

ENVIRONMENTAL, HEALTH, SAFETY AND COMMUNITY REPORT 2006

ENVIRONMENTAL HEALTH AND SAFETY POLICY STATEMENT



TROY RESOURCES NL, AS A RESPONSIBLE COMPANY AND CORPORATE CITIZEN, RECOGNISES AND RESPECTS THE VALUES AND RIGHTS OF OTHERS IN THE ENVIRONMENT. Troy is of the opinion that industry can operate in harmony and with minimal impact on the environment. Troy recognises that environmental performance is an important factor in its business performance and as a measure of professionalism.

Troy recognises that its activities have environmental impacts and that it has obligations to minimise those for the benefit of all.

As a minimum, the Company will comply with all applicable local environmental regulations and obligations.

Troy commits to continually improving environmental performance by increasing environmental awareness and responsibility through education of its employees and contractors.

Troy will improve its environmental performance by:

- integrating environmental considerations into project planning and operations;
- implementing environmental controls and strategies to identify, minimise and where possible, avoid environmental impact from our activities;
- monitoring relevant environmental parameters;
- auditing and reporting on environmental performance;
- preventing pollution by minimising emissions and the generation of waste;
- providing sufficient training and resources for effective environmental management; and,
- having open communication with the community and other stake holders about environmental issues.

Troy intends to be a pro-active environmental manager, and through consultation with the community and government ensure that it remains a good corporate citizen.



J L C Jones CHAIRMAN

T D McKeith CEO

SAFETY POLICY STATEMENT

It is the philosophy of Troy Resources NL that industry can operate efficiently and productively without causing injury or damage to people and equipment. Troy recognises that the safety and health of its employees is of prime importance and is an essential part of the planning and control of its operations.

It is therefore our policy to work towards an accident-free environment in which hazards are controlled or eliminated and safe working attitudes are promoted through consultation and participation at all levels of the work force. There shall be a collective responsibility binding management and employees to achievement of these goals.

Our ability to prevent injuries and damage to our personnel and property is an important measure of our operations efficiency. Success in our safety endeavours is dependent upon the active involvement of every employee of the Company.

T D McKeith

CEO



COMPANY PROFILE



RECENT HIGHLIGHTS

- Acquisition of 19.4% of Comaplex Minerals Corp. which operates the large and prospective Meliadine Project in Nunavut, Canada.
- Acquisition of the Andorinhas Project in Para State in Brazil.
- Profit for the year to 30 June 2006 of \$16.1 million after tax.
- Dividend payment of 7.0 cents fully franked paid in October 2006.
- Total liquid assets of approximately \$53.1million as at 31 December 2006.
- Actively seeking new exploration and development opportunities in Australia and overseas.

AUSTRALIAN STOCK EXCHANGE CODE:

Fully Paid : TRY

Partly Paid : TRYCA

FRANKFURT STOCK EXCHANGE CODE: Fully Paid : TRW

Troy Resources NL ("Troy") is an Australian public company which has been listed on the Australian Stock Exchange since 1987.

Troy's core business is gold mining and exploration and the Company currently has an interest in mining operations at Sandstone in Western Australia and a 70% interest and management of the Sertão Mine in Brazil.

Troy has a very active exploration program with over \$6 million allocated to exploration at Sandstone, Sertão, the Andorinhas project and early stage Mongolian projects. Troy has been involved continuously in mining operations since 1998. In the 2005/2006 year the Company produced 110,263 ounces of fine gold.

Management is focused on continuing training to achieve industry best practice in all disciplines. Regular reviews of safety and environmental management, together with changes to work practices, has seen improving safety records and better environmental awareness.

Troy is fully committed to be an environmentally responsible operator and during 2000 became a signatory to the Australian Minerals Industry Code for Environmental Management.

The Company is committed to the local communities where it operates by providing both financial and administrative support.

Troy has reported profits for the past seven years and has paid seven consecutive dividends to its shareholders, which has risen each year, and is fully franked.

Troy's issued capital is currently: 50.2 million fully paid shares and 5.4 million partly paid shares. The fully paid shares are currently trading on the Australian Stock Exchange at around A\$2.67 each as at 28 August 2007, which gives a market capitalisation of approximately A\$146 million.

MANAGEMENT FLOW SHEET







OCCUPATIONAL HEALTH AND SAFETY



SANDSTONE

Troy has implemented management systems and reporting procedures to minimise the risks and severity of accidents at all of its operations, and is focused on prevention and education.

The operation continues to enjoy a good safety record with no major accidents recorded. There were eleven Lost Time Injuries during the year. The Company continued to provide medical services to its employees outside of work and the majority of consultations were non-work related. The Company also provided emergency and safety training for all personnel, selected contractors and in the case of specialist training it is made available to emergency response groups.

Work place security and safety is promoted and remains at a high level.

BRAZIL

The Sertão operation in Brazil employs approximately 143 people in processing, exploration, mining and administration, 90% of whom are from the local area. There were two Lost Time Injuries during the year, which is a considerable achievement considering the relatively poor understanding of safety and occupational health issues at the beginning of the project. Programmes covering safety and health training are ongoing on a regular basis.

The Company has on its staff one professional Safety Officer and one registered Nurse. The Company supplies influenza vaccines, inoculation against various illnesses and general medical and health advice free of charge. It also continues to provide basic first aid and health training to local residents and school children.

SANDSTONE OPERATIONS (Troy 100%)

CURRENT MINING OPERATIONS

The mining of ore and waste in the Lord Nelson and Lord Henry open pits are progressing well with over 500,000 tonnes of ore mined from the Lord Henry Pit and 3,800,000 Tonnes mined from the Lord Nelson pit during the year.

The waste dumps are progressively being constructed to conform with the final closure plan and topsoil is being continually added to battered slopes.

After consultation with the local pastoralist and the West Australian Department of Environment, the fence line haulroad was upgraded to conform to a standard acceptable to all parties, including the construction standards required for operating ore carrying 'road trains'.

Troy has embarked on a program to audit and upgrade the safety and environment system currently in use at its Sandstone operations. A nationally recognised safety provider and well respected local engineering company have been entrusted with the audit and the company is awaiting their recommendations.

ENVIRONMENTAL MANAGEMENT PLAN

The annual Environmental report was prepared and presented to the state regulatory authorities, and it showed that there were no major problems with contamination or environmental issues. The Environmental Management Plan (EMP), a powerful management tool for the purpose of recording procedures, practices and documentation to manage environmental issues relating to the Lord Nelson and Lord Henry mining operations is currently being compiled and will be submitted to the State Government environmental division later this year.

Environmental strategies at the Lord Nelson and Lord Henry project includes:

- The removal and storage of top soil and cleaned vegetation (including seeds) for use in future rehabilitation works.
- The planned construction of waste dumps to encase material that is chemically and physically unsuitable for plant growth.
- The orderly discharge of ground water from the Lord Henry pit into the local creek systems.
- Construction of a 1-in-100 year storm protection flood barrier.
- Appropriate storage and transportation of all hydrocarbons and chemicals.

MINE CLOSURE PLAN

As Lord Henry and Lord Nelson open cuts will cease production in 2007, a final mine closure plan is being formulated with our environmental consultants to ensure the re-establishment of a local self-sustaining ecosystem, and with our geotechnical consultant to ensure the safety and stability of the mined areas.

PROCESSING PLANT

The processing plant is currently being audited and recommendations will be forthcoming to improve the storage of hydrocarbons and chemicals, procedures in handling dangerous goods, safety systems and plant improvements. A new system of safety and accountability is also being introduced.

TAILINGS STORAGE FACILITY (TSF)

Monitoring of the groundwater quality and levels surrounding the TSF are regularly done using the monitoring bores and the surrounding vegetation is in good health.

In order to minimise the clearance of vegetation ton construct a new TSF, a study is currently underway to examine the feasibility of using a mined open cut as the repository for further tailings disposal.

SANDSTONE SAFETY RECORD

The year 2005/2006 had 11 LTI during the year.

The table below outlines the safety performance of the Sandstone Operation:

LTI	Milling	Mining	Total Site	
2005/2006	4	7	11	

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SANDSTONE GLOBAL REPORTING INITIATIVE

3	Energy Use			
	Diesel	t	3750.18	Used for both mobile equipment and power generation
	LPG	t	220	
	Explosives	t	163.67	
	Power Generated	mWHr	9817.04	Generated from diesel use above
5	Total Water			
	Bore	cu.m	443,803	Includes some pit dewatering by essentially no mining
	Recycled	cu.m	330,135	Recovered from tailings dam
_				
8	Greenhouse Gas Emission			
	CO ₂	t	10091	Calculated from fuel used
		t	1,220	Mine - NPI emission estimation techniques
10	C' '(' + A' E '	•		
10	Significant Air Emis	sion		
	Nox	t	577.24	Calculated with NPI emission estimation techniques
	SO ₂	t	11.8	Calculated with NPI emission estimation techniques
	СО	t	134.58	Calculated with NPI emission estimation techniques
	Total VOC	t	51.31	NPI emission estimation techniques
10	NI 1 10 1 11	<u> </u>		
13	No significant spills of chemicals, oils or fuel			
	3 5 3 10 13	 B Energy Use Diesel LPG Explosives Power Generated Total Water Bore Recycled Greenhouse Gas Er CO2 Significant Air Emis Nox SO2 CO Total VOC No significant spills 	3 Energy Use Diesel t LPG t Explosives t Power Generated mWHr 5 Total Water 6 Greenhouse Gas Emission 8 Greenhouse Gas Emission 10 Significant Air Emission Nox t SO2 t CO t Total VOC t	B Energy Use Diesel t 3750.18 LPG t 220 Explosives t 163.67 Power Generated mWHr 9817.04 5 Total Water 9817.04 6 Total Water 330,135 7 Bore cu.m 443,803 Recycled cu.m 330,135 8 Greenhouse Gas Emission 10091 CO2 t 10091 t 1,220 10 Significant Air Emission 10091 KO2 t 11.8 CO t 134.58 Total VOC t 51.31

EN16 No incidences of fines for non-compliance with national, state and local regulations with environmental issues.

SANDSTONE AREA ENVIRONMENTAL REMEDIATION

A comprehensive audit was completed by our environmental consultants on areas to be rehabilitated and a programme is currently being compiled to revegetate and rehabilitate the affected areas.

Company policy is to rehabilitate all exploration activity as soon as practicable after completion. As such, all drill holes are securely plugged on completion, drill bags are removed from site, drill sumps backfilled and access tracks scarified on completion of the drilling programme. This rehabilitation work is normally carried out within three months of the conclusion of drilling. Elsewhere, historic drill holes have been plugged and drill sites cleaned up as they are identified on Company leases.

WASTE RECYCLING

All waste oils and greases are collected and returned for approved recycling. Oil filters are stored until sufficient numbers are collected then they are returned for recovery of the contained oils and proper disposal. Waste oil is blended with the fuel to be used in the powerhouse engines for production of electricity. Scrap metals and old batteries are periodically returned for recycling.

SANDSTONE AREA TSF EMERGENCY PLAN

Contingency plans are in place to cover adverse impacts on the environment. The Emergency Action Plan for the Tailings Storage Facilities (TSF) is detailed below:

Emergency Action Plan

In the event of a leak or burst pipeline, the Resident Mine Manager will be notified and the pipeline shut down whilst repairs are carried out. If a minor failure of the TSF occurs (breach of the embankment allowing limited discharge of tailings from the TSF):

- The tailings will be diverted to a separate area of the TSF. If it is not possible to divert the tailings, the plant will be shut down.
- Temporary bunds to trap the flow will be constructed if possible.
- Procedures to temporarily repair the area of failure of the TSF will be implemented. This work shall be carried out in close liaison with the geotechnical designers.

If there is a major failure, the following procedures will be implemented:

- The process plant shut down.
- The flow of tailings contained from entering water courses downstream of the TSF.
- Repairs to the failed section of the TSF commenced in close liaison with the geotechnical designers.

In the event that an incident occurs, the Department of Industry and Resources ("DOIR") is notified within seven days of the occurrence.

As part of the operation of a TSF, there is a requirement to report any incidents to the DOIR. In the period covered by this report, there have not been any incidents.



SANDSTONE GOLD PLANT FLOW CHART



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WEST AUSTRALIAN EXPLORATION

Troy's exploration effort in the Sandstone region of West Australia encompasses an area of 1,300km² covering the Sandstone Greenstone Belt. During the 2005-2006, a total of 708 Rotary Air Blast "RAB"/Aircore "AC" holes and 23 Reverse Circulation "RC" holes were drilled. Industry standard environmental practice is utilised by the Exploration Group with respect to surface disturbance, clearing of vegetation and site rehabilitation. Troy works closely with all stake holders including pastoralists, government regulatory agencies and aboriginal groups to ensure any impact on the land is kept to a minimum.

Environment management practices include:

- Where-ever possible pre-existing tracks or gridlines are utilised for rig access to minimise ground disturbance.
- Troy in consultation with Aboriginal stake holders conducts area clearances with to insure the preservation of sites of significance with respect to aboriginal heritage.
- If clearing is required to permit safe rig access and operation then a practice of minimal felling and pruning is employed.
- Flora and fauna studies are conducted to insure all rare species are undisturbed, mature trees are remain standing and local fauna habitats are preserved.
- In instances where thick vegetation is encountered, procedures are employed to preserve rootstock.
- Safe work practices are employed to minimise any potential surface impact of environmental incidents. The company has established incident reporting and clean-up guidelines in accordance with established government regulations.

All site and access track rehabilitation work commences as soon as possible after drilling. This rehabilitation includes:

- Scarification of all tracks, rig sites and sample pads.
- Clean-up and proper disposal of all sample bags and PVC collars.
- Plugging of holes with a cement plug and backfilling.
- Backfilling of drill sumps.



SERTÃO OPERATION, BRAZIL (Troy 70% and Amazonia 30%)

The Sertão operation continued during 2005 / 2006 by completion of mining the Sertão deposit and start of the Xupe mine 20 km from the treatment plant.

The safety performance of the total operation including contractors was at a good level with 3 LTI's of a minor nature being recorded with a total of 20 days lost. Of those 1 LTI was recorded against Sertão with one day lost. There were no environmental accidents or incidents during the year and SML continues to meet all legal requirements in terms of discharge and permissible levels of contaminants. The policy of zero discharge of liquids from the operations continue to be enforced and the level of total CN in tailings was maintained at below .02 ppm by use of the INCO Air detox system aided by other chemical as and when required.

The additional treatment of ore from satellite deposits has not required any additional area outside the original plant and mine foot print with detoxed tailings being placed in a worked out part of the original Sertão pit above the ground water level in a conventional tailings structure. The shut down plan for the processing and mine area include placement of rock on top of the tailings area followed by soil cover and planting of trees from the Company operated plant nursery and also the seeding of superior grasses for cattle feed.

Following completion of the project that area will be returned to the farmer from whom it is leased with better land form for grazing including a small lake suitable for fish farming. The current waste dumps both at Sertão and Xupe show very good and fast re-growth with the exposed pit walls being covered with a matt of coconut fiber pinned to the walls and seeded with grass and local trees. To date this method is working well with tree roots growing into the oxidized wall rock, no significant failures have been noted despite very heavy rains over the last 3 months.



SERTÃO SAFETY RECORD

The year 2005/2006 had 2 LTI with the total site having worked 128,750 man hours.

The table below outlines the safety performance of the Sertão Operation:

July 2005 to June 2006 LOCATIONS	YTD Sertão Employees	YTD Mining Contractor	YTD Security Contractor	YTD TOTAL SITE
Man Hours worked	128,750	112,248	74,725	315,723
Medical treatment on site (for minor ailments)	33	21	0	54
Referred to Doctor – no Lost Time	17	12	0	29
Lost Time Injury	1	0	0	1
Number of days lost due to lost Time injury	6	20	0	26
Off-site injury treated at the mine	428	159	34	621
LOST TIME INCIDENTS	0	0	0	0

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SERTÃO MINERAÇÃO LTDA NILSSON GOLD PLANT



The flow diagram for the Sertão processing plant shows the tailings treatment system and general design. The plant has received a great deal of attention from the Brazilian government and community groups alike because of its small footprint and environmentally sound design.





COMMUNITY INVOLVEMENT AND SUPPORT



BRAZIL

Sertão continues to be involved with the local communities and during the year completed the construction of 5 new class rooms started last year at one of the Faina primary schools. The company is also providing 1st Aid and safety training for local schools and community organisations.

During the year the Company was instrumental in arranging a specialist rescue and emergency response seminar in Goiás Velho. This attracted a large number of professional rescue workers, hospital staff and police from all parts of the state with teacher from main rescue units and major hospitals in Sao Paulo sharing the most recent techniques and methods. The company is continuing its support for the local rescue organisation by way of material and upgrading of equipment. Minor support in the form of funds has also been given to local schools for small projects in terms of audio visual and computer equipment purchases.

The construction and equipping of the Goiás Velho intensive care unit is ongoing and scheduled for completion early 2007. SML continues to strongly support local communities and during the year concluded the construction of the microbiological laboratory at the Faina Hospital. SML also supported the Goiás Velho emergency service with First Aid and rescue equipment. Education remains as a major interest and during 2005 the Company provided Audio Visual and Computer equipment for the Faina High school as well as a new system of cooling fans.

SML commissioned an Environmental Film based on Sertão to compete in the FICA. The FICA is the international environmental film and cultural festival which is held in May in Goiás Velho in Brazil. The SML film was screened twice on Saturday to an audience of ~ 200 critics and general viewers followed by a special screening for the judges. The film is largely educational and will be used by the DNPM to promote mining. It includes a statement by the Governor regarding our detox system. The title is "Sertão, Muito Alem do Ouro" which roughly means Sertão, many things apart from Gold.

At the end of the year SML commenced construction of five new class rooms for one of the Faina primary schools where pupils are currently being taught in what can best be described as a partly sheltered outdoor environment, this is due for completion in February 2006.

The company also committed to providing equipment to establish an intensive care unit at a local Goiás Hospital. None exist today in a region with some 50,000 people, most of the equipment has been delivered and completion should occur in March 2006.



SML also continues its program of assisting local schools with education in safety, First Aid and general hygiene.

The town of Faina, the area in which Sertão operates, has greatly benefited from our activities from a fiscal point of view. The Brazilian system of tax distribution to local communities based on sales tax receipts by State and Federal Government has seen that part of income for Faina raise substantially and it is expected to grow by a further 92% in 2006.

The donation from Sertão Mineração Ltda to the Faina Maternity Hospital consisted of the cost of completing the construction and equipping of the micro biological laboratory attached to the Faina Hospital.

The Laboratory more specifically is focused on maternity work and pre and post natal work. It has given the community a real boost by not having to send expecting mothers on long journeys to major centres for tests. The staff at the laboratory consists of a fully qualified micro biologist with two assistants, two people working in the reception and others as required.

Faina is the closest town to the mine site ~ 40 km from the mine with a population of ~ 3 -4,000 with a large farming community around. A substantial number of mine employees live in Faina and the surrounding area. The total value of the donation was ~ R\$ 80,000.00 plus the supervision / control of the completion of the building. We are looking at other such projects for the future focusing on health and education. Troy's JV holding in SML is 70%. R\$80,000 (eighty thousand Brazilian Reais) is equal to approximately A\$44,500.

SANDSTONE, AUSTRALIA

The company has continued its support for the St John Ambulance sub centre at Sandstone in the interest and safety of its employees and the Sandstone Community. Troy donated \$12,500 to the Shire of Sandstone for PVC awnings for the Sandstone Community Centre.





BRAZIL - SML EXPLORATION

Troy's 70% owned Sertão Mineração Ltda "SML" is exploring an area of 746km² in the Faina and Goiás Greenstone Belts in Brazil. Exploration during 2005-2006 consisted of geological mapping, soil and rock chip sampling as well as drilling of 109 RC, 275 RAB and 9 diamond core holes.

All work is completed to minimise impact on the environment. Extensive consultation is undertaken with local land holders and access agreements are signed before any surface disturbance is undertaken. Rehabilitation focuses on returning the area to its original state with the removal of all drill samples and spoil piles, reconstruction of topography, scarification of tracks and drill sites and finally the sowing of local seeds and planting of young trees grown in the SML nursery during the wet season.

MONGOLIAN EXPLORATION

Troy through Troy Mongolia Alt Resources "TMAR" has implemented operating procedures modelled on the company's Australian environmental protocols. All work is completed to minimise impact on the environment. Engagement with the local community is a critical component of our exploration work in Mongolia.

Most of the work completed by TMAR since the company's establishment in 1999 has been low impact exploration comprising of surface mapping, rock & soil sampling and ground geophysical work. Camp site clean-ups and rehabilitation are completed at the end of each field program.

Since late 2004 TMAR has completed diamond core and reverse circulation drilling on the Tsagaan Chuluut (19 holes / 2236.8m), Nomgon Uul (22 holes / 1764m), Gutain Davaa (50 holes / 3,943.5m) and Altanshiree (20 holes / 1292.1m) properties. Rehabilitation plans for all 4 drilling areas are in place and work will be completed in the late spring and early summer of 2007.



Established protocols include:

- TMAR consults with local inhabitants, communities and other stake holders prior to commencing exploration work and keeps all concerned parties informed as to the work completed and future plans. Establishment and maintenance good local community relations is a key component of our ongoing exploration work with an ongoing exchange of information regarding our exploration activity, environmental rehabilitation principles and policy.
- Before starting all the field work an environmental protection and rehabilitation plan is prepared and submitted for approval to the local government. Site work is monitored by the state environmental inspectors. After exploration ceases and site rehabilitation work is complete government officials review the work as per an established official sign-off procedure.
- Where-ever possible pre-existing tracks or gridlines are utilised for rig access to minimise ground disturbance. If clearing is required to permit safe rig access and operation then a practice of minimal felling and pruning is employed. In instances where thick vegetation is encountered, procedures are employed to preserve rootstock.

- All site and access track rehabilitation work commences as soon as possible after drilling. This rehabilitation includes
 - Re-contouring of all tracks, rig sites and sample pads.
 - Clean-up and proper disposal of all sample bags and PVC collars.
 - Plugging of holes with a cement plug and backfilling.
 - Backfilling of drill sumps.
- Adequate fire protection measures are employed by all field crews with the company providing fire protection equipment and training.
- Where possible TMAR hires individuals from local communities and train them as field assistants during the exploration program. Preference is given to local community suppliers for the purchase of provisions for the field camp.
- Safe work practices are employed to minimise any potential surface impact of environmental incidents. The company has established incident reporting and clean-up guidelines in accordance with established government regulations.



GLOSSARY OF TERMS

CIL:	Carbon-In-Leach. Process for recovery of gold dissolved in cyanide by adsorption onto granules of carbon added to the slurry in the Treatment Plant.
CO	Carbon Monoxide
CO ₂	Carbon Dioxide
Fauna:	Animals of a region
Free Cyanide: LTI (Lost Time Injury):	Cyanide ion released into aqueous solution when solid cyanide is dissolved in water. A work injury that results in an absence from work of at least one full day or shift any time after the day or shift on which the injury occurred.
Minerals Industry Code for Environmental	The Australian Minerals Industry Code for Environmental Management requires Signatories to commit to openness, transparency and improved accountability through public environment
Management:	reporting and engagement with the community. Becoming a Signatory to the Code is voluntary.
MTI (Medical Treatment Injury):	Injury requiring treatment by off-site medical professionals.
MTI Frequency:	Medical Treatment Injury per 1,000,000 worked.
Nox:	Nitrogen Oxide.
NPI:	National Pollution Inventory.
So ₂	Sulphur Dioxide
Tailings:	Waste stream produced by gold operation after mined rocks are crushed, ground and treated with chemicals.
TSF (Tailings Storage Facility):	Tailings are piped into engineered impoundments known as tailing storage facilities, which are developed, operated, monitored and maintained to prevent seepage and water contamination both during and after mining operations.
WAD Cyanide	A measure of the free cyanide and cyanide from weakly complexed cyanide compounds
(Weak Acid Dissociable Cyanide):	released into solution in mildly acidic conditions. WAD cyanide is a measure of the toxicologically important forms of cyanide.
VOC:	Volatile Organic Compound.





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