



TROY RESOURCES NL

ABN 33 006 243 750

QUARTERLY REPORT FOR THE THREE MONTHS ENDING 31 DECEMBER 2008

HIGHLIGHTS

31 DECEMBER 2008

Troy Resources NL
ABN 33 006 243 750

44 Ord Street
West Perth
Western Australia 6005

Tel: +61 8 9481 1277
Fax: +61 8 9321 8237

E: troy@troyres.com.au
W: www.troy.com.au

Corporate Details

ASX Code: TRY
TSX Code: TRY

Issued Capital:
69,837,533 ordinary shares
4,866,045 partly paid
350,000 unlisted partly paid
2,837,000 unlisted options

Directors:

Non-Executive Chairman:

John Dow

Executive Directors:

Paul Benson

Ken Nilsson

Non-Executive Directors:

John Jones

Denis Clarke

Alan Naylor

Gordon Chambers

Paul Benson
CEO
29 January 2009

HIGHLIGHTS

- Total gold production of 15,233oz at an average cash cost of A\$792/oz (US\$547/oz). This brings year to date production to 32,450oz at an average cash cost of A\$742/oz (US\$537/oz).
- At Sandstone treatment of low grade stockpiles resulted in 8,429oz at a cash cost of A\$806/oz (US\$557/oz)
- A decision to recommence mining at Sandstone will see the mine life extended until the end of calendar 2009 and the addition of about 30,000 ounces to Troy's calendar 2009 production.
- At Andorinhas operational performance continued to improve with production of 6,804 oz and average cash costs of US\$535/oz compared to US\$660/oz in the September quarter.
- Underground development at Mamão is on track with the first development ore to enter the mill in February.
- As at December 31 Ore stockpiles at Andorinhas were 290,000t at 2.7g/t.
- Regional exploration of the Horizonte JV area produced encouraging preliminary channel sampling results of **3.0m grading 13.55g/t gold and 3.5m grading 9.65g/t gold**. The zone remains open along strike and at depth. Exploration is continuing.
- Troy has no debt and the only hedging are Australian dollar put options.
- Cash, bank deposits and bullion of A\$60m.

OPERATIONS

- Sadly the company recorded its first ever fatality. A shift supervisor in the mill at Andorinhas died from injuries received while working near a conveyor.
- At Sandstone, the excellent performance in the previous quarter continued through the December quarter with 139,424t at 2.12g/t processed resulting 8,429oz at a cash cost of A\$806/oz (US\$557/oz)
- At Andorinhas, 56,744t at 4.34g/t gold were processed resulting 6,804oz at an average cash cost of A\$775/oz (US\$535/oz).
- Mining of the Lagoa Seca open pit was completed in November. The Andorinhas plant will process stockpiles until underground ore enters the mill feed. As at December 31 ore stockpiles were 290,000t at 2.7g/t gold which represents approximately 15 months of mill feed.
- At the Mamão underground mine, development continued with the mining of first ore during the quarter. Development ore grading about 5g/t gold is due to enter mill feed in February. The underground grade will increase in the June quarter as more ore is sourced from stoping rather than sill development.



PROJECTS

- On January 20th Troy announced it was to recommence mining at Sandstone with a cut back in the Lord Nelson Pit that will add about 30,000 ounces to Troy's production in calendar 2009. The high Australian dollar gold prices mean that it is now economic to resume mining at Lord Nelson. This decision will see the mine life extended through at least the end of calendar 2009.
- As this new production is relatively high cost Troy has purchased put options at A\$900 per ounce gold. This minimizes the financial risk while maintaining full upside to rising Australian dollar gold prices
- Several months of overburden stripping is required before first ore will reach the mill which is expected to be in the June quarter. Thus processing of low grade stockpiles and mineralised waste will continue through the March quarter.
- With the recommencement of mining at Sandstone the company has reviewed the exploration potential keeping in mind the higher Australian dollar gold price and falling exploration costs. A new program to test a number of established targets and follow-up the strike extensions of the Two Mile Hill discovery is being planned and drilling is expected to commence in the June quarter.
- The credit crisis has had a major impact on the iron ore market which has impacted the timing and scope at which we develop the Andorinhas iron ore project. We are still in discussion with potential customers but it is unlikely that a decision to proceed will be made in the current financial year.

Commenting on the quarter, Troy CEO Paul Benson said, "The negative in what was otherwise a very solid quarter for Troy was the fatality at Andorinhas. This was particularly sad as it was Troy's first ever fatality. A thorough investigation was completed and it appears the employee in question failed to follow a number of well established safety rules. A program of communication across both our sites was stepped up following the accident to ensure all employees are aware of and follow all required safety procedures.

Sandstone continued to perform well despite processing low grade stockpiles. Earlier this month we announced that we would recommence mining at the Lord Nelson Pit at Sandstone which will add about 30,000 oz of gold production in calendar 2009.

With the extension of operations, the higher gold price and the fall in Australian exploration costs we are reviewing plans to recommence gold exploration at Sandstone. At this stage we envisage drilling commencing in the June quarter.

At Andorinhas; open cut mining at Lagoa Seca was completed in November and the focus is now entirely on the high-grade Mamão underground mine. Development is continuing and we have commenced stoping in the upper part of the ore body. At this stage we expect to start treating the Mamão development ore as planned in February.

It is worth emphasizing that we have over 290,000t of ore at a grade of 2.7g/t stockpiled which represents well over a year of mill feed and thus is a perfect buffer while ramping up of the underground to full production.

Our regional exploration of the Horizonte JV Rio Maria West tenement yielded encouraging preliminary channel sampling results of 3.0m grading 13.55g/t gold and 3.5m grading 9.65g/t gold. Work is continuing and we expect to drill this area after the end of the rainy season. This is particularly interesting as it is within easy trucking distance of the Andorinhas mill and thus even a small resource could support development.

The company has A\$60m in cash and bullion, we have no debt and the only hedging we have is via Australian dollar gold put options put in place to protect the Sandstone cutback from any fall in Australian dollar gold price, thus we are fully exposed to any increase in the gold price.

With a market capitalization of just A\$71m we are clearly undervalued in the market. In recent weeks a lot of Australian based producers have seen their share prices post significant gains which in one part will be due to the increased margins resulting from a falling Australian dollar. It is worth noting that over the last 6 months the Brazilian Real has fallen even further against the US dollar than the Australian dollar thus generating even greater margin expansion.



CORPORATE

WA - Southern Cross JV: On October 31st the sale of the Southern Cross Joint Venture was completed and a cheque for \$372,000 was received from St Barbara Mines. Troy holds an entitlement to additional payments should gold production from the property exceeds 172,000oz. St Barbara has assumed all existing clean-up and rehabilitation liabilities.

OPERATIONS

SANDSTONE – AUSTRALIA (Troy 100%)

Production Summary

	December 2008 Quarter	December 2007 Quarter	6 Months to December 2008	6 Months to December 2007
Tonnes Milled	139,424	110,821	286,097	230,814
Head Grade g/t	2.12	2.61	2.28	2.64
Recovery	88.8	92.4	89.8	92.1
Gold Produced oz	8,429	8,616	18,700	18,051
Cash cost per oz	A\$806 US\$557	A\$633 US\$555	A\$707 US\$479	A\$649 US\$569

Health, Safety & Environment

There were no LTI's recorded during the quarter.

A safety and environmental audit was conducted by the OH&S department during the quarter, no major issues were raised.

An updated mine closure plan is currently being finalised by our environmental consultants Keith Lindbeck and Associates.

Mining

Mill feed is currently being transported from stockpiles located at the mine by our mining contractor Hampton Transport Services. At the end of the quarter, approximately 560,000 tonnes of ore grading 1.01g/t Au was stockpiled at the mine and mill.

Sandstone had been scheduled to close in February but on January 20, 2009, Troy announced the decision to extend the mine life of the Sandstone operation.

With the increase in the Australian dollar gold price the economics of recommencing mining at Sandstone was re-examined. At the current gold price it is economic to treat remaining ore from the Lord Nelson pit. Mining of overburden will commence as soon as final State Government, Department of Mines regulatory approval is received and ore is expected to enter the mill in April. In the meantime the plant will continue operations treating low-grade stockpiles. We expect this plan to provide sufficient ore to maintain operations through to the end of calendar 2009.

The remaining ore at Lord Nelson is low grade and thus the production will be relatively high cost but at these Australian dollar gold prices this is a value creating exercise for Troy.



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Due to both the relatively high cost of this production and the cash flow profile, Troy has purchased Australian dollar gold put options totalling 29,200 ounces with maturity dates between April and December 2009 and strike (floor) price of A\$900.00 per ounce. The purchase of these options minimises downside risk while maintaining full exposure for Troy to any increase in the Australian dollar gold price.

Processing

139,424 tonnes of ore at a grade of 2.12 g/t of gold was milled during the quarter yielding 8,429 ounces of fine gold. Mill throughput was slightly restricted because of repairs to both crushers. Mill throughput and gold produced again exceeded the budget for this quarter.

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

Production

During the quarter a total of 56,744t @ 4.34g/t was treated at an average recovery of 86.5% to produce 6,804 oz of Gold which is in line with the budget. Year to date production is 13,750 oz at a recovery of 87.9% which is slightly ahead of budget.

	December 2008 Quarter	6 months to December 2008	September 2008 Quarter
Tonnes Milled	56,744	102,500	45,756
Head Grade g/t	4.34	4.79	5.46
Recovery %	86.5	87.9	88.9
Gold Produced oz	6,804	13,750	6,946
Cash cost per oz	A\$775	A\$789	A\$804
	US\$535	US\$617	US\$660

The quarter continued to be affected by power supply problems with as many as 5 power failures per day early in the period. At the end of the quarter the power provider seem to have improved the stability of the supply and plant availability is considerably improved.

Health, Safety & Environment

Reinarda sadly recorded one fatality during the quarter which occurred when a process plant shift supervisor sustained fatal injuries after being trapped in a crusher conveyor. The accident investigation showed no fault by Reinarda.

The company also recorded a lost time injury resulting in 15 days lost time. Total man hrs worked for the quarter was 185,492 including contractors.

There were no reportable environmental incidents during the quarter and environmental monitoring of water quality has shown no pollution of the environment. A certificate was received from the State Environmental Authority confirming that the Company is operating in compliance with permits.



MINING

Lagoa Seca open pit

All mining ceased at Lagoa Seca during November. The closure was earlier than originally planned due to higher than budget extraction rates being achieved.

Total production was:-

Mining Lagoa Seca	Waste bcm	Ore t	Gold Grade g/t
Quarter	14,119	60,889	2.51
Year to date.	91,018	215,641	3.28

Rehabilitation of the mine area is ongoing and expected to be completed during January 2009. Mining in this area may re-commence at a future date but current stockpiles do not warrant any further mining at this stage.

Underground Mining at Mamão.

During the quarter the main decline development reached the 1148 level and the access to the M2 ore body progressed ~ 120m. Stopping commenced at the 1160 stopping blocks with a total of 10,501t of development ore at a grade of 4.84g/t being stockpiled. A new life of mine plan was developed to cover the currently known reserves. The arrival of an underground diamond drill planned for early in the March quarter will see the start of a drill program to build on existing resources and reserves.

The quarter suffered from a Loader failure and some loss of advance of the decline but planning is to recover this during the March quarter 2009. An additional large loader will be hired for 1 to 2 months to assist in achieving this.

Stockpiles

End of December stockpiles

Source	Ore t	Gold Grade g/t
Lagoa Seca	293,441	2.73
Mamão	10,501	4.84

Permitting

During the Quarter all temporary permits were renewed and the current status is covering the operation for a further 120 days for Lagoa Seca processing and Mamão for 180 days.

The full operating permit is recommended for approval by the Environmental Agency and is currently awaiting sign off by COEMA the State Committee and DNPM. When this occurs the temporary permits will fall away. We are still waiting for details of the approval of the Iron ore mining permit which is part of the above process.



Iron ore

Further discussions were held with interested parties in terms of take off agreements.

Plant construction proposals were received and follow up work is under way. Because of the drop in demand for Pig Iron market conditions has worsened and the current proposals are centred around a supply of 30,000t/mth of ore to local smelters.

Community

The quarter saw the completion of the artificial lake constructed in the Town of Floresta as part of a sports and cultural activities area. The final work on the football field is planned for Feb 2009.

The work of the community liaison committee has resulted in identifying the construction of a works facility for Floresta women to aid in making clothes for families as the most efficient or highest priority project at the moment and Reinarda commissioned an Engineer to design a suitable building and is currently acquiring quotes for material and construction.

REINARDA MINERAÇÃO LTDA

EXPLORATION - BRAZIL

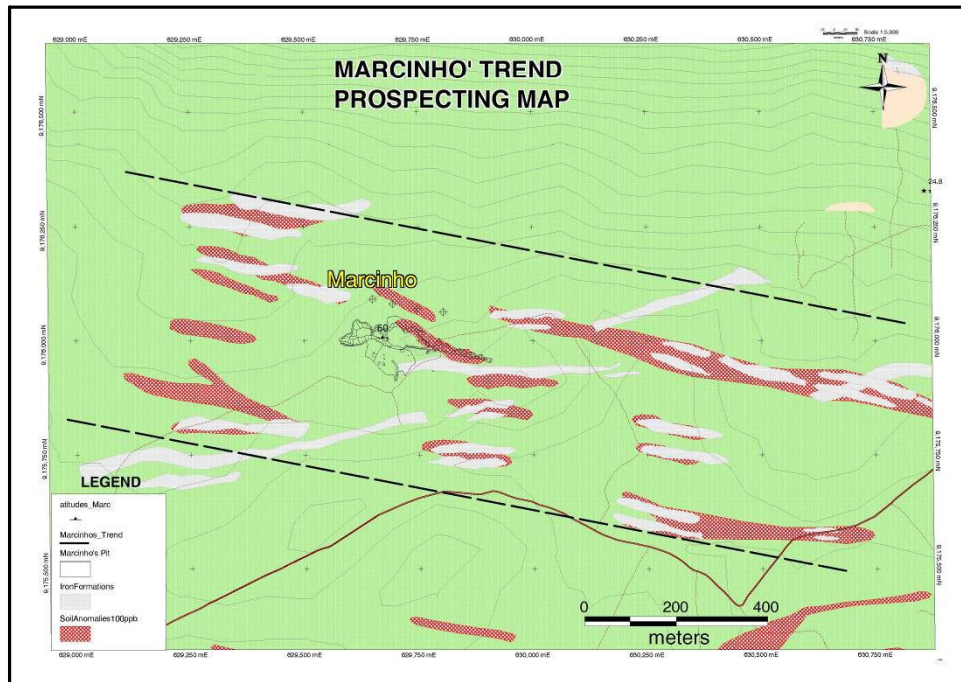
ANDORINHAS PROJECT – BRAZIL (Troy 100%) GOLD EXPLORATION

Mamão-Babaçu Trend

At **Bico Fino** in the easternmost part of the **Babaçu Trend**, three “first pass” RAB holes produced encouraging gold grades that included BBR044 **2m at 12.75g/t from 19m downhole**, BBR046 **4m grading 6.65g/t from 59m downhole** and BBR048 – **3m at 11.97g/t from 4m downhole**. Follow-up field mapping has confirmed an interpreted offset to the southeast indicated by historic ground EM survey data. The **Bico Fino Trend** may be displaced to the south at the east end by a dextral strike slip fault. A soil sampling program is planned to test the continuation of mineralisation. Quartz outcrops were mapped along access tracks in this thick regrowth jungle covered area.

All available data for the **Marcinhos Trend** has been reviewed and interpreted. The old workings strike of N090°E to N110°E and dip -45° to -60° to the north. Gold mineralisation is hosted by quartz veins within a shear zone comprising chlorite schist and metabasalt containing disseminated pyrite. The only four Diamond Core holes at **Marcinhos** were completed by VALE (CVRD) prior to garimpeiro activity and targeted gold-in-soil anomalies. Recent geological mapping indicates the dip of the mineralised structure may be steeper and the 4 holes did not test the vertical projection of the mineralisation exposed in the workings.

Prospecting and geological mapping has confirmed that all gold-in-soil anomalies coincide with folded and brecciated subcropping/outcropping Banded Iron Formations (“BIFs”) that occur as thin discontinuous east-west striking lenses within metabasalt and metasediment. The host metasedimentary rocks consist of quartzite and red / ferruginous meta-arenite. Rock chip sampling of sulphide bearing quartz veins in the old workings returned a peak value of **3.98g/t gold**. Infill soil sampling is planned with drilling possible in the April to June Quarter.



Marcincho Trend Geology

Regional Program – Horizonte Tangara JV (Troy Earning 100%)

West Rio Maria Target

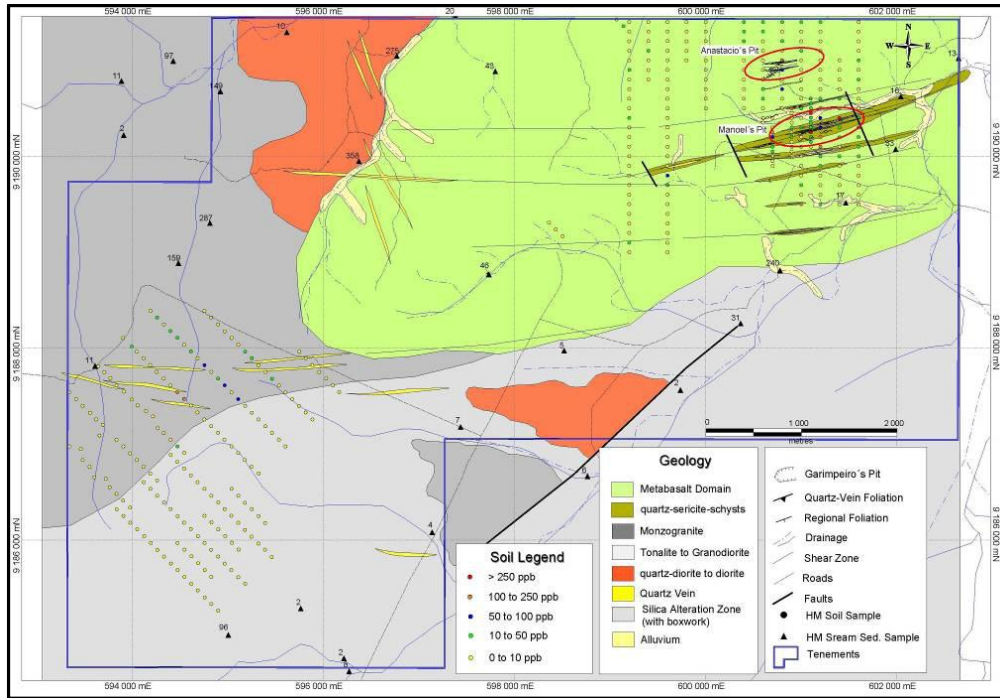
Recent geological mapping and channel sampling has identified several east-west striking zones of gold mineralisation on the Rio Maria West tenement. The **West Rio Maria Target** area is located to the west of the Rio Maria town site. The target consists of a gold-in-soil anomaly with values up to **1,443ppb** along a west-southwest striking 1,000m trend. In late October, field reconnaissance work commenced to verify the historic gold-in-soil and stream sediment anomalies. The soil anomalies coincide with areas of mineralised quartz vein “float”, outcropping quartz veins and garimpo workings. The stream sediment anomalies are related to alluvial gold workings on creeks that drain the vein zones and workings. The region has been worked by garimpeiros since the 1980’s.

The bedrock geology is dominantly mafic and is consistent with the mafic domain of the Rio Maria Greenstone Belt. The quartz veins are hosted by silicified and sericite altered basalt and metasediments. The host rocks are intensively sheared with late folding associated with thrust faults. Intersection zones of low angle faults and the axial plans of folds are preferential sites for quartz vein development.

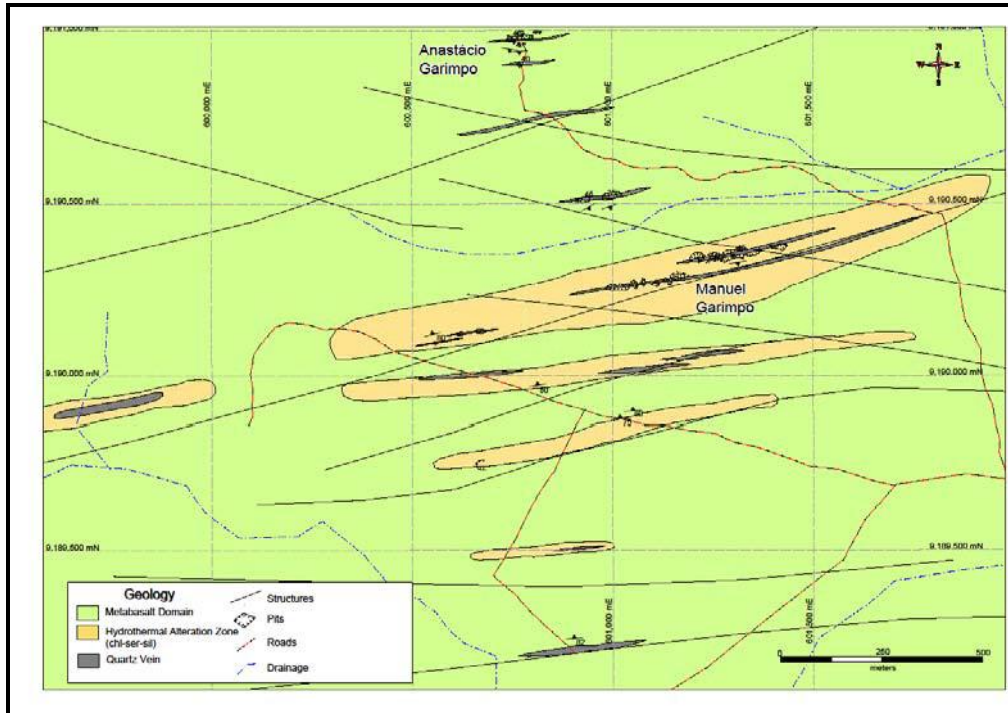
Artisanal gold workings are located within the east–west strike trend and reach maximum dimensions of 60m by 30m by 12m depth. Exposed within these workings are narrow, intensively deformed quartz veins (<1m thick) with “box-works” textured pyrite and visible gold.

The garimpo workings focussed on quartz veins up to 0.60m thick hosted by silica-sericite altered sheared metasediments. The **Manuel Garimpo** pits are clustered in two zones of 500m and 150m in length along a N260°E azimuth trend over a 1000m strike length. The main **Manuel Workings** comprise of a series of primitive pits and shafts over a 300m strike length. The gold mineralisation is associated with quartz veins. Veins are approximately east-west striking with a -30° to -45° dip to the north. Structural controls are not yet completely understood. Channel sampling of the quartz veins exposed within the workings yielded a best interval of **3.0m grading 13.55g/t gold** (see Table #1).

The **Anastácio Garimpo** is located to the north of **Manuel Working** and is an active local mining site where 10 individuals are working with metal detectors and operating a small scale crushing and grinding circuit.



Horizonte JV - Geology of the West Rio Maria Tenement

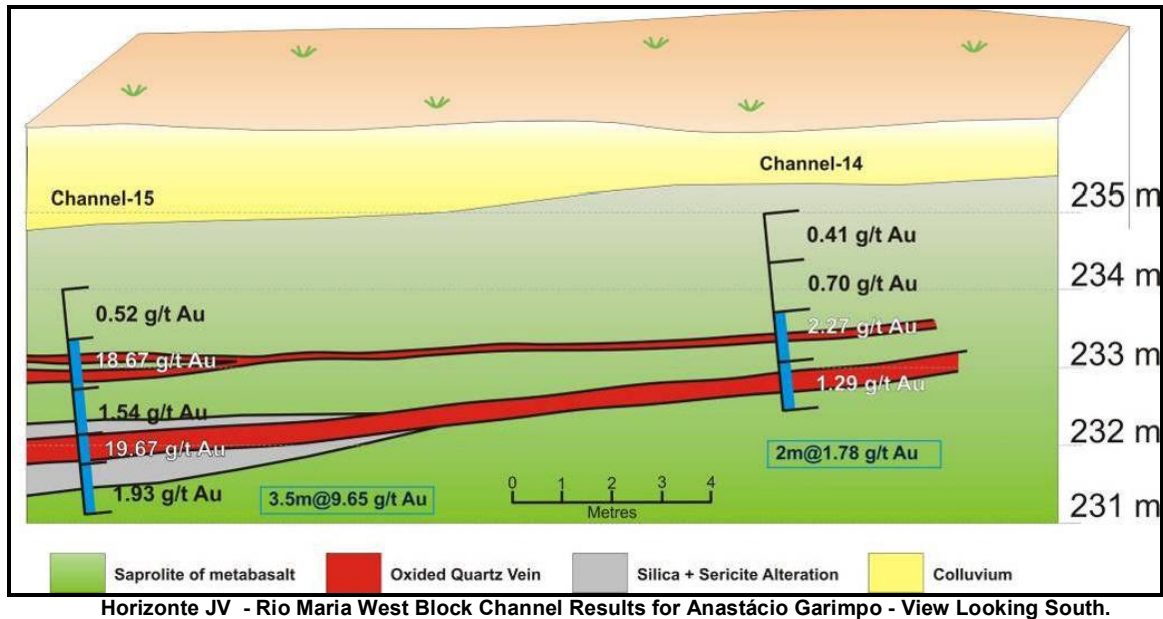


Horizonte JV - West Rio Maria Target Geology and Garimpo Workings

At the **Anastacio's Garimpo** gold mineralisation is hosted in mafic saprolite and consists of several thin (cm) quartz veins with iron oxides and some boxworks. The locals active on the site are chasing a series of shallow south dipping quartz veins within weathered saprolite material. Channel sampling of the quartz veins exposed within the workings yielded a peak result of **19.81g/t gold** within a wider interval of **3.5m grading 9.65g/t gold** (see Table #1 and Figure below).



The zone remains open along strike and at depth and several anomalous results from wide spaced historical soil sampling suggests there is potential for parallel zones. Drilling is planned to commence after the rainy season in April – May 2009.



Soil sampling programs have been proposed to check extensions of mineralisation of the West Rio Maria garimpos. An infill soil sampling program of 340 samples on a 50m x 100m grid is planned for the next quarter. Drilling will follow after the end of the rainy season in the April to June quarter.

EXPLORATION - AUSTRALIA

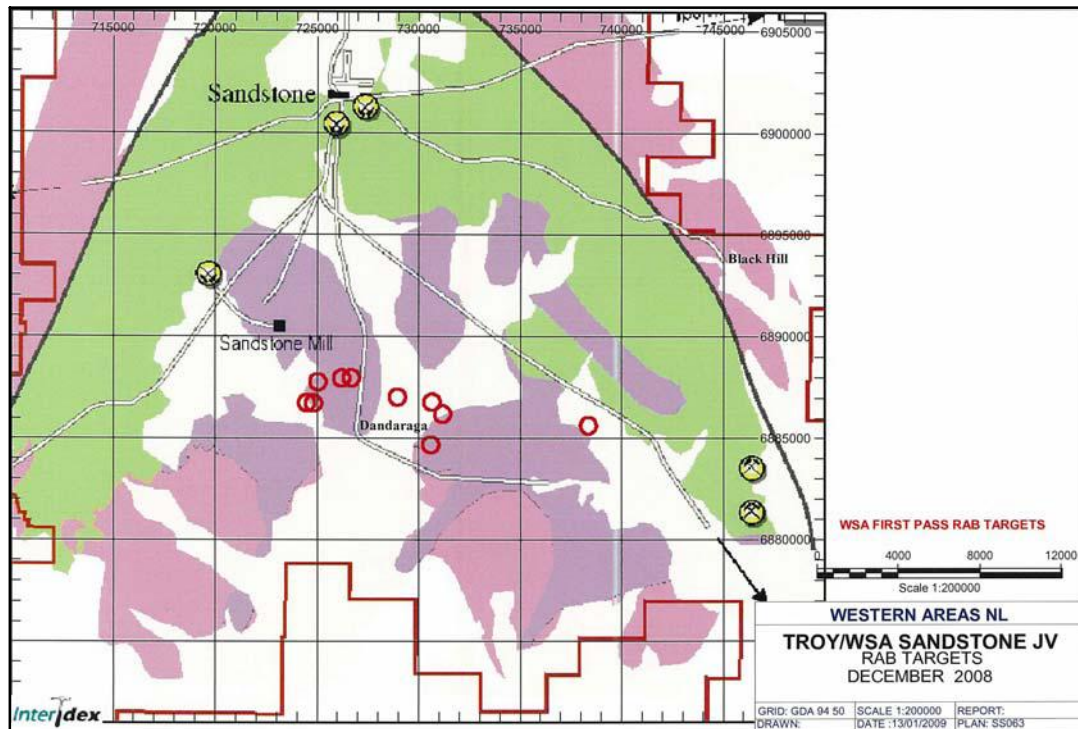
WA - Sandstone Project (Troy 100%)

Sandstone Nickel JV (Western Areas earning up to 70%)

Nickel exploration continued with the re-sampling and logging the bottom of old Rotary Air Blast "RAB" drill holes. Work was completed in the area southeast from Dandaraga Homestead, in the **Dandaraga, Cruciform and Swede Targets** and south and west of the Sandstone – Menzies road. Sampling statistics for the project to date are as follows:

- 3,112 hole sites visited
- 2,019 holes located and re-sampled
- 822 sites not located and / or re-sampled (27% rate)
- 48 additional rock chip samples collected for geological mapping purposes – geotechnical analyses received
- 1,948 chemical assays results received to date

To date a total of ten targets have been identified for follow-up RAB drilling.



Sandstone Nickel JV - Western Areas Nickel Targets

EXPLORATION - MONGOLIA

Mongolia Project Generation: University of Western Australia - Centre for Exploration Targeting (UWA-CET) Project Generation Study (Troy 100%)

The UWA – CET Mongolia Weights of Evidence (“WofE”) Targeting Identified 405 orogenic type gold targets of which 26 targets were identified as “High Priority”. Targeting using a “Fuzzy Logic” approach, confirmed most of the WofE targets.

During the quarter, work focused on re-evaluation and classification of the WofE targets by land status, geological setting, geochemistry and geophysical data. As a result of this work a number of new tenement applications have been lodged in the Cadastral Office.

The Mongolian team has been assigned the task of completing detailed investigations to compile all available data pertaining to the 26 priority targets and subsequently all remaining WofE targets. The best targets resulting from this work will be investigated in the field commencing in April 2009.

Dornogovi Coal Project (Troy 100%)

A local Mongolian domiciled exploration company undertook due diligence drilling for coal on one of the 3 remaining DG licenses and has agreed in principle to purchase the 9402X tenement. This transaction is expected to close in January 2009.

Tsagaan Chuluut Project – (TMAR 100% BUT scheduled to be relinquished during January quarter 2009): A local Mongolian domiciled exploration company has agreed to purchase the 4 exploration licenses. This deal will close in January 2009.



FINANCIAL REPORT

CASH POSITION

As at 30 December 2008, Troy within Australia held \$55.9M in cash and bank deposits with major Australian banks and 2,568 ounces of gold awaiting sale (\$3M at A\$1,200 per ounce). This equates to a total of approximately \$58.9M of liquid assets.

Troy's wholly owned Brazilian and European subsidiaries held cash deposits of \$0.5M. At quarter end, Sertão Mineração Ltda ("SML"), Troy's 70% owned Brazilian subsidiary, had the equivalent of \$0.5M in cash (Troy's share). Reinarda Mineração Ltda ("RML") held 136 ounces of gold awaiting sale (\$0.2M at A\$1,200 per ounce).

The Troy group equity share of cash and gold awaiting sale was approximately \$60.1 million as at 31 December 2008.

GOLD SALES

Gold sales from the Sandstone operation for the quarter were 8,668 ounces at an average price of A\$1167 per ounce. The average Cash Cost was A\$806 per ounce which gives a Cash Margin of \$361 per ounce for the quarter.

During the quarter, RML sold 7,200 ounces, of gold at an average price of US\$761 (A\$1,102) per ounce. The average Cash Cost was US\$535 (A\$775) per ounce, which gives a Cash Margin of US\$226 (A\$327) per ounce for the quarter.

FUNDING

The company is debt free.

HEDGING

Troy entered into a hedging agreement on 29 December 2008 purchasing put options to hedge forecast production from the planned Lord Nelson cut-back at Sandstone totaling 29,200 ounces.

The options are at a strike (floor) price of A\$900.00 per ounce and with maturity dates between April and December 2009.

EXPLORATION EXPENDITURE

During the quarter, exploration expenditure incurred was \$11,000 in Australia, \$194,000 in Mongolia and \$1,150,000 in Brazil. Troy's total exploration expenditure for the quarter was therefore \$1,355,000.

CAPITAL EXPENDITURE

Capital and development expenditure during the quarter was \$2.4 million which was predominantly on the Andorinhas Project in Brazil.



FURTHER INFORMATION

P Benson Chief Executive Officer

Telephone +61 (0)8 9481 1277

Email troy@troyres.com.au

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

- Is a full time employee of Troy Resources NL
- Has sufficient experience which is relevant to the type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'
- Is a Member of the Australasian Institute of Mining and Metallurgy
- Is a Qualified Person for the purposes of National Instrument – Standards of Disclosure For Mineral Projects of The Canadian Securities Regulatory Authority.
- Has verified the data disclosed including sampling, analytical and test data underlying the information in this document
- For a description of exploration sampling protocols and QA/QC program refer to the Andorinhas NI-43101 Technical Report dated 10 December 2007 and the Sandstone NI-43101 Report dated 10 December 2007
- Has consented in writing to the inclusion of this data

Table #1: Horizonte JV West Rio Maria Target Preliminary Channel Samples Significant Gold Assay Highlights - Manuel Garimpo & Anastacio Garimpo		
Channel	Sample Interval & Average Gold Grades	Host Lithology
WRM-02 Manuel	0.6m@5.18 g/t Au	Quartz Vein
WRM-05 Manuel	3.0m@13.55g/t Au including 2.0m@19.8g/t Au	Quartz Sericite Schist & Quartz Vein (80cm)
WRM-06 Manuel	3.0m@2.85g/t Au including 1.4m@5.02g/t Au	Quartz Sericite Schist & Quartz Vein
WRM-14 Anastacio	2.0m@1.78g/t Au	Metabasalt Sapolite & Quartz Veins
WRM-15 Anastacio	4.5m@7.62g/t Au including 3.5m @ 9.65g/t Au	Metabasalt Sapolite/Quartz Vein

Note: All Assay results tabulated above were analysed at the Company's in-house site based analytical laboratory. Check sampling and independent analytical checks are in progress.