit or loss. Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Available-for-sale financial assets

Certain shares held by the consolidated entity are classified as being available-for-sale and are stated at fair value less impairment. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in profit or loss for the period.

(l) Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits, which are not expected to be settled within 12 months, are measured as the present value of the estimated future cash outflows to be made by the Consolidated Entity in respect of services provided by employees up to reporting date.

The Company and its subsidiaries contribute to a defined contribution superannuation plan. Contributions to defined contribution superannuation plans are expensed when incurred.

(m) Foreign Currencies

Translation of Foreign Currency Transactions

Transactions in foreign currencies of entities within the Consolidated Entity are converted to local currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date are translated using the spot rate at the end of the financial year.

Exchange differences are recognised in profit or loss in the period in which they arise except that:

- Exchange differences which relate to assets under construction for future productive use are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks;
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

Foreign Operations

The functional currency of the Consolidated Entity's overseas operations differs to that of the Consolidated Entity's presentational currency. On consolidation, the assets and liabilities of the Consolidated Entity's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in profit or loss on disposal of the foreign operation.

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

(n) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

(ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of the cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation office is classified as operating cash flows.

(o) Income Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items. In principle, deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination), which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and joint ventures except where the Consolidated Entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Consolidated Entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/Consolidated Entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

(p) Joint Venture Operations

The economic entity's interest in joint ventures is brought to account by including in their respective classification categories the amount of:

(i) the economic entity's share in each of the individual assets employed in the joint ventures;

(ii) liabilities incurred in relation to joint ventures including the economic entity's share of liabilities for which it is jointly and/or severally liable; and

(iii) the economic entity's share of expenses incurred in relation to the joint ventures.

(q) Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Consolidated Entity, being the Company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The consolidated Financial Statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control that entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the Consolidated Entity are eliminated in full.

(r) Financial Instruments Issued by the Company

Debt and Equity Instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction Costs on the Issue of Equity Instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

(s) Impairment

At each reporting date, the Consolidated Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

(t) Share-based payments

Share-based compensation benefits are provided to employees via the Employee Share Option Plan.

Share options granted before 7 November 2002 or granted after 7 November 2002 and vested before 1 January 2005

No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds are received allocated to share capital.

Share options granted after 7 November 2002 and vested after 1 January 2005

The fair value of options granted under the Employee Share Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value of the options are calculated at the date of grant using a Binomial model and allocated to each reporting period evenly over the period from grant date to vesting date. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

(u) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

Interest and ancillary costs incurred in connection with borrowings for the development of specific assets are deferred and amortised or depreciated over the life of the project.

(v) Borrowing Costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and lease finance charges, exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets, which take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the assets. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is those incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate. Interest charges are capitalised to the extent that the related debt directly finances the purchase and construction of plant. Interest charges cease to be capitalised when the expenditure no longer satisfies the above policy or when production commences.

(w) Derivative Financial Instruments

The Consolidated Entity is exposed to changes in interest rates, foreign exchange rates and commodity prices from its activities. The Consolidated Entity may use forward foreign exchange contracts, forward commodity exchange contracts and put and call options to hedge its foreign exchange rate and commodity risk. Derivative financial instruments are not held for speculative purposes.

Derivatives are initially recorded at the relevant rate at the date of the transaction. Derivatives outstanding at balance date are valued at the fair value ruling on that day and any gains or losses are brought to account in the income statement, unless hedge accounting is applied whereupon the treatment will depend on whether it is classified as a fair value hedge or cash flow hedge. The Consolidated Entity designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges) and hedges of highly probable forecast transactions (cash flow hedges).

Fair Value Hedge

Changes in the fair value of derivates that are designated and qualify as fair value hedges are recorded in the profit and loss immediately, together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Hedge accounting is discounted when the hedge instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedge item arising from the hedged risk is amortised to the profit and loss from that date.

Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss.

Hedge accounting is discontinued when the hedging instrument expires, or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Derivatives that do not qualify for hedge accounting

Where certain derivative instruments do not qualify for hedge accounting, changes in the fair value of those derivatives are recognised immediately in the profit and loss.

Embedded Derivatives

Derivatives embedded in other financial instruments or other contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in the profit and loss.

(x) Earnings per Share

Basic Earnings per Share

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to ordinary equity holders of the parent entity for the reporting period, after excluding any costs of servicing equity (other than ordinary shares and converting preference shares treated as ordinary shares for EPS calculation purposes), by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

Diluted Earnings per Share

Diluted EPS is calculated by dividing the basic earnings per share, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares adjusted for any bonus issue.

(y) Comparative Information – Financial Instruments

The Consolidated Entity has elected not to restate comparative information for financial instruments within the scope of Accounting Standards AASB132 and AASB 139, as permitted on the first-time adoption of AIFRS.

The accounting policies applied to accounting for financial instruments in the current financial year are detailed in Notes 1(a) to (x). The following accounting policies applied to accounting for financial instruments in the comparative year:-

(z) Accounts Payable

Trade payables and other accounts payable are carried at cost which is the fair value of the consideration to be paid and are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

(aa) Receivables

Trade receivables and other receivables are recorded at amounts due less any allowance for doubtful debts.

(ab) Investments

Investments purchased for resale are valued at the lower of cost and market value. Other investments are recorded at cost.

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on an accrual basis.

(ac) Financial Instruments

Debt and Equity Instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Compound Instruments

Compound instruments issued before 1 January 1998 are classified as either liabilities or as equity, whichever is the predominant component part, in accordance with the substance of the contractual arrangement. The component parts of compound instruments issued on or after 1 January 1998 are classified separately as liabilities and equity in accordance with the substance of the contractual arrangement. The liability component initially brought to account is the present value of the future payments of interest and principal. The equity component initially brought to account is determined by deducting the amount of the liability component from the amount of the compound instrument as a whole.

Transaction Costs on the Issue of Equity Instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

(ad) Cash and Cash Equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts.

Bank overdrafts are carried at the principal amount. Interest is recognised as an expense as it accrues.

(ae) Gold Hedging

Gold hedging is undertaken in order to avoid or minimise possible adverse financial or cash flow effects of movements in commodity prices and exchange rates. Premiums received or costs arising upon entering into forward sale, option and other derivative contracts intended to hedge specific future production, together with subsequent realised and unrealised gains or losses, are deferred until the hedged production is delivered.

In those circumstances where a hedging transaction is terminated prior to maturity because the hedged production is no longer expected to be produced, any previously deferred gains and losses are recognised in net profit on the date of termination. If the hedging transaction is terminated prior to its maturity date and the hedged transaction is still expected to occur, deferral of any gains and losses which arose prior to termination continues and those gains and losses are included in the measurement of the hedged transaction.

The gross values of the underlying derivative financial instruments entered into for hedging or trading purposes are not recognised in the Financial Statements.

	CONSOLIDATED 2006 ($'000)	CONSOLIDATED 2005 ($'000)	COMPANY 2006 ($'000)	COMPANY 2005 ($'000)
2. REVENUE				
Operating Revenue				
Gold sales	85,664	54,641	43,509	7,112
Other Income				
Interest revenue from: non-related parties	2,002	1,509	1,441	1,094
Fees revenue from: related parties	-	-	1,089	7,308
Dividend received: related parties	-	-	8,718	25,253
Changes in fair value of financial assets through profit & loss	740	-	740	-
Other income	1,267	378	4	2
Gain on sale of assets	43	8	43	8
	4,052	1,895	12,035	33,665
3. EXPENSES				
Depreciation of plant, equipment and motor vehicles	3,407	5,772	2,124	453
Exploration expenditure	8,486	6,634	3,247	3,714
Finance costs	69	69	57	57
Write down to recoverable amount of investments	-	120	-	120
Write down to recoverable amount of subsidiary	-	-	356	640
Amortisation of mining properties	3,729	2,751	2,627	475
Government royalties	1,005	681	1,005	280
Loss on sale of investments	408	80	408	80
Mark-to market hedging losses	2,374	-	2,374	-
Impairment Loss	-	1,340	-	1,106

4. INCOME TAX

a. Income Tax recognised in profit of loss

	CONSOLIDATED 2006	CONSOLIDATED 2005	COMPANY 2006	COMPANY 2005
Current tax expense				
Current year – Income Tax Charge/(Income)	8,838	72	1,458	(3,049)
Adjustment – Subsidiary Loss Brought in Upon Tax	-	-	(128)	(304)
Others	(2)	14	3	(26)
Adjustments for prior years	-	(163)	-	(163)
Deferred tax expense				
Origination and reversal of temporary differences	2,573	1,411	2,568	1,427
Adjustment – Deferred income tax of previous year	325	-	325	-
Total income tax expense in income statement	11,734	1,334	4,226	(2,115)
Attributable to:				
Continuing operations	11,734	1,334	4,226	(2,115)
Discontinuing operations	-	-	-	-
	11,734	1,334	4,226	(2,115)

Numerical reconciliation of tax expense to prima facie tax payable

	CONSOLIDATED 2006 ($'000)	CONSOLIDATED 2005 ($'000)	COMPANY 2006 ($'000)	COMPANY 2005 ('000)
Profit before tax – continuing operations	31,912	14,893	19,553	17,546
Profit/(loss) before tax – discontinued operations	(163)	-	-	-
Profit before tax	31,749	14,893	19,553	17,546
At the Group's statutory income tax rates of Australia: 30% and Brazil 34%	10,383	5,376	5,866	5,264
Decrease in income tax expense due to:				
Foreign dividend received	-	-	(2,616)	(7,576)
Share based payments	247	49	247	49
Non deductible foreign exploration	193	167	193	167
Non deductible expenses	250	49	25	43
Other assessable income	-	51	-	51
Subsidiary Tax Loss Brought in Upon Consolidation	-	-	(128)	(304)
Foreign Subsidiary: Losses not recognised	538	226	403	192
Impact of Shift in Brazil Tax Regime	-	(4,369)	-	-
First time recognition of capital losses	(149)	-	(149)	-
Under/over provision	326	(163)	326	(163)
Other	(54)	(52)	59	162
Income tax expense on pre-tax net profit	11,734	1,334	4,226	(2,115)

	CONSOLIDATED			
	ASSETS		LIABILITIES	
	2006 ($'000)	2005 ($'000)	2006 ($'000)	2005(($'000)
b. Deferred tax assets and liabilities				
Recognised deferred tax assets and liabilities				
Deferred tax assets and liabilities are attributable to the following:				
Inventory	413	7	-	-
Plant and equipment	-	221	-	-
Accrued expenses	25	19	-	-
Provisions for employee entitlements	621	516	-	-
Mark-to-market of hedged commodity contracts	385	-	-	-
Revenue tax losses	128	3,353	-	-
Capital tax losses	149	-	-	-
Other	65	93	-	-
Consumable inventories	-	-	(111)	(98)
Capitalised mining costs	-	-	(1,184)	(358)
Accrued income	-	-	(50)	(26)
Deductible prepayments	-	-	(5)	(5)
Mark to market of current investments	-	-	(48)	-
Plant and equipment	-	-	(47)	-
Capitalised exploration expenditure	-	-	(230)	(244)
Capitalised mining tenements and rehabilitation	-	-	(1,224)	(1,823)
Mark to market of non-current investments	-	-	(395)	-
Tax (assets) / liabilities	1,786	4,209	(3,294)	(2,554)

	COMPANY			
	ASSETS		LIABILITIES	
	2006 ($'000)	2005 ($'000)	2006 ($'000)	2005(($'000)
Inventory	413	5	-	-
Plant and equipment	-	-	-	-
Accrued expenses	25	15	-	-
Provision for employee entitlements	621	737	-	-
Deferred loss on hedged commodity contracts	385	-	-	-
Revenue tax losses	128	3,353	-	-
Capital tax losses	149	-	-	-
Other	(7)	28	-	1
Consumable inventories	-	-	(111)	(98)
Capitalised mining costs	-	-	(1,184)	(358)
Accrued Home	-	-	(50)	(26)
Deductible prepayments	-	-	(5)	(5)
Mark to market of current investments	-	-	(48)	-
Plant and equipment	-	-	(47)	-
Capitalised exploration expenditure	-	-	(230)	(244)
Capitalised mining tenements and rehabilitation	-	-	(1,224)	(1,823)
Mark to market of non-current investments	-	-	(395)	-
Tax (assets) / liabilities	1,714	4,138	(3,294)	(2,553)

4. INCOME TAX CONTINUED

	CONSOLIDATED		COMPANY	
	2006 ($'000)	2005 ($'000)	2006 ($'000)	2005 ($'000)
c. Tax Balances				
Current Tax Assets	-	-	-	573
Deferred Tax Assets	1,786	4,209	1,714	4,138
Current Tax Payables	4,914	1,117	1,458	-
Deferred Tax Liabilities	3,294	2,554	3,294	2,553

Tax consolidation

Relevance of tax consolidation to the consolidated entity

Troy Resources NL and its only wholly-owned Australian resident subsidiary, Wirraminna Gold NL, have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax consolidated group is Troy Resources NL. Members of the group have not entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis. In the absence of such an agreement, the subsidiaries are joint and severally liable for the income tax liabilities of the head entity should the head entity default on its payment obligations. At balance date the likelihood of default is remote.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax consolidated group have not entered into a tax funding arrangement.

5. CASH AND CASH EQUIVALENTS (CURRENT)

Cash at bank or on hand	8,020	8,877	1,456	2,270
Investments in short term deposits	25,377	18,944	25,377	18,944
	33,397	27,821	26,833	21,214

Investments in short term money market instruments are bearing interest at rates of 5.30% to 5.91%pa (2005: 4.85%pa to 5.59%)

6. TRADE AND OTHER RECEIVABLES (CURRENT)

Debtors and prepayments	3,447	2,850	735	2,261
Loans to subsidiaries	-	-	43	160
	3,447	2,850	778	2,421

7. OTHER FINANCIAL ASSETS (CURRENT)

Quoted Securities:				
Shares	1,396	4,032	1,396	4,024
Unquoted investments:				
Shares	38	34	-	-
	1,434	4,066	1,396	4,024

Classified as held for trading at fair value (2005: cost)

	CONSOLIDATED 2006 ($'000)	CONSOLIDATED 2005 ($'000)	COMPANY 2006 ($'000)	COMPANY 2005 ($'000)
8. INVENTORIES (CURRENT)				
Bullion on hand - at cost	3,291	1,360	2,273	129
Ore stockpiles and work in progress - at cost	6,487	2,437	5,828	1,427
Stores and raw materials - at cost	577	509	369	325
	10,355	4,306	8,470	1,881

	CONSOLIDATED Land & Buildings at cost ($'000)	Plant & Equipment at cost ($'000)	Motor Vehicles at cost ($'000)	Total ($'000)
9. PROPERTY, PLANT & EQUIPMENT				
Gross carrying amount:				
Balance at 1 July 2004	53	13,552	1,145	14,750
Additions	55	4,540	685	5,280
Disposals	-	(39)	(136)	(175)
Impairment Loss [i]	-	(587)	-	(587)
Net foreign currency exchange differences	-	1,482	54	1,536
Balance at 30 June 2005	108	18,948	1,748	20, 804
Additions	471	5,599	641	6,711
Disposals	-	(68)	(160)	(228)
Impairment Loss	-	-	-	-
Net foreign currency exchange differences	-	677	3	680
Balance at 30 June 2006	579	25,156	2,232	27,967
Accumulated depreciation and Impairment:				
Balance at 1 July 2004	-	(7,463)	(567)	(8,030)
Depreciation expense	-	(5,365)	(407)	(5,772)
Disposals	-	34	128	162
Net foreign currency exchange differences	-	(789)	(20)	(809)
Balance at 30 June 2005	-	(13,583)	(866)	(14,449)
Depreciation expense	-	(3,156)	(251)	(3,407)
Disposals	-	13	144	157
Net foreign currency exchange differences	-	(19)	(26)	(45)
Balance at 30 June 2006	-	(16,745)	(999)	(17,744)
Net book value:				
As at 30 June 2005	108	5,365	882	6,355
As at 30 June 2006	579	8,411	1,233	10,223

9. PROPERTY, PLANT & EQUIPMENT CONTINUED

	COMPANY			
	Land & Buildings at cost ($'000)	Plant & Equipment at cost ($'000)	Motor Vehicles at cost ($'000)	Total ($'000)
Gross carrying amount:				
Balance at 1 July 2004	53	5,715	689	6,457
Additions	55	3,778	358	4,191
Disposals	-	(40)	(87)	(127)
Impairment Loss [1]	-	(587)	-	(587)
Balance at 30 June 2005	108	8,866	960	9,934
Additions	471	3,822	160	4,453
Disposals	-	(43)	(83)	(126)
Impairment Loss	-	-	-	-
Balance at 30 June 2006	579	12,645	1,037	14,261
Accumulated depreciation and Impairment:				
Balance at 1 July 2004	-	(3,588)	(399)	(3,987)
Depreciation expense	-	(377)	(76)	(453)
Disposals	-	32	70	102
Balance at 30 June 2005	-	(3,933)	(405)	(4,338)
Depreciation expense	-	(2,001)	(122)	(2,123)
Disposals	-	-	75	75
Balance at 30 June 2006	-	(5,934)	(452)	(6,386)
Net book value:				
As at 30 June 2005	108	4,933	555	5,596
As at 30 June 2006	579	6,711	585	7,875

[1] *The recoverable amount written down represents the excess of the carrying value of plant & equipment over the recoverable amount as determined by the Directors.*

	CONSOLIDATED		COMPANY	
	2006 ($'000)	2005 ($'000)	2006 ($'000)	2005 ($'000)
Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year				
Plant and equipment	3,156	5,365	2,001	76
Motor vehicles	251	407	122	377
Balance	3,407	5,772	2,123	453
Mine & development properties				
Balance at start of financial year	8,337	4,168	8,129	2,360
Transfer from Exploration assets	-	400	-	400
Expenditure incurred during the year	1,635	5,919	466	5,243
Provision for Rehabilitation	-	601	-	601
Amortisation expensed during year	(3,729)	(2,751)	(2,627)	(475)
Mine & development properties at end of financial year	6,243	8,337	5,968	8,129
Property, plant & equipment	10,223	6,355	7,875	5,596
Mine & development properties	6,243	8,337	5,968	8,129
Property, plant & equipment at end of financial year	16,466	14,692	13,843	13,725

10. EXPLORATION AND EVALUATION

Gross Carrying Amount:				
Balance at start of financial year	875	909	458	544
Expenditure incurred during the year	8,023	7,753	3,109	4,547
Impairment of exploration assets[1]	-	(753)	-	(519)
Transfer to Mine Properties	-	(400)	-	(400)
Expenditure written off during the year	(8,486)	(6,634)	(3,247)	(3,714)
Exploration and evaluation expenditure at end of financial year	412	875	320	458

[1] *The recoverable amount written down represents the excess of the carrying value of plant & equipment over the recoverable amount as determined by the Directors.*

Many of the Consolidated Entity's Australian exploration properties are subject to claims under Native Title or may contain sacred sites or sites of significance to aboriginal people. In the event of the National Native Title Tribunal ratifying any such claim, the Controlled Entity's exploration properties or areas within those tenements may be subject to exploration and/or mining restrictions or compensation. At this time, the Controlled Entity is unable to assess the likely effect, if any, of the claims.

	CONSOLIDATED 2006 ($'000)	CONSOLIDATED 2005 ($'000)	COMPANY 2006 ($'000)	COMPANY 2005 ($'000)
11. OTHER FINANCIAL ASSETS (NON-CURRENT)				
Available for Sale Shares				
Listed shares	10,816	-	10,816	-

The fair value has been based on the closing share price at the end of the financial year.

The Consolidated Entity holds 17% of the ordinary share capital of Adelaide Resources Limited, an ASX listed company involved in mineral exploration, and 12% (on a fully diluted basis) of Birim Goldfields Inc, a Canadian listed company involved in mineral exploration. The Consolidated Entity does not have a Board representation on either of these companies nor does it have any input on the day-to-day management or operations of these companies. The Directors of the Consolidated Entity do not believe that the Consolidated Entity exerts any significant influence over either company.

12. TRADE AND OTHER PAYABLES (CURRENT)

	CONSOLIDATED 2006 ($'000)	CONSOLIDATED 2005 ($'000)	COMPANY 2006 ($'000)	COMPANY 2005 ($'000)
Trade payables	3,670	4,279	2,778	2,480
Accrued expenses	314	2,395	309	2,136
	3,984	6,674	3,087	4,616

13. PROVISIONS (CURRENT)

	Notes	CONSOLIDATED 2006 ($'000)	CONSOLIDATED 2005 ($'000)	COMPANY 2006 ($'000)	COMPANY 2005 ($'000)
Employee benefits	15	1,741	1,431	1,375	1,148
Dividend		33	93	33	93
Rehabilitation expenses		1,292	1,199	997	943
Other		202	-	82	3
		3,268	2,723	2,487	2,187

(a) *Provision for rehabilitation*

A provision for rehabilitation is recognised in relation to the mining activities for costs such as reclamation, waste site closure, plant closure and other costs associated with the rehabilitation of a mining site. Estimates of the rehabilitation obligations are based on anticipated technology and legal requirements and future costs, which have been discounted to their present value. In determining the rehabilitation provision, the entity has assumed no significant changes will occur in the relevant Federal and State legislation in relation to rehabilitation of such mines in the future.

(b) *Provision for dividend*

The provision for dividends represents the aggregate amount of dividends declared, determined or publicly recommended on or before the reporting date, which remain undistributed as at reporting date, regardless of the extent to which they are expected to be paid in cash. (Also refer to Notes 20 and 31).

	CONSOLIDATED		COMPANY	
	Rehabilitation		Rehabilitation	
	Dividend ($'000)	Provision ($'000)	Dividend ($'000)	Provision ($'000)
Balance at 1 July 2004	90	474	90	285
Additional provisions recognised	3,290	656	3,290	601
Interest recognised	-	69	-	57
Reductions arising from payments	(3,287)	-	(3,287)	-
Reductions resulting from the re-measurement of the estimated future sacrifice or the settlement of the provision without cost to the entity	-	-	-	-
Balance at 30 June 2005	93	1,199	93	943
Additional provisions recognised	3,598	-	3,598	-
Interest Recognised	-	93	-	57
Reductions arising from payments	(3,658)	-	(3,658)	-
Reductions resulting from the re-measurement of the estimated future sacrifice or the settlement of the provision without cost to the entity	-	-	-	(3)
Balance at 30 June 2006	33	1,292	33	997

		CONSOLIDATED		COMPANY	
	Notes	2006 ($'000)	2005 ($'000)	2006 ($'000)	2005 ($'000)

14. PROVISIONS (NON-CURRENT)

Employee benefits	15	330	289	330	289

15. EMPLOYEE BENEFITS

The aggregate employee entitlement liability recognised and included in the Financial Statements is as follows:

	Notes	2006 ($'000)	2005 ($'000)	2006 ($'000)	2005 ($'000)
Current	13	1,741	1,431	1,375	1,148
Non-current	14	330	289	330	289
		2,071	1,720	1,705	1,437

	CONSOLIDATED		COMPANY	
	2006 No.	2005 No.	2006 No.	2005 No.
Number of employees at the end of the financial year	151	151	51	46

	CONSOLIDATED		COMPANY	
	2006 ($'000)	2005 ($'000)	2006 ($'000)	2005 ($'000)

16. ISSUED CAPITAL

Issued Capital				
49,499,587 (2005: 49,022,187) ordinary shares fully paid	22,440	21,981	22,440	21,981
6,331,152 (2005: 6,248,552) ordinary shares partly paid	1,002	936	1,002	936
	23,442	22,917	23,442	22,917

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

	2006		2005	
	No. ('000)	($'000)	No. ('000)	($'000)
Fully paid ordinary share capital				
Balance at the beginning of the financial year	49,022	21,981	48,404	20,926
Issue of shares for purchase of mining tenements	-	-	300	763
Issue of shares due to exercise of options under employee share option plan (Note 24)	210	312	269	265
Partly paid shares paid up	268	147	49	27
	49,500	22,440	49,022	21,981

Fully paid ordinary shares carry one vote per share and carry the entitlement to dividends.

Partly paid ordinary share capital				
Balance at the beginning of the financial year	6,249	936	6,298	943
Converted to fully paid shares (i)	(268)	(39)	(49)	(7)
Issue of Unlisted Partly Paid Shares (ii)	350	105	-	-
Balance at the end of the financial year	6,331	1,002	6,249	936

(i) Partly paid ordinary shares are paid to $0.60 with $0.40 outstanding. Of this amount, $0.15 is allocated to partly paid share capital. The partly paid shares carry full dividend entitlement but proportional voting rights.

(ii) Partly paid ordinary shares are paid to $0.30 with $3.30 outstanding.

Share Options

In accordance with the provisions of the Employee Share Option Scheme, as at 30 June 2006, employees have outstanding options over 1,455,500 ordinary shares in aggregate. Full details of the scheme are contained in Note 24 to the Financial Statements.

	CONSOLIDATED		COMPANY	
	2006 ($'000)	2005 ($'000)	2006 ($'000)	2005 ($'000)

17. RESERVES

(a) Option Premium Reserve:

Balance at beginning of financial year	228	63	228	63
Share based payments	824	165	824	165
Balance at the end of the financial year	1,051	228	1,051	228

The Option Premium Reserve arises due to the grant of share options under the Troy Resources NL Employee Share Option Scheme and issues of securities at a premium or discount by the Company. Amounts are transferred out of the reserve and into issued capital when the options or other securities are exercised or fully paid up. Further information about share-based payments to employees is made in Note 24 to the financial statements.

(b) Available for Sale Reserve:

Balance at beginning of financial year	-	-	-	-
Valuation gain/(loss) recognised	341	-	341	-
Balance at the end of the financial year	341	-	341	-

The Available for Sale Reserve arises on the revaluation of available for sale financial assets. When a revalued financial asset is sold, the portion of the reserve which relates to the financial asset, and is realised, is recognised in the profit or loss. Where a revalued financial asset is impaired, that portion of the reserve which relates to that financial asset is recognised in the profit and loss.

(c) Foreign currency translation reserve:

Balance at beginning of financial year	1,016	-	-	-
Translation of foreign operations	788	1,016	-	-
Balance at the end of the financial year	1,804	1,016	-	-

Exchange differences relating to foreign currency monetary items forming part of the net investment in a self-sustaining foreign operation and the translation of self-sustaining foreign controlled entity are brought to account by entries made directly to the foreign currency translation reserve, as described in Note 1(m).

Total Reserves	3,196	1,244	1,392	228

18. RETAINED PROFITS

Balance at the beginning of the financial year	20,095	15,670	18,734	2,363
Net profit attributable to members of the parent entity	15,956	7,715	15,327	19,661
Dividends provided for or paid	(3,598)	(3,290)	(3,598)	(3,290)
Balance at the end of the financial year	32,453	20,095	30,463	18,734

	CONSOLIDATED	
	2006 Cents Per Share	2005 Cents Per Share

19. EARNINGS PER SHARE

	2006 Cents Per Share	2005 Cents Per Share
Basic earnings per share	28.8	14.0
Diluted earnings per share	28.7	14.0

(a) Basic Earnings Per Share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2006 ($'000)	2005 ($'000)
Earnings (i)	15,956	7,715

	2006 No.	2005 No.
Weighted average number of ordinary shares (ii)	55,391,125	54,985,624

(i) Earnings used in the calculation of basic earnings per share reconciles to net profit in the Income Statement.

(ii) Options are considered to be potential ordinary shares and are therefore excluded from the weighted average number of ordinary shares used in the calculation of basic earnings per share, where dilutive, potential ordinary shares are included in the calculation of diluted earnings per share. (Refer to Note 19(b))

(b) Diluted Earnings per Share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2006 ($'000)	2005 ($'000)
Earnings (i)	15,956	7,715

	2006 No.	2005 No.
Weighted average number of ordinary shares and potential ordinary shares (ii)	55,615,673	55,191,746

(i) Earnings used in the calculation of diluted earnings per share reconciles to the net profit in the Income Statement.
(ii) Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	2006	2005
Weighted average number of ordinary shares used in the calculation of basic EPS	55,391,125	54,985,624
Employee options	224,548	206,122
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS (iii)	55,615,673	55,191,746

The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares used in the calculation of diluted earnings per share.

	2006	2005
Employee options	1,230,952	444,378

(iii) Weighted average number of converted, lapsed, or cancelled potential ordinary shares used in the calculation of diluted earnings per share: Nil (2005: Nil)

20. DIVIDENDS AND FRANKING CREDITS

	2006 Cents per Share	2006 Total ($'000)	2005 Cents per Share	2005 Total ($'000)
Final dividend – franked at 30% paid October 2005 (previous September 2004)	6.5	3,598	6.0	3,290

The Directors have declared a dividend for the 2006 year of 7 cents per share, fully franked. The books closing date is 29 September 2006 and the dividend is payable on 16 October 2006 (Refer Note 31.)

	CONSOLIDATED		COMPANY	
	2006 ($'000)	2005 ($'000)	2006 ($'000)	2005 ($'000)
Adjusted franking account balance at 30%	2,502	5,349	2,502	3,622

21. DIRECTOR AND OTHER KEY MANAGEMENT PERSONNEL COMPENSATION

a) The following persons were Directors of Troy Resources NL during the financial year were:

- J L C Jones (Chairman)
- T D McKeith (Chief Executive Officer) (appointed 3 April 2006)
- K K Nilsson (Director - Operations)
- D E Clarke (Non-Executive)
- P A K Naylor (Non-Executive)
- J A S Dow (Non-Executive) (appointed 15 February 2006)

(b) Other Key Management Personnel

The following persons were also Key Management Personnel of Troy Resources NL during the financial year:

- P J Doyle (Vice President – Exploration and Business Development) (appointed 18 July 2005)
- K D Ross (Operations Manager – Western Australia)
- G E Cheong (Registered Mine Manager)
- G F Kaczmarek (Company Secretary and Financial Controller)
- L J Skotsch (Manager Exploration)

(c) Key Management Personnel Compensation

The aggregate compensation of the Key Management Personnel in the consolidated entity and the company is set out below:

	CONSOLIDATED ENTITY		COMPANY	
	2006 ($'000)	2005 ($'000)	2006 ($'000)	2005 ($'000)
Short-term employee benefits	1,904,037	1,467,269	1,904,037	1,467,269
Post-employment benefits	271,211	121,724	271,211	121,724
Share-based payments	637,868	35,021	637,868	35,021
	2,813,116	1,624,014	2,813,116	1,624,014

As permitted by the Corporations Regulations 2001, The Company has disclosed information about the compensation of Key Management Personnel ("Compensation Disclosures"), as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 Related Party Disclosures under the heading "Remuneration Report" on pages 27 to 34 of the Directors Report and not in the financial report.

21. DIRECTOR AND OTHER KEY MANAGEMENT PERSONNEL COMPENSATION CONTINUED

(d) Equity Instruments Disclosure Relating to Key Management Personnel

(i) Options provided as remuneration and shares issued on exercise of those shares options, together with the terms and conditions of the options, can be found in Section E of the Remuneration Report on page 33.

(ii) Options and Shares held in the company by Key Management Personnel during the financial year area set out in Note 23 - Related Party Transactions.

(e) Loans to Key Management Personnel

There were no loans to Key Management Personnel during the current or prior financial year.

(f) Other Transactions with Key Management Personnel

There were no other transactions entered into during the current financial year with Key Management Personnel other than those set out in Note 23 – Related Party Transactions.

The Company has no contingent liability for termination benefits under service agreements with Key Management Personnel of the Company, at balance date.

22. AUDITOR'S REMUNERATION

	CONSOLIDATED		COMPANY	
	2006 ($)	2005 ($)	2006 ($)	2005 ($)
(a) Paid or Payable to Deloitte Touche Tohmatsu in Australia:				
Audit of the financial report	106,873	68,750	106,873	68,750
AIFRS transition review	-	10,000	-	10,000
	106,873	78,750	106,873	78,750
(b) Paid or Payable to overseas associates of Deloitte Touche Tohmatsu:				
Audit of the financial report	76,578	53,128	-	-
Tax services	2,423	12,530	-	-
	79,001	65,658	-	-
	185,874	144,408	106,873	78,750

No other benefits were received by the Auditor.

23. RELATED PARTY TRANSACTIONS

(a) Subsidiaries

The ultimate parent entity of the group is Troy Resources NL. Since 30 September 1999, no interest or management fees have been charged to other wholly-owned group companies except those incorporated in Brazil which are classified as self-sustaining entities.

Details of the ownership of ordinary shares held in subsidiaries are disclosed in Note 28 to the Financial Statements.

Details of interests in joint ventures are disclosed in Note 30 to the Financial Statements.

Subsidiary company transactions and balances included in the Financial Statements (in the notes as referenced) are as follows:

		CONSOLIDATED		COMPANY	
	Notes	2006 ($'000)	2005 ($'000)	2006 ($'000)	2005 ($'000)
Custom milling fee		-	-	1,038	7,478
Other fees and charges		-	-	51	(170)
Non-current receivables		-	-	112	-
Non-current payables		-	-	-	78
Dividends received or due		-	-	8,718	25,253
Current receivables	6	-	-	43	160

Troy Resources NL owns and operates the Sandstone Mill. Under a Custom Milling Agreement, Troy charges its wholly owned subsidiary, Wirraminna Gold NL, a fee for its share of ore milled from the Bulchina Mine, which is a 40:60 Joint Venture between the parties.

(b) Key Management Personnel

As permitted by the Corporations Regulations 2001, The Company has disclosed information about the compensation of Key Management Personnel ("Compensation Disclosures"), as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 Related Party Disclosures under the heading "Remuneration Report" on pages 27 to 34 of the Directors Report and not in the financial report.

Details of options provided as remuneration and shares issued on the exercise of such options can be found in Section E of the Remuneration Report, on page 33 of this Annual Report.

The value of share-based payments in the remuneration tables has been calculated by an independent financial services provider using the Binomial Valuation Model.

23. RELATED PARTY TRANSACTIONS CONTINUED

(b) Key Management Personnel (Continued)

Aggregate numbers of fully paid and partly paid shares and share options of Troy Resources NL held directly, indirectly or beneficially by Key Management Personnel or their related parties at balance date is:

(i) *Fully paid ordinary shares issued by Troy Resources NL:*

2006	Balance at 1.7.05 No.	Granted as Remuneration No.	Received on Exercise of Options No.	Net Other Change No.	Balance at 30.6.06 No.	Balance Held Nominally No.
Directors						
J L C Jones	8,583,209	-	-	-	8,583,209	7,664,209
T D McKeith	-	-	-	-	-	-
K K Nilsson	160,000	-	-	(68,748)	91,252	-
P A K Naylor	241,679	-	-	(51,179)	190,500	
D E Clarke	310,000	-	-	-	310,000	-
J A S Dow	-	-	-	-	-	-
Other Key Management Personnel						
P J Doyle	-	-	-	-	-	-
K D Ross	5,000	-	-	-	5,000	-
G E Cheong	6,500	-	-	(6,100)	400	-
G F Kaczmarek	130,000	-	117,000	(80,000)	167,000	-
L J Skotsch	60,000	-	30,000	(70,000)	20,000	-
	9,496,388	-	147,000	(276,027)	9,367,361	7,664,209

2005	Balance at 1.7.04 No.	Granted as Remuneration No.	Received on Exercise of Options No.	Net Other Change No.	Balance at 30.6.05 No.	Balance Held Nominally No.
Directors						
J L C Jones	8,520,909	-	-	62,300	8,583,209	7,664,209
K K Nilsson	240,000	-	-	(80,000)	160,000	-
P A K Naylor	266,100	-	-	(24,421)	241,679	30,600
D E Clarke	310,000	-	-	-	310,000	-
Other Key Management Personnel						
K D Ross	-	-	-	5,000	5,000	-
G E Cheong	15,000	-	-	(8,500)	6,500	-
G F Kaczmarek	110,000	-	50,000	(30,000)	130,000	-
L J Skotsch	20,000	-	70,000	(30,000)	60,000	-
	9,482,009	-	120,000	(105,621)	9,496,388	7,694,809

(ii) Partly paid ordinary shares issued by Troy Resources NL:

2006	Balance at 1.7.05 No.	Granted as Remuneration No.	Received on Exercise of Options No.	Net Other Change No.	Balance at 30.6.06 No.	Balance Held Nominally No.
Directors						
J L C Jones	1,896,025	-	-	-	1,896,025	1,792,225
T D McKeith	-	350,000	-	-	350,000	350,000
K K Nilsson	-	-	-	-	-	-
P A K Naylor	115,400	-	-	(34,400)	81,000	-
D E Clarke	-	-	-	-	-	-
J A S Dow	-	-	-	-	-	-
Other Key Management Personnel						
P J Doyle	-	-	-	-	-	-
K D Ross	-	-	-	-	-	-
G E Cheong	-	-	-	-	-	-
G F Kaczmarek	-	-	-	-	-	-
L J Skotsch	-	-	-	-	-	-
	2,011,425	350,000	-	(34,400)	2,327,025	2,142,225

2005	Balance at 1.7.04 No.	Granted as Remuneration No.	Received on Exercise of Options No.	Net Other Change No.	Balance at 30.6.05 No.	Balance Held Nominally No.
Directors						
J L C Jones	1,863,225	-	-	32,800	1,896,025	1,792,225
K K Nilsson	-	-	-	-	-	-
P A K Naylor	115,400	-	-	-	115,400	34,400
D E Clarke	-	-	-	-	-	-
Other Key Management Personnel						
K D Ross	-	-	-	-	-	
G E Cheong	-	-	-	-	-	-
G F Kaczmarek	-	-	-	-	-	-
L J Skotsch	-	-	-	-	-	-
	1,978,625	-	-	32,800	2,011,425	1,826,625

23. RELATED PARTY TRANSACTIONS CONTINUED

(iii) Executive Share Options issued by Troy Resources NL:

2006	Balance at 1.7.05	Granted as Remuneration No.	Exercise No.	Exercised Price No.	Other Change ($)	Balance at 30.6.06 No.	Balance Vested at 30.6.06 No	Vested but not Exerciseable No.	Vested and Exerciseable No.	Options Vested during Year No.
Directors										
J L C Jones	-	-	-	-	-	-	-	-	-	-
T D McKeith	-	500,000	-	-	-	500,000	-	-	-	-
K K Nilsson	-	-	-	-	-	-	-	-	-	-
P A K Naylor	-	-	-	-	-	-	-	-	-	-
D E Clarke	-	-	-	-	-	-	-	-	-	-
J A S Dow	-	60,000	-	-	-	60,000	-	-	-	-
Other Key Management Personnel										
P J Doyle	-	300,000	-	-	-	300,000	-	-	-	-
K D Ross	-	75,000	-	-	-	75,000	-	-	-	-
G E Cheong	-	-	-	-	-	-	-	-	-	-
G F Kaczmarek	150,000	-	50,000	1.45	-		-	-	-	83,000
			67,000	1.52		33,000				
L J Skotsch	60,000	-	30,000	1.52	-	30,000	-	-	-	30,000
	210,000	935,000	147,000	-	-	998,000	-	-	-	113,000

2005	Balance at 1.7.04 No.	Granted as Remuneration No.	Exercised No.	Exercised Price ($)	Other Change No.	Balance at 30.6.05 No	Balance Vested at 30.6.05 No.	Vested but not Exerciseable No.	Vested and Exerciseable No.	Options Vested during Year No.
Directors										
J L C Jones	-	-	-	-	-	-	-	-	-	-
K K Nilsson	-	-	-	-	-	-	-	-	-	-
P A K Naylor	-	-	-	-	-	-	-	-	-	-
D E Clarke	-	-	-	-	-	-	-	-	-	-
Other Key Management Personnel										
K D Ross	-	-	-	-	-	-	-	-	-	-
G E Cheong	-	-	-	-	-	-	-	-	-	-
G F Kaczmarek	200,000	-	50,000	1.45	-	150,000	34,000	-	34,000	84,000
L J Skotsch	130,000	-	70,000	1.12	-	60,000	-	-	-	50,000
	330,000	-	120,000	-	-	210,000	34,000	-	34,000	134,000

There were 560,000 employee share options issued to Directors and 375,000 share options to other Key Management Personnel during the year. All employee share options issued to Key Management Personnel during the financial year were made in accordance with the provisions of the Troy Resources NL Employee Share Option Scheme.

Each share option converts into one ordinary share in Troy Resources NL on exercise. No amounts are paid or payable by the recipient on the grant or vesting of the option.

During the year, 147,000 (2005: 120,000) options were exercised by Key Management Personnel for 147,000 (2005: 120,000) ordinary shares in Troy Resources NL. No amounts remain unpaid on the options exercised during the financial year.

Further details of the Troy Resources NL Employee Share Option Scheme are contained in Note 24 and details of the remuneration of Key Management Personnel is contained in the Remuneration Report within the Directors' Report.

(c) Other Related Party Transactions:

(i) Mr J L C Jones

Mr J L C Jones, the Chairman, is a director of and related to a number of entities, where he has significant influence over the financial or operating policies of those entities, which entered into various commercial transactions with the Company.

The terms and conditions of these transactions with those related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-related parties on an arm's length basis.

The aggregate amounts recognised during the year relating to those related parties were as follows:

	CONSOLIDATED		COMPANY	
	2006	2005	2006	2005
	$	$	$	$
Transaction description:				
Office rental and associated costs	215,861	223,288	215,861	223,288
Material handling contracts at mine site	12,394,952	1,098,858	12,394,952	1,098,858
Sale of diesel fuel for mine site contracts	(294,174)	(346,903)	(294,174)	(346,903)
Other miscellaneous services	9,295	-	9,295	-
Consulting Fees	-	68,600	-	68,600

(ii) Mr P A K Naylor

Mr P A K Naylor, a Non-Executive Director, is also an employee of a major broking firm, which has performed certain service transactions by contract for the Company.

The terms and conditions of these transactions with that related party were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-related parties on an arm's length basis.

The aggregate amounts recognised during the year relating to that director-related entity were as follows:

	CONSOLIDATED		COMPANY	
	2006	2005	2006	2005
	$	$	$	$
Transaction description:				
Brokerage fees	4,535	10,907	4,535	10,907

23. RELATED PARTY TRANSACTIONS CONTINUED

(iii) Dr D E Clarke

Dr D E Clarke, a Non-Executive Director, was engaged by the Company to perform consulting work.

The aggregate amounts recognised during the year were as follows:

	CONSOLIDATED		COMPANY	
	2006	2005	2006	2005
	$	$	$	$
Transaction description:				
Consulting fees	54,826	31,950	54,826	31,950

This amount has been included as part of Dr Clarke's Primary Remuneration under "Fees" in the Remuneration Report within the Directors' Report.

(iv) Aminta Pty Ltd

Mr J L C Jones is a director of Aminta Pty Ltd, a company which has entered into several joint venture agreements with the Company to explore certain mineral leases. Details of interests in these joint ventures are included in Note 30.

24. EMPLOYEE SHARE OPTION SCHEME

The Employee Share Option Scheme was approved at an Annual General Meeting on 19 November 1993 and amended at the Annual General Meetings of 24 October 1996 and 23 November 1998.

Options issued under the Scheme are issued on the following terms:

(a) to employees or Directors of the Company or any Associated Body Corporate;

(b) the number of options outstanding and shares issued under the Plan in the last five years cannot exceed 7% of issued shares;

(c) issue cost is nil;

(d) the exercise price shall be the greater of 20 cents and 80% of the weighted average price for all shares in the Company traded on the ASX during the five trading days preceding the date of the offer of options;

(e) each grant of options is split into three approximately equal portions. The first third vests on the first anniversary of the grant date, the second third on the second anniversary of the grant date and the final third on the third anniversary of the grant date. All options expire on the fourth anniversary of the grant date;

(f) options carry no voting rights, and no rights to dividends;

(g) options may be exercised at any time from the date on which they vest to the expiry date;

(h) options expire when the option holder ceases to be employed by the Company unless the Directors, in their sole discretion due to extenuating circumstances, determine otherwise; and options are issued at the discretion of the Directors who take into account the length of service of the recipient.

During the year, 560,000 options were issued to Directors and 375,000 options to other Key Management Personnel of the Company.

In the table below, fair value of consideration received is measured as the nominal value of cash receipts on conversion. The fair value of shares at the date of their issue is measured as the weighted average price for all shares in the Company traded on the ASX during the five trading days preceding the date of their grant.

The difference between the total market value of options issued during a financial year, at the date of issue, and the total amount received under the Scheme is not recognised in the Financial Statements except for the purposes of determining Directors' and executives' remuneration in respect of that financial year as disclosed in the Remuneration Report within the Directors' Report. The amounts are disclosed in remuneration in respect of the financial year over which the entitlement was earned.

Consideration received on the exercise of employee options is recognised in contributed equity. During the financial year $312,200 (2005: $264,730) was recognised in contributed equity arising from the exercise of employee options.

2006 YEAR

Month of Issue	Balance at Beginning of Year	Number of Options Issued	Number Exercised Current Year	Exercise Date	Exercise Price	Proceeds Received ($)	Fair Value on Date of Exercise ($)	Number Lapsed/ Cancelled During Year	Outstanding at Balance Date	Number Vested at Balance Date	Exercise Period	Expiry Date
April 2006	-	500,000	-	-	$2.39	-	-	-	500,000	-	April 2007 -April 2010	3 April 2010
Feb 2006	-	215,000	-	-	$2.42	-	-	-	215,000	-	Feb 2007 -Feb 2010	17 Feb 2010
July 2005	-	300,000	-	-	$1.86	-	-	-	300,000	-	July 2006 -July 2009	18 July 2009
Feb 2005	180,000	-	-	-	$2.45	-	-	-	180,000	61,000	Feb 2006 -Feb 2009	25 Feb 2009
Jun 2004	37,500	-	-	-	$2.23	-	-	-	37,500	25,000	Jun 2005 -Jun 2008	7 Jun 2008
Mar 2004	100,000	-	-	-	$2.15	-	-	-	100,000	67,000	Mar 2005 -Mar 2008	16 Mar 2008
Aug 2003	207,000	-	10,000	23 Sept 2005	$1.52	15,200	28,260	-	97,000	15,000	Aug 2004 -Aug 2007	29 Aug 2007
			30,000	11 Oct 2005	$1.52	45,600	78,570					
			34,000	14 Dec 2005	$1.52	51,680	106,284					
			3,000	27 March 2006	$1.52	4,560	8,622					
			33,000	21 April 2006	$1.52	50,160	113,190					
Aug 2002	126,000	-	10,000	23 Aug 2005	$1.45	14,500	28,080	-	26,000	26,000	Aug 2003 -Aug 2006	10 Aug 2006
			5,000	2 Sept 2005	$1.45	7,250	12,550					
			50,000	28 Sept 2005	$1.45	72,500	131,000					
			30,000	17 Jan 2006	$1.45	43,500	96,420					
			5,000	22 May 2006	$1.45	7,250	13,840					
	650,500	1,015,000	210,000			312,200	616,816	-	1,455,500			

The weighted average fair value share price of options on date of exercised during the period was $2.94

24. EMPLOYEE SHARE OPTION SCHEME CONTINUED

Inputs used in the valuation model for share based payment arrangements which were entered into during the year.

Share-based payments have been valued by an independent financial services provider using the Binomial Valuation Model. The following input parameters have been used in determining the value of share-based payments:

Grant Date	Expiration Date	Number of Securities	Vesting Date	Expected Exercise Date (1)	Current Share Price (2)	Exercise Price	Dividend Yield (3)	Risk Free Rate (4)	Volatility (5)	"Fair Value"
18 Jul 05	18 July 09	100,000	18 July 06	18 Jan 08	2.29	1.86	2.80%	5.18%	42%	0.79
	"	100,000	18 July 07	18 July 08	2.29	1.86	2.80%	5.18%	42%	0.83
	"	100,000	18 July 08	18 Jan 09	2.29	1.86	2.80%	5.18%	46%	0.91
17 Feb 06	17 Feb 10	25,000	17 Feb 07	18 Aug 08	2.98	2.42	2.16%	5.16%	42%	1.05
	"	25,000	17 Feb 08	16 Feb 09	2.98	2.42	2.16%	5.16%	40%	1.08
	"	25,000	17 Feb 09	18 Aug 09	2.98	2.42	2.16%	5.16%	41%	1.15
3 Apr 06	3 Apr 10	166,667	3 Apr 07	2 Oct 08	3.05	2.39	2.11%	5.32%	42%	1.13
	"	166,666	3 Apr 08	3 Apr 09	3.05	2.39	2.11%	5.33%	40%	1.16
	"	166,666	3 Apr 09	2 Oct 09	3.05	2.39	2.11%	5.33%	40%	1.20
18 May 06	17 Feb 10	73,500	17 Feb 07	18 Aug 08	2.80	2.42	2.29%	5.64%	36%	0.82
	"	46,500	17 Feb 08	16 Feb 09	2.80	2.42	2.29%	5.65%	41%	0.94
	"	26,000	17 Feb 09	18 Aug 09	2.80	2.42	2.29%	5.66%	40%	0.98
Valuation of Partly Paid Shares										
3 Apr 06	3 Apr 11	350,000	3 Apr 06	3 Apr 11	3.05	3.30	2.11%	5.34%	45%	1.01

Notes:

1. *The expected exercise date is assumed to be the mid point between the vesting date and the expiry date.*
2. *The current share price is the closing market price on the ASX as of the issue date of the Options, and the closing market price as of the issue date of the partly paid shares for the Implied Options.*
3. *The dividend yield is the annualised gross percentage yield continuously compounded and sourced from Bloomberg.*
4. *The risk free rate is the implied yield on zero-coupon Australian government bonds, at the issue date, continuously compounded, corresponding to the expected life of the Options and the Implied Options.*
5. *The Volatility factor is based on the historical volatility observed for Troy Resources, as per Bloomberg, corresponding to the expected life for the Options and the Implied Options.*

2005 YEAR

Month of Issue	Balance at Beginning of Year	Number of Options Issued	Number Exercised Current Year	Exercise Date	Exercise Price	Proceeds Received ($)	Fair Value on Date of Exercise ($)	Number Lapsed/ Cancelled During Year	Outstanding at Balance Date	Number Vested at Balance Date	Exercise Period	Expiry Date
Feb 2005	-	180,000	-	-	$2.45	-	-	-	180,000	-	Feb 2006 -Feb 2009	25 Feb 2009
Jun 2004	37,500	-	-	-	$2.23	-	-	-	37,500	12,500	Jun 2005 -Jun 2008	7 Jun 2008
Mar 2004	100,000	-	-	-	$2.15	-	-	-	100,000	34,000	Mar 2005 -Mar 2008	16 Mar 2008
Aug 2003	247,000	-	10,000	26 Oct 2004	$1.52	15,200	29,910	-	207,000	43,000	Aug 2004 -Aug 2007	29 Aug 2007
			30,000	2 Nov 2004	$1.52	45,600	93,570					
Aug 2002	209,000	-	50,000	29 Nov 2004	$1.45	72,500	185,000	6,000	126,000	33,000	Aug 2003 -Aug 2006	10 Aug 2006
			10,000	30 Sept 2004	$1.45	14,500	29,350					
			10,000	26 Oct 2004	$1.45	14,500	29,910					
			7,000	19 Aug 2004	$1.45	10,150	18,886					
Nov 2001	45,000	-	20,000	30 Aug 2004	$0.82	16,400	54,120	-	-	-	Nov 2002 -Nov 2005	21 Nov 2005
			20,000	29 Nov 2004	$0.82	16,400	74,000					
			5,000	8 Dec 2004	$0.82	4,100	16,750					
Jun 2001	80,000	-	60,000	7 July 2004	$0.52	31,200	173,940	-	-	-	Jun 2002 -Jun 2005	20 Jun 2005
			20,000	29 July 2004	$0.52	10,400	54,000					
Aug 2000	26,500	-	1,500	7 July 2004	$0.52	780	4,349	-	-	-	Aug 2001 -Aug 2004	17 Aug 2004
			25,000	19 Aug 2004	$0.52	13,000	67,450					
	745,000	180,000	268,500			264,730	831,235	6,000	650,500			

The weighted average fair value share of options on date of exercised during the period was $3.10.

	2006 No	2006 Weighted Average Exercise Price $	2005 No.	2005 Weighted Average Exercise Price $
Balance at beginning of year	650,500	1.90	745,000	1.44
Granted during the year	1,015,000	2.24	180,000	2.45
Exercised during the year	(210,000)	1.49	(268,500)	0.99
Lapsed during the year	-	-	(6,000)	1.45
Balance at end of year	1,455,500	2.20	650,000	1.90

25. SEGMENT INFORMATION

The Consolidated Entity is involved in only one industry, namely mining and exploration with activities in Australia, South America, Asia and Europe during the year.

SEGMENT INFORMATION: GEOGRAPHIC SEGMENT	Australia 2006 ($'000)	Australia 2005 ($'000)	Asia 2006 ($'000)	Asia 2005 ($'000)	South America 2006 ($'000)	South America 2005 ($'000)
REVENUE						
External sales	44,689	13,988	-	-	28,683	28,457
Other revenue	8,719	25,251	-	-	-	-
Inter-segment sales	-	-	-	-	-	-
Share of net profit of equity accounted investment	-	-	-	-	-	-
Total segment revenue	53,408	39,239	-	-	28,683	28,457
Unallocated revenue						
Total consolidated revenue						
RESULTS						
Segment results	27,428	15,647	(1,288)	(773)	17,483	20,272
Unallocated expenses						
Consolidated Entity profit before income tax						
Income tax expense / (Benefit)						
Consolidated Entity profit from ordinary activities						
Extraordinary item						
Net profit						
ASSETS						
Segment assets	57,970	46,531	142	162	10,256	7,376
Unallocated assets						
Total assets						
LIABILITIES						
Segment liabilities	7,224	7,064	3,929	3,036	2,192	3,023
Unallocated liabilities						
Total liabilities						
OTHER SEGMENT INFORMATION						
Equity accounted investments included in segment assets	-	-	-	-	-	-
Acquisition of property, plant and equipment, intangible assets and other non-current assets	5,327	9,004	-	380	10,996	3,619
Depreciation	2,123	453	-	13	1,284	4,728
Amortisation	2,627	475	-	-	1,102	2,276
Non-cash expenses	-	266	-	(9)	-	301
Impairment Losses	-	1,106	-	-	-	234

Europe		Elimination		Consolidated	
2006 ($'000)	2005 ($'000)	2006 ($'000)	2005 ($'000)	2006 ($'000)	2005 ($'000)
-	-	-	-	73,372	42,445
	-	(8,719)	(25,251)	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	(8,719)	(25,251)	73,372	42,445
				16,344	14,091
				89,716	56,536
(384)	(178)	(8,040)	(17,868)	35,199	17,100
				(3,450)	(2,207)
				31,749	14,893
				(11,734)	(1,334)
				20,015	13,559
				-	-
				20,015	13,559
110	299	(7,888)	(7,608)	60,590	46,760
				17,527	12,059
				78,117	58,819
772	760	(6,822)	(5,573)	7,295	8,310
				9,779	5,047
				17,074	13,357
-	-	-	-	-	-
-	141	(267)	458	16,056	13,602
-	-	-	578	3,407	5,772
-	-	-	-	3,729	2,751
-	14	-	(124)	-	448
-	-	-	-	-	1,340

26. COMMITMENTS FOR EXPENDITURE

(a) Exploration Commitments

The Consolidated Entity has minimum statutory commitments as conditions of tenure of certain mining tenements. In addition it has commitments to perform and expend funds towards retaining an interest in formalised agreements with joint venture and prospective joint venture partners. Whilst these obligations may vary, the following is considered to be a reasonable estimate of the minimum commitment projected to 30 June 2006 if it is to retain all of its present interests in mining and exploration properties, within the context of existing joint ventures.

	CONSOLIDATED		COMPANY	
	2006 ($'000)	2005 ($'000)	2006 ($'000)	2005 ($'000)
Due within 12 months	2,036	3,623	1,672	2,906
Due between 1 and 5 years	1,500	2,550	1,500	2,550
Includes: joint venture commitments				
Due within 12 months	379	1,518	218	1,174
Due between 1 and 5 years	1,500	2,550	1,500	2,550

(b) Capital Commitments

Capital expenditure commitments contracted for as at the reporting date:				
Due within 12 months	47	197	47	-
Includes: Joint venture commitments	-	-	-	-

The Consolidated Entity is obliged to spend money on mining areas to ensure sufficient rehabilitation of vegetation to satisfy the requirements under various government Mining Acts and Regulations. This expenditure is provided for in the Financial Statements in accordance with accounting policy and detailed in Note 13.

The Consolidated Entity has given securities in the form of bank guarantees and sureties with various state government mining departments to meet commitments for rehabilitation. (Refer Note 27.)

27. CONTINGENT LIABILITIES

There are no contingent liabilities other than:

(a) Bank Guarantees provided by financial institutions given to various State Departments of Mines and Energy and joint venture partners to a total value of $2,038,815 (2005: $1,792,065). These are security amounts against breach of environmental conditions and are not expected to be exercised in the normal course of business. Of these amounts $284,690 (2005: $481,940) relates to Joint Venture activities; and

(b) General sureties given to various State Departments of Mines and Energy to a total value of $146,500 (2005: $188,500). These are security amounts against breach of environmental conditions and are not expected to be exercised in the normal course of business. Of these amounts $30,000 (2005: $30,000) relates to Joint Venture activities outside the consolidated group.

28. SUBSIDIARIES

The Consolidated Financial Statements include the following subsidiaries:

	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST 2006: %	2005: %
Parent Entity:			
Troy Resources NL	Australia		
Subsidiaries:			
Wirraminna Gold NL	Australia	100	100
Troy Mongolia Alt Resources	Mongolia	100	100
Ord Resources Ltd	United Kingdom	100	100
• Ord Resources Finland Oy	Finland	100	100
• Ord Resources GmbH	Austria	-	100
Troy Resources Brasil Participações Ltda	Brazil	100	100
• Sertão Mineração Ltda	Brazil	70	70
Troy Brasil Exploração Mineral Ltda	Brazil	100	100
• Agreste Mineracao Ltda	Brazil	100	-

29. DISPOSAL OF CONTROLLED ENTITY

During the year, a wholly owned subsidiary, Ord Resources GmbH, a company incorporated in Austria, was disposed of to a non-associated outside party. The loss of $174,000 recognised on the sale of the subsidiary is recognised in the Income Statement as a Loss from discontinuing operations.

The group incorporated a new entity in Brazil, Agreste Mineração Ltda.

30. JOINT VENTURE OPERATIONS

The Consolidated Entity has interests in the following joint ventures:

Joint Venture	Principal Activities	Percentage Interest 2006	2005
Blackman's	Exploration	22.5	22.5
Bullfinch Copperhead	Exploration	49	49
Bullfinch South (1)	Exploration	57	57
Cornishman	Production	49	49
Mt Magnet Road	Exploration	90	90
Musgrave Range	Exploration	50	50
Pilot Prospect (1)	Exploration	56	56
Pilot South (1)	Exploration	74	74
Trojan	Exploration (earning 60%)	-	-
Three Rivers	Exploration (diluting to 40%)	100	100

(1) Joint Venture in which Aminta Pty Ltd has an interest. (Refer Note 23(c)(iv)).

30. JOINT VENTURE OPERATIONS CONTINUED

The joint ventures are not separate legal entities. They are contractual arrangements between the participants for the sharing of costs and output and do not in themselves generate revenue and profit.

	CONSOLIDATED		COMPANY	
	2006 ($'000)	2005 ($'000)	2006 ($'000)	2005 ($'000)
The activities of the joint ventures included in the Company's results are:				
Revenue	1,546	2,574	2,726	7,112
Share of costs incurred by joint venture	(957)	(3,293)	(1,560)	(6,861)
Additional costs incurred by the Company	-	(41)	(26)	(268)
Net contribution/(cost)	589	(760)	1,140	(17)

The Company's direct and indirect interests in the mining joint venture net assets as summarised below are included in the corresponding Balance Sheet items.

CURRENT ASSETS				
Inventory	-	-	-	178
CURRENT LIABILITIES				
Creditors	-	630	-	630
Provisions - rehabilitation	-	-	-	48
TOTAL LIABILITIES	-	630	-	678
NET ASSETS	-	(630)	-	(500)

Troy Resources NL and its wholly owned subsidiary, Wirraminna Gold NL, are associated in a 40:60 joint venture with each other in the Bulchina Mine. As this is fully internal, there is no joint venture for consolidation purposes. Accordingly, the assets and liabilities of the joint venture are not included in the note disclosure above for the Consolidated Entity.

Additional information relating to Joint Ventures is in Notes 26 and 27.

31. EVENTS OCCURRING AFTER BALANCE DATE

Subsequent to 30 June 2006 the Directors declared a dividend of 7 cents per share, fully franked. The dividend is payable on both the fully paid and partly paid shares as the latter carries a full dividend entitlement. The record date for the dividend will be 29 September 2006 and will be paid on 16 October 2006. As at 30 June 2006, there were a combined total of 55,830,739 fully and partly paid shares on issue giving an estimated dividend of $3,908,000. The actual number of shares and gross dividend payment will be different from the above estimate if additional shares are issued or cancelled, or options exercised before the record date. The financial effect of this dividend is not reflected in the Financial Statements as at 30 June 2006.

32. FINANCIAL INSTRUMENTS

(a) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, are disclosed in Note 1 to the Financial Statements.

(b) Objectives of Derivative Financial Instruments

The Consolidated Entity enters into derivative financial instruments from time to time in the normal course of business in order to hedge its exposure to fluctuations in the Australian dollar/US dollar gold price, and Australian dollar/US dollar exchange rate. The Consolidated Entity does not enter into or trade derivative financial instruments for speculative purposes.

(c) Gold and Foreign Currency Contracts

As at 30 June 2006, the Consolidated Entity had outstanding gold hedging contracts for 10,000 ounces of gold with a delivery date of 29 December 2006 at a price of A$700 per ounce. (There were no hedging contracts outstanding as at 30 June 2005.) The Consolidated Entity's policy allows it to hedge a portion of expected gold production to secure its mining operations where and when it is deemed appropriate by the Board of Directors to do so. There were no foreign currency hedge contracts outstanding at the end of either of the 2006 or 2005 financial years.

(d) Credit Risk Exposures

The credit risk on financial assets of the Consolidated Entity which have been recognised on the Balance Sheet, other than investment in shares, is generally the carrying amount, net of any allowances for doubtful debts. Equity investments which are traded on organised stock markets will vary with market movements.

The Consolidated Entity has an exposure to gain or loss in the event counterparties fail to settle on contracts with the Consolidated Entity. At 30 June 2006, the Consolidated Entity had no exposure or commitments to any counterparty (2005: Nil).

(e) Interest Rate Risk Exposure

The Consolidated Entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below. Exposure mainly arises from assets and liabilities bearing variable interest rates.

32. FINANCIAL INSTRUMENTS CONTINUED

2006	Notes	Floating Interest Rate ($'000)	1 Year or Less ($'000)	Over 1-5 Years ($'000)	More than 5 Years ($'000)	Non-interest Bearing ($'000)	Total ($'000)
Financial Assets							
Cash	5	8,020	25,377	-	-	-	33,397
Receivables	6	-	-	-	-	3,447	3,447
Other Financial Assets	7	-	-	-	-	1,434	1,434
Other		-	-	-	-	-	-
Total		8,020	25,377	-	-	4,881	38,278
Weighted Average Interest Rate							
- Cash at bank		Range: 0.01% p.a. to 5.85% p.a. depending on bank balance and account type.					
- Cash at deposit A$		5.645%p.a.	5.833%p.a.				
- Cash on deposit US$		2.6%p.a.					
Financial Liabilities							
Payables	12	-	-	-	-	3,984	3,984
Employee Entitlements	15	-	-	-	-	2,071	2,071
Dividend	13	-	-	-	-	33	33
Other	13	-	-	-	-	1,292	1,292
Total						7,380	7,380
Weighted Average Interest Rate							
A$ Loans		%					
US$ Loans		%					
Net Financial Assets (Liabilities)		8,020	25,377	-	-	(2,499)	30,898

2005	Notes	Floating Interest Rate ($'000)	1 Year or Less ($'000)	Over 1-5 Years ($'000)	More than 5 Years ($'000)	Non-interest Bearing ($'000)	Total ($'000)
Financial Assets							
Cash	5	25,971	1,850	-	-	-	27,821
Receivables	6	-	-	-	-	2,850	2,850
Other Financial Assets	7	-	-	-	-	4,066	4,066
Other		-	-	-	-	-	-
Total		25,971	1,850	-	-	6,916	34,737
Weighted Average Interest Rate							
- Cash at bank		Range: 0.01% p.a. to 5.45% p.a. depending on bank balance and account type.					
- Cash at deposit A$		5.53% p.a.	5.195% p.a.	-	-	-	-
- Cash on deposit US$		2.25% p.a.					
Financial Liabilities							
Payables	12	-	-	-	-	6,674	6,674
Employee Entitlements	15	-	-	-	-	1,720	1,720
Dividend	13	-	-	-	-	93	93
Other	13	-	-	-	-	1,199	1,199
Total		-	-	-	-	9,686	9,686
Weighted Average Interest Rate							
A$ Loans	%	-	-	-			
US$ Loans	%	-	-	-			
Net Financial Assets (Liabilities)		25,971	1,850	-	-	(2,770)	25,051

(f) **Fair Value of Financial Assets and Liabilities**

The carrying amount of financial assets and financial liabilities recorded in the Financial Statements represents their respective fair values, determined in accordance with the accounting policies disclosed in Note 1 to the Accounts (2005: Fair value).

The fair value of cash and cash equivalents and interest and non-interest bearing monetary financial assets and financial liabilities approximates their carrying value (2005: Fair value).

At 30 June 2006, inventories include 6,813 ounces (2005: 3,516) of refined gold bullion. This bullion is valued in the Financial Statements at cost of $3,291,000 (2005: $1,360,000) (refer Note 8). This inventory would have had a market value of $5,498,000 (2005: $2,013,000) based on a gold spot price of A$807.00 per ounce (2005: A$572.53).

(g) **Liquidity Risk Management**

The Consolidated Entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

33. (a) RECONCILIATION OF CASH

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments in interest bearing deposits. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	CONSOLIDATED		COMPANY	
	2006 ($'000)	2005 ($'000)	2006 ($'000)	2005 ($'000)
Cash at bank	1,420	2,270	1,420	2,270
Cash at bank - overseas	6,600	6,607	36	-
Interest bearing deposits at call	25,377	18,944	25,377	18,944
	33,397	27,821	26,833	21,214

33. (a) RECONCILIATION OF CASH CONTINUED

	CONSOLIDATED		COMPANY	
	2006 ($'000)	2005 ($'000)	2006 ($'000)	2005 ($'000)
(b) Reconciliation of Net Cash Used in Operating Activities to Net Profit after Income Tax				
Operating profit after income tax	20,015	13,559	15,327	19,661
Depreciation of non-current assets	3,407	6,359	2,123	453
Amortisation of non-current assets	3,729	3,152	2,627	475
(Write-down)/gain to Recoverable amount of investments non-related party	(740)	110	(740)	110
Gain on foreign currency translation reserve for overseas subsidiary	(788)	-	-	-
Loss on disposal of held for trading financial assets	408	80	409	80
Gain on sale of non-current assets	(43)	(8)	-	(8)
Impairment of non-current assets	-	753	-	1,106
Write-down to recoverable amount of investment in subsidiary	-	-	356	844
Write-down to recoverable amount of loans to related parties	-	-	1,343	640
Foreign exchange gain on currency held	516	565	(70)	88
Exploration expenditure written off	159	-	133	-
Loss on disposal of subsidiary	163	-	-	-
Equity settled share-based payment	824	164	824	164
Interest income received and receivable	(2,002)	(1,509)	(1,440)	(1,094)
Non-cash interest expense	69	-	57	57
Increase/(decrease) in income tax payable	6,618	(272)	4,852	(1,396)
Changes in operating assets and liabilities:				
(Increase)/decrease in current receivables	(597)	1,946	1,645	1,401
(Increase)/decrease in inventories	(6,049)	286	(6,589)	279
Increase/(decrease) in other provisions	647	255	402	420
Increase/(decrease) in payables	(2,690)	3,268	(1,529)	2,413
Increase/(decrease) in other liabilities	1,284	-	1,284	-
Net cash generated by operating activities	24,930	28,708	21,014	25,693

(c) Financing Facilities

As at 30 June 2006, neither the Company nor any member of the Consolidated Entity has any financing facilities with any bank or other financial institution.

(d) Non-Cash Transactions

During the year there were no non-cash transactions involving the issue of equity.

34. IMPACTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Consolidated Entity changed its accounting policies and financial reporting on 1 July 2005 to comply with Australian equivalents of International Financial Reporting Standards ("AIFRS"). The transition to AIFRS is accounted for in accordance with Accounting Standard AASB1 – First Time Adoption of Australian Equivalents to International Financial Reporting Standards, with 1 July 2004 as the date of transition, except for financial instruments, including derivatives, where the date of transition is 1 July 2005 (refer Note 1(y)).

An explanation of how the transition from superseded policies to AIFRS has affected the Consolidated Entity's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany those tables.
Impact of the Adoption of Australian Equivalents to International Financial Reporting Standards (AIFRS):-

(i) On the Balance Sheet as at 1 July 2004

	Notes	Consolidated Previous AGAAP Yr Ended 1 July 04 ($'000)	Consolidated Transition Effect to AIFRS ($'000)	Consolidated AIFRS Yr Ended 1 July 04 ($'000)	Company Previous AGAAP Yr Ended 1 July 04 ($'000)	Company Transition Effect to AIFRS ($'000)	Company AIFRS Yr Ended 1 July 04 ($'000)
CURRENT ASSETS							
Cash		24,515	-	24,515	12,956	-	12,956
Receivables		4,796	-	4,796	3,820	-	3,820
Other Financial Assets		1,448	-	1,448	1,406	-	1,406
Inventory		4,592	-	4,592	2,160	-	2,160
Current Tax Assets		515	-	515	991	-	991
Other		2	-	2	2	-	2
TOTAL CURRENT ASSETS		35,868	-	35,868	21,335	-	21,335
NON-CURRENT ASSETS							
Property, Plant Equipment	a	6,761	4,154	10,915	2,511	2,346	4,857
Other	b	5,086	(4,177)	909	2,961	(2,417)	544
Deferred Tax Asset	c	496	1	497	515	1	516
Loans to Subsidiaries		-	-	-	551	-	551
Investment in Subsidiaries	g	-	-	-	1,940	(125)	1,815
TOTAL NON-CURRENT ASSETS		12,343	(22)	12,321	8,478	(195)	8,283
TOTAL ASSETS		48,211	(22)	48,189	29,813	(195)	29,618
CURRENT LIABILITIES							
Payables		3,475	-	3,475	2,203	-	2,203
Provisions	d	1,799	(20)	1,779	1,154	128	1,282
TOTAL CURRENT LIABILITIES		5,274	(20)	5,254	3,357	128	3,485
NON-CURRENT LIABILITIES							
Deferred Tax Liabilities	c	745	(36)	709	745	(36)	709
Provisions		305	-	305	305	-	305
Loans from Subsidiaries		-	-	-	978	-	978
TOTAL NON CURRENT LIABILITIES		1,050	(36)	1,014	2,028	(36)	1,992
TOTAL LIABILITIES		6,324	(56)	6,268	5,385	92	5,477
NET ASSETS		41,887	34	41,921	24,428	(287)	24,141
EQUITY							
Contributed Equity	f	21,870	-	21,870	21,870	-	21,870
Reserves	e	(145)	208	63	33	30	63
Retained Profits	h	15,881	(174)	15,707	2,525	(317)	2,208
Total Parent Entity Interest in Equity		37,606	34	37,640	24,428	(287)	24,141
Minority Interest		4,281	-	4,281	-	-	-
TOTAL EQUITY		41,887	34	41,921	24,428	(287)	24,141

34. IMPACTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS CONTINUED

NOTES:

AIFRS Opening Balance Adjustment as at 1 July 2004

a) *Under AASB 6: Exploration for and Evaluation of Mineral Resources, only exploration and evaluation expenditures are allowed to be considered as "Other Assets". Mine and Development Properties have been re-classified under AASB 116 as Property, Plant and Equipment. Therefore $4,154,000 (company: $2,387,000) has been re-classified as property, plant & equipment. Similarly, amortisation of mine properties will be re-classified as depreciation of property, plant & equipment. In addition, Under AASB 136: Impairment of Assets, an impairment adjustment of $41,000 (company: $41,000) has also been made.*

b) *In addition to the re-classification of Mine and Development Properties as per Note: a) above, an adjustment has been made under AASB 136 for impairment of mining and development properties of $115,000 (company: $115,000). Also, under AASB 137: Provision for Restoration and Rehabilitation, the obligation to make good environmental or other damages must be provided for in full in the accounts from acquisition of the asset by increasing the asset value. An additional net amount of $133,000 (company: $85,000) has been included in the asset values.*

c) *AASB 112: Income Taxes, requires the adoption of a balance sheet approach to the calculation of taxes. The adjustments are to increase the Non-current Tax Benefit of $1,000 (company: $1,000), and decreasing the Deferred Tax Liability by $36,000 (company: $36,000).*

d) *AASB 137: Provisions, Contingent Liabilities and Rehabilitation, adjustments made via Note b) above decrease Current Provisions by $20,000 (company: increase $128,000).*

e) *On first time adoption, all existing Reserves, including Asset Revaluation and Foreign Currency, have been transferred to Retained Earnings.*

f) *AASB 2: Share Based Payments requires the value of share options granted to employees to be expensed over the period in which they vest. AASB 1: First Time Adoption of Australian Equivalents to the International Financial Reporting Standards requires that AASB 2 be applied to all options granted after 7 November 2002. The adjustment is an increase in Contributed Equity of $63,000 (company: $63,000) and a reduction in Retained Earnings.*

g) *Under AASB 136: Impairment of Assets, and following the adoption of IFRS by subsidiary companies, a downward adjustment has been made to the carrying value of subsidiary companies within the books of the parent entity of $125,000.*

h) *Movements in Retained Earnings are the cumulative effect of all the above transactions required for the adoption of AIFRS. The result is a decrease in Retained Earnings of $174,000 (company: $317,000).*

(ii) (a) On the Balance Sheet as at 30 June 2005.

	Notes	Consolidated Previous AGAAP Yr Ended 30 June 05 ($'000)	Consolidated Transition Effect to AIFRS ($'000)	Consolidated AIFRS Yr Ended 30 June 05 ($'000)	Company Previous AGAAP Yr Ended 30 June 05 ($'000)	Company Transition Effect to AIFRS ($'000)	Company AIFRS Yr Ended 30 June 05 ($'000)
CURRENT ASSETS							
Cash		27,821	-	27,821	21,214	-	21,214
Receivables		2,850	-	2,850	2,421	-	2,421
Other Financial Assets		4,066	-	4,066	4,024	-	4,024
Inventory		4,306	-	4,306	1,881	-	1,881
Current Tax Assets		-	-	-	573	-	573
TOTAL CURRENT ASSETS		39,043	-	39,043	30,113	-	30,113
NON-CURRENT ASSETS							
Property, Plant Equipment	a	6,983	7,709	14,692	6,224	7,501	13,725
Other	b	9,346	(8,471)	875	8,535	(8,077)	458
Loans to subsidiaries		-	-	-	2,197	-	2,197
Deferred tax asset	c	3,937	272	4,209	3,937	201	4,138
Investment in Subsidiaries	g	-	-	-	1,940	(969)	971
TOTAL NON-CURRENT ASSETS		20,266	(490)	19,776	22,833	(1,344)	21,489
TOTAL ASSETS		59,309	(490)	58,819	52,946	(1,344)	51,602
CURRENT LIABILITIES							
Trade & other Payables		6,674	-	6,674	4,616	-	4,616
Current Tax Payables		1,117	-	1,117	-	-	-
Provisions	d	2,073	650	2,723	1,593	594	2,187
TOTAL CURRENT LIABILITIES		9,864	650	10,514	6,209	594	6,803
NON CURRENT LIABILITIES							
Deferred Tax Liabilities	c	2,848	(294)	2,554	2,848	(295)	2,553
Provisions		289	-	289	289	-	289
Loans from Subsidiaries		-	-	-	78	-	78
TOTAL NON-CURRENT LIABILITIES		3,137	(294)	2,843	3,215	(295)	2,920
TOTAL LIABILITIES		13,001	356	13,357	9,424	299	9,723
NET ASSETS		46,308	(846)	45,462	43,522	(1,643)	41,879
EQUITY							
Contributed Equity	f	22,918	(1)	22,917	22,918	(1)	22,917
Reserves	e	871	373	1,244	33	195	228
Retained Profits	h	12,591	(211)	12,380	(765)	(162)	(927)
Profit this year		8,670	(955)	7,715	21,336	(1,675)	19,661
Total Parent entity interest in equity		45,050	(794)	44,256	43,522	(1,643)	41,879
Minority Interest		1,258	(52)	1,206	-	-	-
TOTAL EQUITY		46,308	(846)	45,462	43,522	(1,643)	41,879

34. IMPACTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS CONTINUED

(ii) (b) On the Income Statement for the Financial Year ended 30 June 2005.

	Notes	Consolidated Previous AGAAP Yr Ended 30 June 2005 ($'000)	Consolidated Transition Effect to AIFRS ($'000)	Consolidated AIFRS Yr Ended 30 June 2005 ($'000)	Company Previous AGAAP Yr Ended 30 Jun 2005 ($'000)	Company Transition Effect to AIFRS ($'000)	Company AIFRS Yr Ended 30 Jun 2005 ($'000)
Sales Revenue (Gold Sales)		54,641	-	54,641	7,112	-	7,112
Cost of Sales		(27,305)	-	(27,305)	(12,827)	-	(12,827)
Gross Profit		27,336	-	27,336	(5,715)	-	(5,715)
Other income		1,982	-	1,982	33,752	-	33,752
Exploration Expenses		(6,634)	-	(6,634)	(3,714)	-	(3,714)
Administration Expenses		(5,617)	-	(5,617)	(3,593)	-	(3,593)
Corporate activity expenses	f	(287)	(164)	(451)	(287)	(165)	(452)
Other expenses	i	(314)	(1,340)	(1,654)	(728)	(1,950)	(2,678)
Interest expense	j	-	(69)	(69)	-	(54)	(54)
Borrowing costs		-	-	-	-	-	-
Profit Before Income Tax		16,466	(1,573)	14,893	19,715	(2,169)	17,546
Income tax (expense)/income relating to ordinary activities	c	(1,900)	566	(1,334)	1,621	494	2,115
Net Profit		14,566	(1,007)	13,559	21,336	(1,675)	19,661
Net profit attributable to outside equity interests		(5,896)	52	(5,844)	-	-	-
Net Profit Attributable to Members of the Parent Entity		8,670	(955)	7,715	21,336	(1,675)	19,661
Increase/(decrease) in foreign currency translation reserve arising on translation of self-sustaining foreign operations		1,016	-	1,016	-	-	-
Total Revenue, Expense and Valuation Adjustments Attributable to Members Of the Parent Entity Recognised Directly in Equity		1,016	-	1,016	-	-	-
Changes in Equity Other Than Those Resulting From Transactions with Owners as Owners		9,686	(955)	8,731	21,336	(1,675)	19,661

NOTES:

Effect of AIFRS for the Financial Year Ended 30 June 2005:

a) *Under AASB 6: Exploration for and Evaluation of Mineral Resources, only exploration and evaluation expenditures are allowed to be considered as "Other Assets". Mine and Development Properties have been re-classified under AASB 116 as Property, Plant and Equipment. Therefore $6,849,000 (company: $6,623,000) has been re-classified as property, plant & equipment. Similarly, amortisation of mine properties will be re-classified as depreciation of property, plant & equipment. In addition, Under AASB 136: Impairment of Assets, an impairment adjustment of $628,000 (company: $628,000) has also been made.*

b) *In addition to the re-classification of Mine and Development Properties as per Note: a) above, an adjustment has been made under AASB 136 for impairment of mining and development properties of $868,000 (company: $634,000). Also, under AASB 137: Provision for Restoration and Rehabilitation, the obligation to make good environmental or other damages must be provided for in full in the accounts from acquisition of the asset by increasing the asset value. An additional net amount of $994,000 (company: $826,000) has been included in the asset values.*

c) *AASB 112: Income Taxes, requires the adoption of a balance sheet approach to the calculation of taxes.*

d) *AASB 137: Provisions, Contingent Liabilities and Rehabilitation, adjustments made via Note b) above increase Current Provisions by $721,000.*

e) *On first time adoption, all existing Reserves, including Asset Revaluation and Foreign Currency, have been transferred to Retained Earnings.*

f) *AASB 2: Share Based Payments requires the value of share options granted to employees to be expensed over the period in which they vest. AASB 1: First Time Adoption of Australian Equivalents to the International Financial Reporting Standards requires that AASB 2 be applied to all options granted after 7 November 2002. An expense of $165,000 is recognised in the Income Statement for the year ended 30 June 2005.*

g) *Under AASB 136: Impairment of Assets, and following the adoption of IFRS by subsidiary companies, a downward adjustment has been made to the carrying value of subsidiary companies within the books of the parent entity of $969,000.*

h) *Movements in Retained Earnings are the cumulative effect of all the above transactions required for the adoption of AIFRS. The result is decreased in Retained Earnings of $174,000 (company: $317,000).*

i) *Expense of asset impairment amount as per Note b) above.*

j) *Interest charges applicable under AASB 137: Provision for Restoration and Rehabilitation in recognition of the time value of money.*

Effect of AIFRS on the Cash Flow Statement for the financial year ended 30 June 2005

The adoption of AIFRS has not resulted in any material adjustments to the cash flow statement.

35. ADDITIONAL COMPANY INFORMATION

Troy Resources NL is a public company, incorporated and operating in Australia, Asia, Europe and South America.

Registered Office	Principal Place of Business
c/- McDonald Carter HPW	Ground Floor
Level 6	44 Ord Street
31 Queen Street	West Perth
Melbourne	Western Australia 6005
Victoria 3000	Tel: (08) 9481 1277

DIRECTORS' DECLARATION

The Directors declare that:

1. In the opinion of the Directors:
   (a) the Financial Statements and notes of the Company and of the Consolidated Entity are in accordance with the Corporations Act 2001, including:
      (i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
      (ii) comply with the Accounting Standards and Corporations Regulations 2001; and
   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial period ending 30 June 2006.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors of Troy Resources NL

J L C JONES
Chairman

Perth, Western Australia
29 September 2006

INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF TROY RESOURCES NL

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Woodside Plaza
Level 14
240 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia
DX 206
Tel: +61 (0) 8 9365 7000
Fax: +61 (0) 8 9365 7001
www.deloitte.com.au

SCOPE

THE FINANCIAL REPORT AND DIRECTORS' RESPONSIBILITY

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both Troy Resources NL ("the company") and the consolidated entity, for the financial year ended 30 June 2006 as set out on pages 23 to 86. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the Corporations Regulations 2001, the company has disclosed information about the compensation of key management personnel ("compensation disclosures") as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 Related Party Disclosures ("AASB 124"), under the heading "remuneration report" of the directors' report, and not in the financial report. These compensation disclosures are identified in the directors' report as being subject to audit. The remuneration report also contains information not subject to audit.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with Accounting Standards in Australia and the Corporations Act 2001. This includes responsibility for the maintenance of adequate financial records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

AUDIT APPROACH

We have conducted an independent audit of the financial report and compensation disclosures in order to express an opinion on them to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement and the compensation disclosures comply with AASB 124. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards in Australia and the Corporations Act 2001 so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations, their changes in equity and their cash flows and whether the compensation disclosures comply with AASB 124.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the compensation disclosures in the directors' report, and the evaluation of accounting policies and significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

The audit opinion expressed in this report has been formed on the above basis.

AUDIT OPINION

In our opinion:

(1) the financial report of Troy Resources NL is in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and

  (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(2) the compensation disclosures that are contained under the heading "remuneration report" of the directors' report comply with paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 Related Party Disclosures.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

KEITH F JONES
Partner
Chartered Accountants
Perth, 29 September 2006

CORPORATE GOVERNANCE

This statement summarises the Corporate Governance policies and practices adopted by the Company. Troy's objective is to achieve best practice in Corporate Governance and the Company's Directors and Officers are committed to meeting this objective.

Additional information can be found on the Company's website at www.try.com.au.

ASX BEST PRACTICE RECOMMENDATIONS

The Company supports the principles espoused in the *"Principles of Good Corporate Governance and Best Practice Recommendations"* as issued by the ASX Corporate Governance Council in March 2003. Following that report, an extensive review of the Company's corporate governance framework was completed and changes and refinements made to Company policies.

THE BOARD OF DIRECTORS

THE ROLE OF THE BOARD

The management and control of the business and affairs of the Company are vested in the Board of Directors. The Board sets the direction and guides and monitors the business and affairs of the Company on behalf of shareholders, by whom the Directors are elected and to whom they are accountable.

The primary functions of the Board include:

- developing and setting the Company's strategic direction in conjunction with management;
- overall review of performance against targets and objectives;
- ensuring the Company has adequate systems and internal controls together with appropriate monitoring of compliance activities;
- approval and compliance with policies including health, safety and environment; and
- reporting to shareholders on the direction and performance of the Company.

Particular matters that are dealt with by the Board include significant investments, capital and funding proposals, senior appointments and executive remuneration, financial results, performance and dividends, and issues relating to internal controls and risk management.

BOARD COMPOSITION

The Board is comprised of six Directors, being three executive and three independent non-executive Directors. The Board considers that the number of Directors is currently appropriate for the scope and size of activities currently being undertaken by the Company.

While the Board does not comprise a majority of independent Directors, the Board is of the view that it has an appropriate balance between independent representation and maintaining sufficient relevant experience for the Board to fulfil its objectives.

The roles of Chairman and Chief Executive Officer ("CEO") were formally separated in April 2006 with the appointment of Mr T D McKeith as a Director and CEO of the Company. Prior to this, Mr J L C Jones performed both roles. Mr Jones continues as the Chairman and an executive of the Company.

The Constitution of the Company allows for the Board to be up to nine members. A Director (other than the Managing Director or CEO) may not retain office for more than three years without submitting for re-election. At the Annual General Meeting each year, one third of the Directors in office retires by rotation and must be re-elected by the shareholders if they are to continue as a Director of the Company.

The Board meets on an "as required" basis, but at least three times a year in person with additional meetings being held by telephone hook-up. On average the Board meets approximately 12 times per year. The Board's agenda is agreed by the Chairman in conjunction with the CEO and the Company Secretary. Directors receive reports on financial, exploration and operational performance monthly and relevant additional papers for consideration in advance of each Board meeting. Executives not on the Board are regularly involved in relevant Board discussions and Directors have the opportunity, both formal and informal, for discussions with employees. In consultation with the Chairman or CEO, Directors are able to access information directly from management.

The Board has delegated responsibility for the operation and administration of the Company to the CEO who is responsible to the Board. The CEO is assisted in his role through an Executive Committee. The Executive Committee includes the CEO (Mr T D McKeith), the Chairman (Mr J L C Jones), the Director of Operations (Mr K K Nilsson), the Vice President – Exploration and Business Development (Mr P J Doyle) and the Chief Financial Officer (Mr G F Kaczmarek).

INDEPENDENT PROFESSIONAL ADVICE

All Directors have the right to seek independent professional advice concerning any aspect of the Company's operations or undertakings. Prior approval of the Chairman is required, but this is not to be unreasonably withheld. If the advice sought concerns the Chairman or is related to the Chairman, then the approval can be provided by one of the independent directors.

BOARD COMMITTEES

AUDIT COMMITTEE

The primary function of the Audit Committee is to review:

(a) the Financial Statements of the Company;

(b) the effectiveness of management information systems and systems of internal control; and

(c) the efficiency and effectiveness of the external audit functions.

REMUNERATION COMMITTEE

Remuneration paid to Directors is set at a competitive level commensurate with the level of experience and qualifications of the Directors within the capacity of the Company to provide. A Remuneration Committee was constituted in 2004 to undertake the review of executive remuneration including that of the executive Directors. The Remuneration Committee is composed of Dr D E Clarke (Committee Chairman) and Mr P A K Naylor, who are both independent, non-executive Directors. The remuneration of executives is formulated by the Remuneration Committee whose decisions are guided by industry conditions and industry remuneration surveys. The remuneration of other employees is reviewed and recommended by the relevant manager to the CEO and is ratified by the Remuneration Committee and the Board.

The Board believes that the issue of options to employees is an important part of their salary package. Options allows employees to participate in the ownership of the Company and enables the Company to supplement cash-based salary to better compete for and retain skilled workers in the industry at a lesser cost to the entity.

NOMINATION COMMITTEE

A formalised Nomination Committee charter was adopted in 2004 for the review of composition of the Board and to make recommendations on any changes to the Board. The size of the Board has allowed for the activities of the Nomination Committee to be carried out by the full Board.

RISK MANAGEMENT

The Board is responsible for ensuring that risks are identified on a timely basis and that the Company's objectives and activities are aligned to minimising these risks.

The Board monitors and receives advice on areas of operational, financial, political and asset risk and considers strategies for appropriate risk management arrangements. Specific areas of risk to the Company include foreign currency and commodity price fluctuations, gold hedging strategies, tenement management, human resources, health and safety, the environment and geographical and geopolitical locations.

Some of the mechanisms in place to ensure that identified risks are properly managed include:-

- Board approval of a strategic plan which includes the Company's vision and strategy;
- Implementation of approved operating plans and budgets and monitoring progress against these budgets in both a financial and non-financial nature;
- The undertaking of a specific Group wide Business Risk Survey which will encompass the identifying of specific risks for the Group, their likely impact and a specific plan and strategy to minimise these identified risks.

ETHICAL STANDARDS

The Board's policy is that the Directors and management should conduct themselves with the highest ethical standards. All Directors and employees are expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity. A formal policy has been adopted by the Board as a guideline for the ethical activities of both the Company and of management.

The Company is a voluntary signatory to the Australian Minerals Industry Code for Environmental Management. This includes health, safety and environmental issues which should be of the highest standard and comply with the Company's policies as published in the manual "Environmental, Health, Safety and Community Report" and is available for review on the Company's website. These policies are applied on a Company wide basis in all geographical areas of activity, not just within Australia.

TRADING IN THE COMPANY'S SECURITIES

The Board has adopted a policy in relation to the trading in the securities of the Company and has distributed these recommendations in written form to all employees of the Company. The circular to employees describes what constitutes Insider Trading, the penalties for undertaking such activities and makes recommendations on when employees should not trade in the Company's securities.

CONTINUOUS DISCLOSURE

The Board is committed to ensuring that trading in the Company's securities takes place in an informed market such that shareholders and the investment community has confidence in the quality, timeliness and integrity of information provided by the Company.

In accordance with the continuous disclosure requirements of the ASX Listing Rules, the Company has procedures in place to ensure that all price sensitive information is identified, reviewed and, where applicable, disclosed to the ASX and shareholders immediately.

The Company occasionally makes presentations at conferences and briefings to shareholder and analysts. On these occasions, the Company takes care to ensure that no price sensitive information is included, or it is released to the market prior to the conference/briefing. Conference presentations are usually released to the ASX and also posted on the Company's website.

RESPONSIBILITY TO SHAREHOLDERS

The Board aims to ensure that shareholders are informed on all major aspects and developments affecting the Company and the consolidated entity. The Board distributes information via:

- continuous disclosure of information to the ASX;
- the Annual Report to shareholders;
- Quarterly Activities Reports;
- notices of meetings of shareholders;
- the *"Troy Report"* which is published and distributed usually twice a year;
- investor briefings and conference presentations;
- distribution to shareholders and other relevant bodies of the Company's *"Environmental, Health, Safety and Community Report"*; and
- all the above reports and other useful information are posted on the Company's website on a timely basis.

ASX BEST PRACTICE RECOMMENDATIONS

The table below contains a list of each of the ASX Best Practice Recommendations and whether the Company was in compliance with the recommendations at the end of the year. Where the Company considers that it is divergent from these recommendations, or that it is not practical to comply, there is an explanation of the Company's reasons set out below the table:-

		Complied	Note
1.1	Formalise and disclose the functions reserved to the Board and those delegated to management	✓	
2.1	A majority of the Board should be independent directors	✘	1
2.2	The chairperson should be an independent director	✘	2
2.3	The roles of Chairperson and Chief Executive Officer should not be exercised by the same individual	✓	3
2.4	The Board should establish a Nomination Committee	✓	4
2.5	Provide the information indicated in *Guide to Reporting on Principle 2*	✓	
3.1	Establish a code of conduct to guide the Directors, the Chief Executive Officer (or equivalent), the Chief Financial Officer (or equivalent) and any other key executives as to:		
	3.1.1 the practices necessary to maintain confidence in the Company's integrity	✓	
	3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	✓	
3.2	Disclose the policy concerning trading in Company securities by Directors, Officers and Employees	✓	
3.3	Provide the information indicated in *Guide to Reporting on Principle 3*	✓	
4.1	Require the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with the relevant accounting standards		
4.2	The Board should establish an Audit Committee	✓	
4.3	Structure of the Audit Committee so that it consists of:		
	• only Non-Executive Directors	✓	
	• a majority of independent Directors		
	• an independent Chairperson, who is not chairperson of the Board	✓	
	• at least three members	✘	5
4.4	The Audit Committee should have a formal charter	✓	
4.5	Provide the information indicated in *Guide to Reporting on Principle 4*	✓	
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements to ensure accountability at a senior management level for that compliance	✓	
5.2	Provide the information indicated in *Guide to Reporting on Principle 5*	✓	
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings	✓	
6.2	Request the external auditor to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report	✓	

		Complied	Note
7.1	The Board or appropriate Board Committee should establish policies on risk oversight and management	✓	
7.2	The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) should state to the Board in writing that:		
	7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board	✓	
	7.2.2 the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects	✓	
7.3	Provide the information indicated in *Guide to Reporting on Principle 7*	✓	
8.1	Disclose the process for performance evaluation of the Board, its committees and individual Directors, and key executives	✘	6
9.1	Provide disclosure in relation to the Company's remuneration policies to enable investors to understand	✓	
	(i) the costs and benefits of those policies and		
	(ii) the link between remuneration paid to Directors and key executive and corporate performance		
9.2	The Board should establish a Remuneration Committee	✓	
9.3	Clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executives	✓	
9.4	Ensure that payment of equity-based Executive remuneration is made in accordance with thresholds set in plans approved by shareholders	✓	
9.5	Provide the information indicated in *Guide to Reporting on Principle 9*	✓	
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations	✓	

1. ***Only three (Messrs Clarke, Dow and Naylor) of the six Directors are independent.*** *Given the size and scope of the Company's operations, the Board considers that it is appropriately structured to discharge its duties in a manner that is in the best interests of the Company and its shareholders from both a long-term strategic and day-to-day operations perspective. The Board is of the view that it has achieved an appropriate balance between independent representation and maintaining sufficient relevant experience for the Board to fulfil its responsibilities.*
2. ***The Chairman is not an Independent Director.*** *The Chairman, Mr J L C Jones, is an executive of the Company and a substantial shareholder in the Company and became Chairman of the Company in 1988. The Board considers that the role of Mr Jones as Chairman is in the best interest of the Company. He has 40 years' relevant industry experience, and his knowledge of the Company and his role in leading the Company throughout a period of transition from a small exploration to successful mining company in recent years is viewed positively by shareholders.*
3. ***The Chairman was formally the Chief Executive Officer of the Company.*** *Prior to the appointment of Mr T D McKeith as the Chief Executive Officer in April 2006, the role of Chairman and Chief Executive Officer had been undertaken by Mr J L C Jones. These roles are now separate.*
4. ***There is no separate Nomination Committee as a sub-committee.*** *The functions to be performed by a nomination committee under the ASX Best Practice Recommendations are currently performed by the full Board and this is reflected in the written policy setting out the responsibilities of the Board. Having regard to the number of members currently comprising Troy's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee of the Board. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.*
5. ***The Audit Committee consists of only two members.*** *The Audit Committee was formally introduced in 1998. Until recently there were only two independent, non-executive Directors and the Board deemed it was necessary that the composition of the Audit Committee be restricted to non-executive Directors to ensure the Committee's independence from management. The Board considers that the Committee as constituted properly fulfils the objectives and responsibilities of an Audit Committee. The Board will continue to monitor the Company's position on the ASX All Ordinaries Index to ensure that the Company complies with the ASX's Audit Committee requirements.*
6. ***Board performance evaluation is not disclosed.*** *The performance of the Board is reviewed internally, but there are no formal performance indicators that are applied to that review. Judgment of performance is based on many factors including profitability, production levels and exploration success.*

SHAREHOLDERS' STATISTICS

AT 29 SEPTEMBER 2006

NUMBER OF SHAREHOLDERS

ORDINARY SHARE CAPITAL

- 49,565,587 fully paid ordinary shares held by 1,952 Shareholders
- 5,981,152 partly paid ordinary shares (40 cents per share to be paid) held by 172 shareholders. These partly paid shares currently holds 0.6 of a voting right and have full dividend entitlements.
- 1,389,500 employee options over ordinary shares held by 15 option holders
- 350,000 partly paid ordinary shares ($3.30 per share to be paid) held by 1 shareholder. These partly paid shares hold 0.083 of a voting right and have full dividend entitlement.

DISTRIBUTION OF SHAREHOLDERS

	Fully Paid Ordinary	Partly Paid Ordinary	Employee Options
1 - 1,000	462	27	-
1,001 - 5,000	913	66	-
5,001 - 10,000	263	27	4
10,001 - 100,000	269	43	9
100,001 and over	45	9	2
	1,952	172	15
Holding less than a marketable parcel:	206	228	N/A

SUBSTANTIAL SHAREHOLDERS

Ordinary Shareholder	Number of Securities	Person's Votes	Voting Power Percentage
Warrigal Pty Ltd	9,494,606	8,789,532	16.91%
Henry A Clive	3,385,860	3,144,754	5.96%

TWENTY LARGEST SHAREHOLDERS

as at 29 September 2006

Ordinary Shareholders	FULLY PAID Number	FULLY PAID Percentage	PARTLY PAID Number	PARTLY PAID Percentage
National Nominees Limited	7,521,693	15.18	722,877	12.09
Warrigal Pty Ltd	4,590,000	9.26	1,360,539	22.75
HSBC Custody Nominees (Australia) Ltd	4,356,035	8.79	782,703	13.09
Westpac Custodian Nominees Ltd	3,131,910	6.32		
JP Morgan Nominees Australia Ltd	2,086,845	4.21		
Bell Potter Nominees Ltd	1,970,000	3.97	602,766	10.08
ANZ Nominees Limited	1,584,288	3.20	50,400	0.84
Merrill Lynch (Australia) Nominees Pty Ltd	1,519,042	3.06		
Warrigal Pty Ltd	1,330,000	2.68		
Mr John Load Cecil Jones	608,000	1.23		
Arinya Investments Pty Ltd	562,500	1.13	112,500	1.88
Accbell Nominees Pty Ltd	453,000	0.91		
Citicorp Nominees Pty Ltd	450,302	0.91		
Strath Dee Pty Ltd	430,000	0.87	100,000	1.67
L J Thomson Pty Ltd	393,782	0.79		
Mr Bruce Clayton Bird	353,699	0.71		
Mr John Load Cecil Jones	311,000	0.63	103,800	1.74
New Privateer Holdings Ltd	310,000	0.63		
Mr Barton Cecil Jones	280,000	0.56	56,000	0.94
Mr Burchell Francis Jones	280,000	0.56	60,000	1.00
Chalcott Nominees Pty Ltd			120,000	2.01
Jones Partners Pty Ltd			107,100	1.79
Bedel & Sowa Corp Pty Ltd			104,600	1.75
Perpetual Custodians Ltd			87,000	1.45
Mr Philip Alan Kenneth Naylor & Mrs Andrea Naylor			81,000	1.35
Mrs Betty Christine Steele			80,500	1.35
L J Thomson Pty Ltd			71,157	1.19
Kajam Pty Ltd			70,000	1.17
Emeritus E Commerce			50,000	0.84
Mr Neil Edward Armstrong			46,800	0.78
TOTAL TOP 20	32,522,096	65.60	4,796,742	79.76

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CORPORATE INFORMATION

DIRECTORS

John L C Jones (Chairman)
Tommy D McKeith (CEO)
Ken K Nilsson (COO)
Philip A K Naylor
Denis E Clarke
John A S Dow

SECRETARIES

Gerard F Kaczmarek (CFO)

EXECUTIVE COMMITTEE

Tommy D McKeith
Peter J Doyle
Ken K Nilsson
Gerry Kaczmarek
John L C Jones

REGISTERED OFFICE

c/- McDonald Carter HPW,
Level 6, 31 Queen Street,
Melbourne Victoria 3000
Telephone (03) 8613 8888

PRINCIPAL OFFICE

Ground Floor, 44 Ord Street
West Perth, Western Australia 6005
Telephone (08) 9481 1277
Facsimile (08) 9321 8237
Email troy@troyres.com.au
Web site www.try.com.au

INVESTOR RELATIONS, EUROPE

Henry A Clive
Perrystone Court, Ross-on-Wye
Herefordshire HR9 7QU, United Kingdom
Telephone (44) 01989 780 221
Facsimile (44) 01989 780 666
Email goldenballs@perrystone.freeserve.co.uk

BRAZIL EXPLORATION OFFICE

Troy Brasil Exploração Mineral Ltda
SIA Trecho 2, Lote 1585/1595
71200-020 Brasília - DF, Brasil
Chris C Spurway
Exploration Manager – Brazil
Telephone (55) 61 363 3420
Facsimile (55) 61 363 3546

MONGOLIA EXPLORATION OFFICE

Troy Mongolia Alt Resources
7 Jamian Guni Street
SBD-1, Ulaanbaatar 210648
Mongolia
Ms Tserenjav Tsevegdorjiin
Exploration Manager – Mongolia
Telephone (976) 11 317247, 317201
Facsimile (976) 11 317247

STOCK EXCHANGES FOR QUOTED SECURITIES

AUSTRALIAN STOCK EXCHANGE

Fully Paid	TRY
Partly Paid	TRYCA

FRANKFURT STOCK EXCHANGE, GERMANY

Fully Paid	TRW

SHARE REGISTRY

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street
Abbotsford, Victoria 3067 Australia
GPO Box 2975, Melbourne, Victoria 3001
Telephone (03) 9415 5000
Facsimile (03) 9473 2500
Investor inquiries within Australia 1300 850 505
Investor inquiries outside Australia (61 3) 9415 5000

BANKERS

Macquarie Bank Limited
National Australia Bank Limited

AUDITOR

Deloitte Touche Tohmatsu
Woodside Plaza, Level 14
240 St Georges Terrace
Perth WA 6000

LEGAL REPRESENTATIVE

Mallesons Stephen Jaques
Central Park, 152-158 St Georges Terrace
Perth Western Australia 6000

TROY RESOURCES NL

Ground Floor, 44 Ord Street
West Perth, Western Australia 6005
Telephone (08) 9481 1277 Facsimile (08) 9321 8237
Email troy@troyres.com.au Web site www.try.com.au